

# MARYLAND REVENUE ESTIMATES

*BOARD OF REVENUE ESTIMATES  
DECEMBER 2020*

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# High Level Comparison (Dec to Sep)

<b>December Estimates Versus September Estimates</b>		
Tax Type	Fiscal Year 2021	Fiscal Year 2022
Personal Income Tax	\$65.7	\$115.3
Corporate Income Tax	(29.7)	50.5
Sales Tax	75.7	(3.9)
Lottery	35.3	10.5
Other	(83.2)	38.3
<b>Subtotal: Ongoing Revenues</b>	<b>63.8</b>	<b>210.7</b>
Volatility Cap	0	(68.1)
<b>Total: Net General Fund</b>	<b>63.8</b>	<b>142.6</b>
Notes: Dollars in Millions		

# High Level Comparison (Dec to Mar)

<b>December Estimates Versus March Estimates</b>		
Tax Type	Fiscal Year 2021	Fiscal Year 2022
Personal Income Tax	(\$186.9)	\$(113.9)
Corporate Income Tax	(32.2)	(6.4)
Sales Tax	(340.5)	(215.8)
Lottery	41.9	16.0
Other	(91.2)	7.9
<b>Subtotal: Ongoing Revenues</b>	<b>(608.8)</b>	<b>(312.2)</b>
Volatility Cap	0	0
<b>Total: Net General Fund</b>	<b>(608.8)</b>	<b>(312.2)</b>
Notes: Dollars in Millions		

# What Has Changed Since September?

- We know that the Winter COVID-19 wave is far more significant than prior waves (national and in Maryland)
- We have tremendous confidence in the efficacy of several of the vaccine candidates and a quicker roll-out expectation
- We have a better understanding of the federal stimulus; its scope, size, and how it has (and continues to) supported households and the macro economy

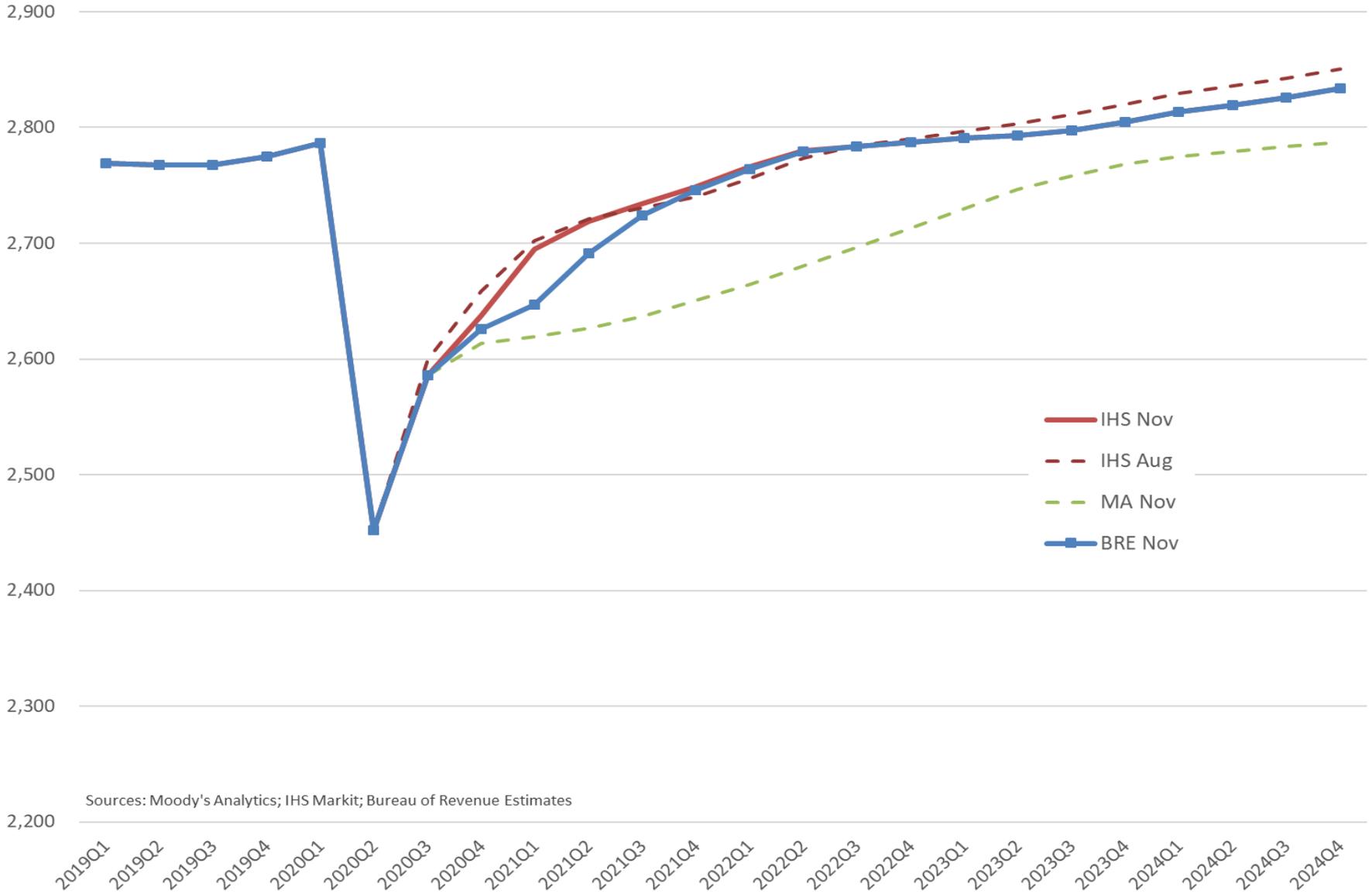
# What Has Changed Since September?

- We have a better understanding of the consumer response to the ongoing pandemic; including times of complete restrictions as well as periods of limited restrictions
- We know that the stock market has carried positive momentum since the initial pandemic correction to record highs
- Our year-to-date revenue is performing moderately better than had been expected in September

# Changes to Econ Assumptions Since September

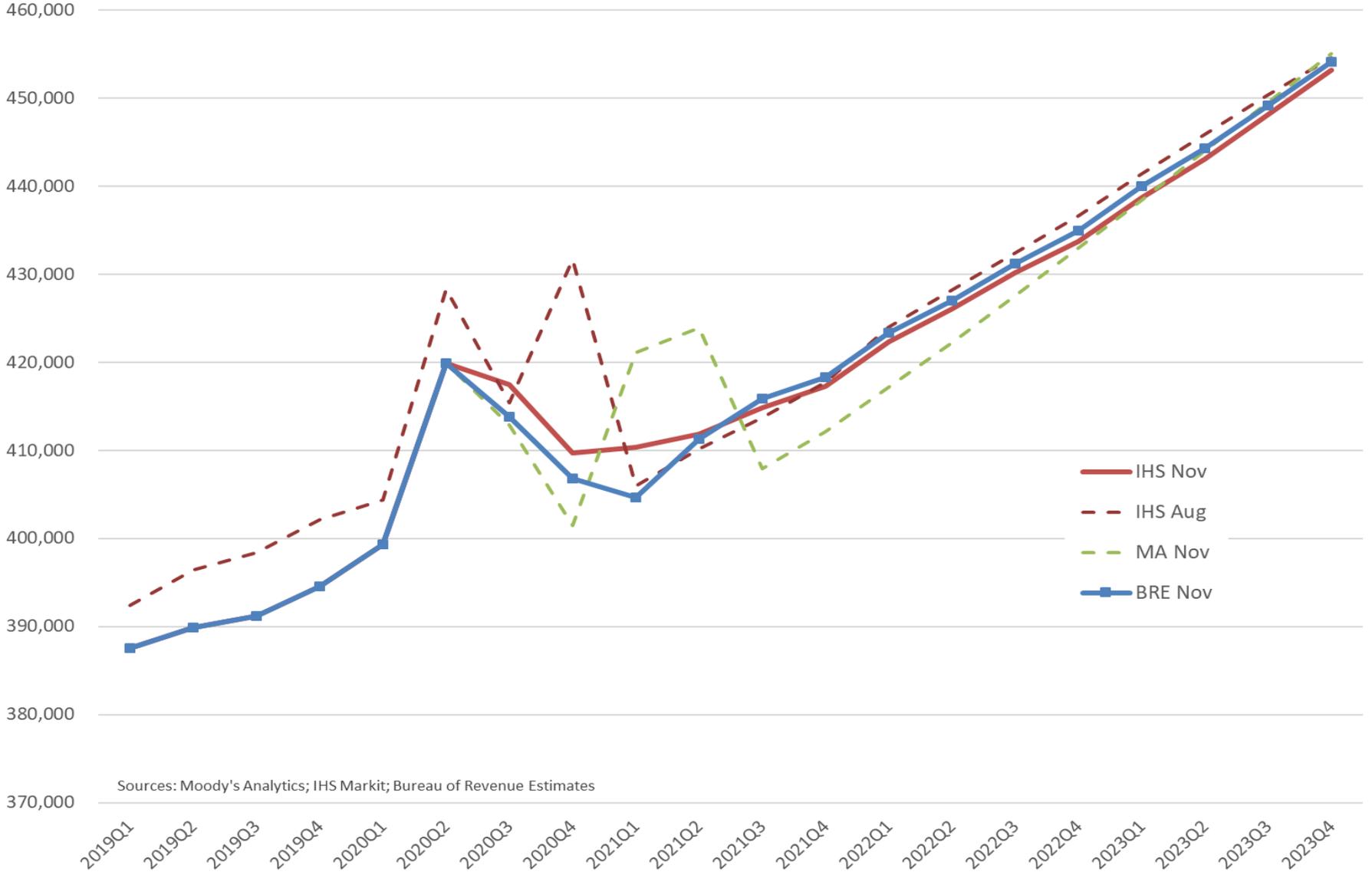
1. Have explicitly adjusted for a difficult winter for service labor economy, particularly food services where spring and summer adaptations become less viable
2. No longer have a second stimulus in our baseline
  - a. Economy has tremendous momentum and savings from the first stimulus as we head into winter
  - b. We are very concerned about the unemployment insurance situation – but more of a basic humanitarian need and public policy issue than a revenue problem
  - c. Should Congress pass the stimulus currently under consideration, it would largely maintain the pre-winter trajectory (likely only moderately impacting our key econ fundamentals), but might boost spending – we would address this in March
3. Increased outlook for Capital Gains Income
4. Stronger confidence in mostly “V” shaped recovery after vaccine

# Forecasts of Employment (000s)

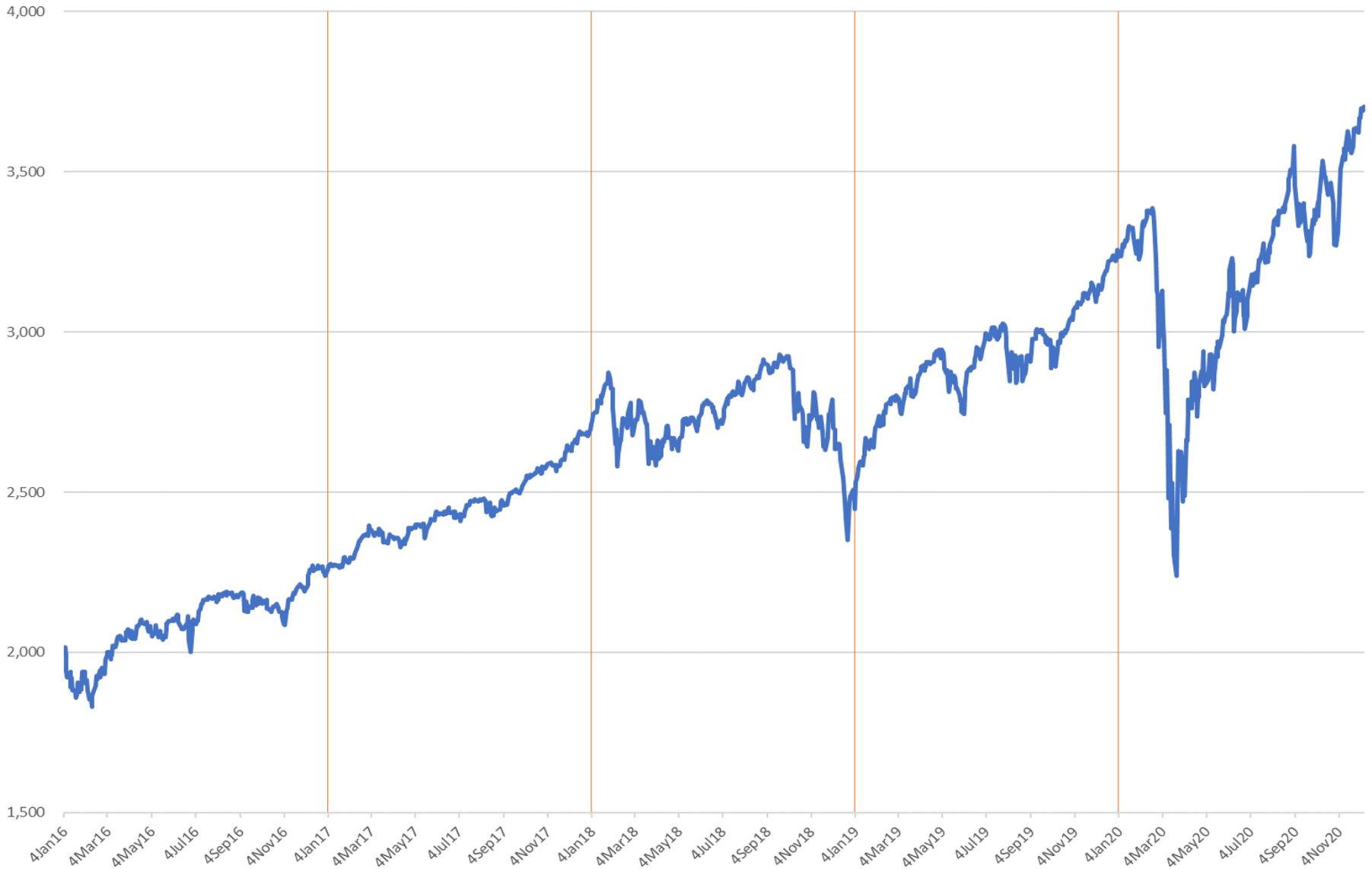


Sources: Moody's Analytics; IHS Markit; Bureau of Revenue Estimates

# Forecasts of Personal Income (millions)

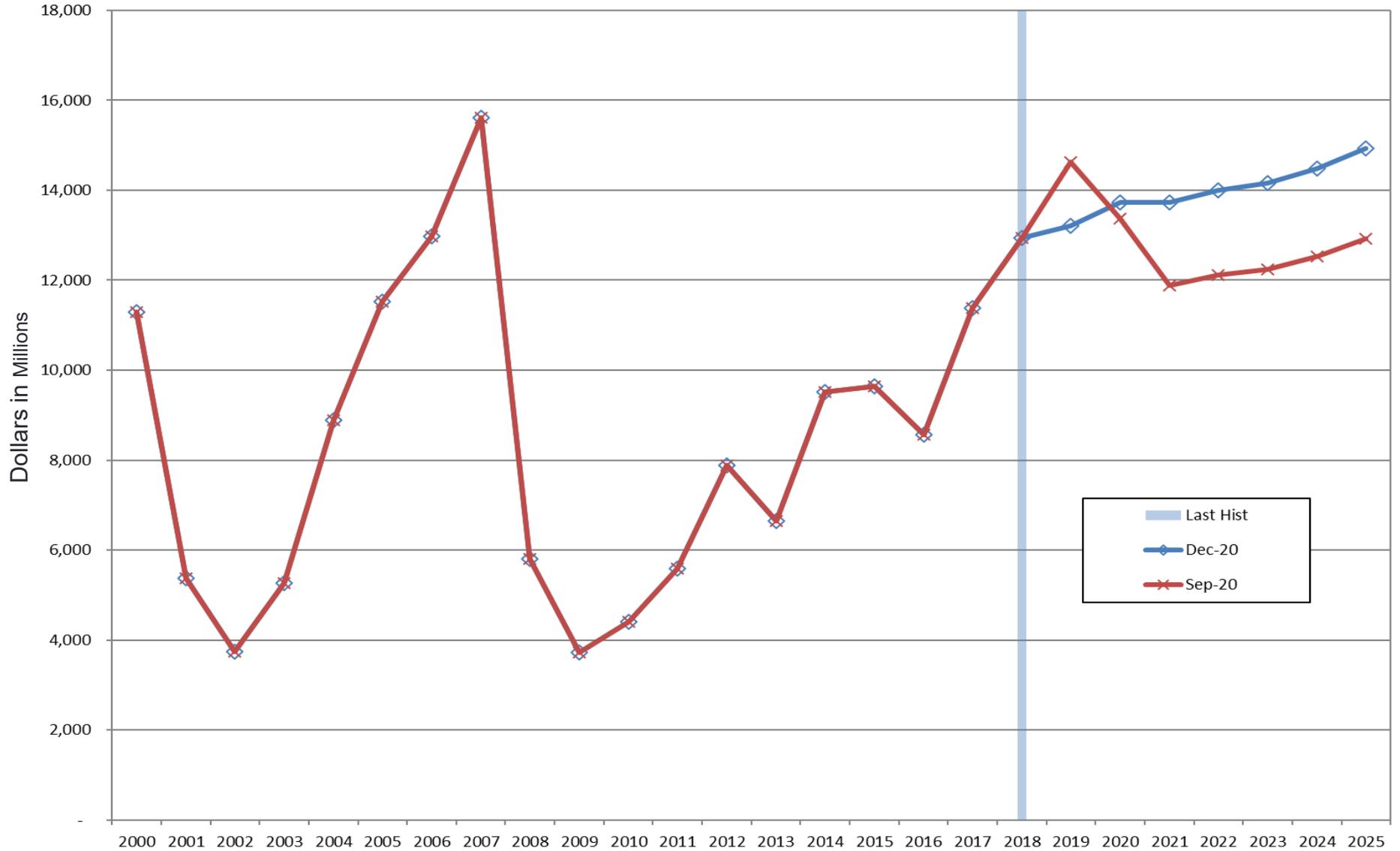


# S&P500



Sources: S&P Dow Jones Indices LLC; Comptroller of Maryland, Bureau of Revenue Estimates

# Taxable Capital Gains



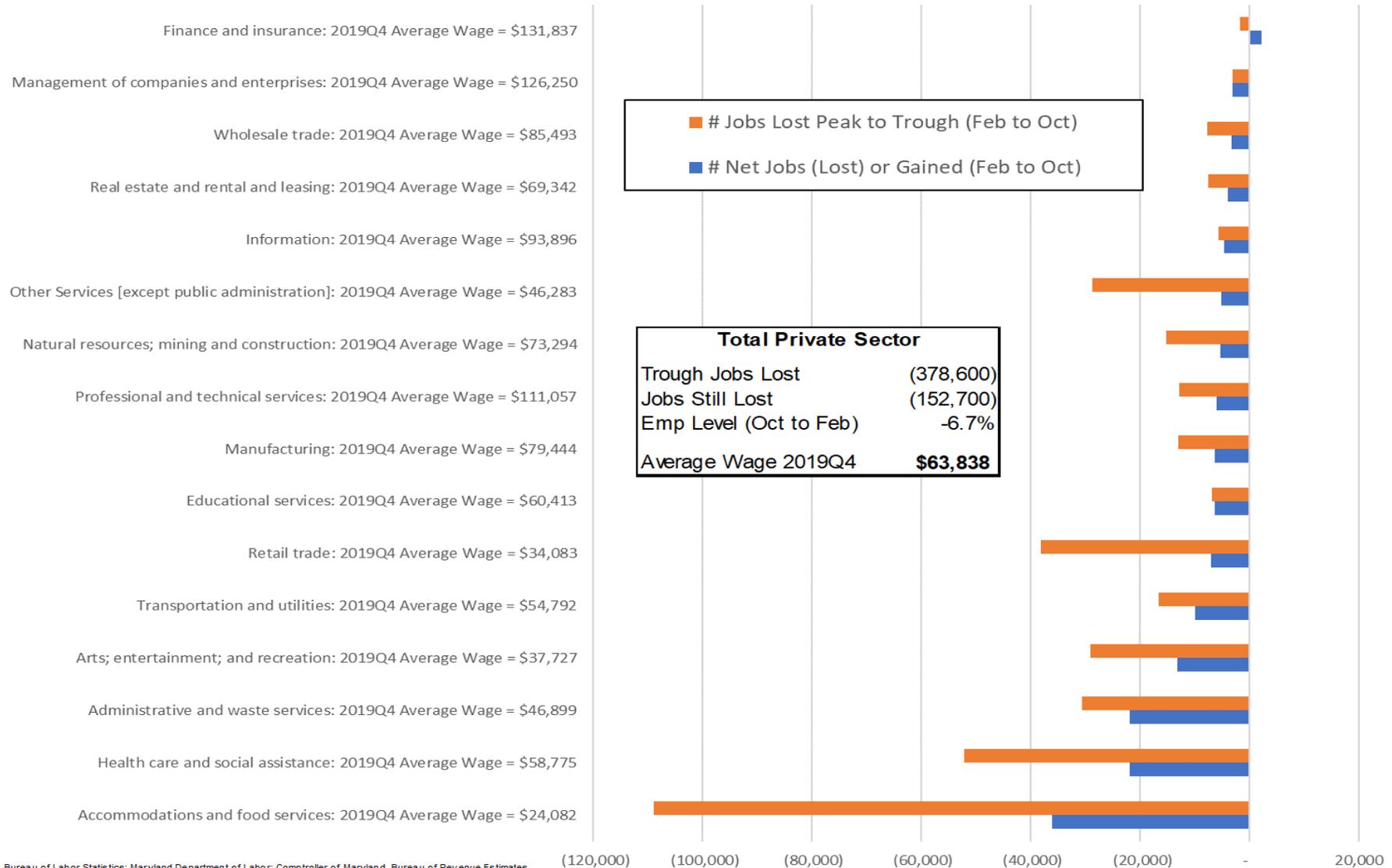
Sources: Internal Revenue Service; Comptroller of Maryland, Bureau of Revenue Estimates

# Disconnect between Social Impact & Revenue Impact

- Impact is largely income bi-furcated – lower income jobs bear the brunt of this recession
- And the State's revenue structure is set to minimize the tax paid by lower income households – thereby minimizing the revenue impact from this recession
- Meanwhile, losses in business income somewhat offset by gains in capital markets
- Most jobs lost are below state average wage
- For income tax, which is 50% of revenues:
  - Taxpayers making less than \$50k accounted for 43% of all taxpayers in 2019, but just 6.6% of tax
- Stimulus has sustained, and in some cases expanded, spending, so sales tax (25% of revenues) impact is mitigated

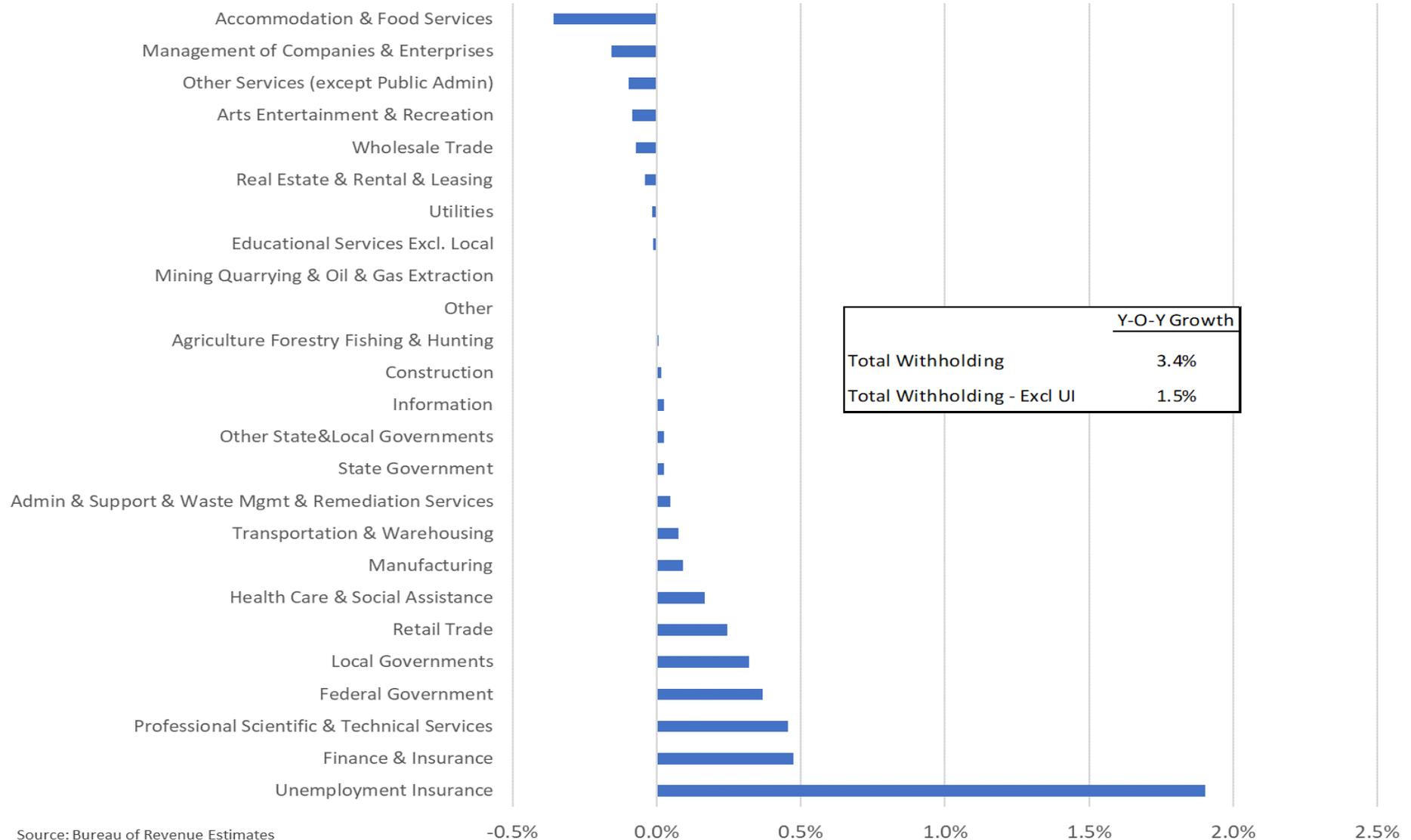
# Lower Income Service Jobs Most Impacted

Number Of Private Sector Jobs (Lost) or Gained: Oct 2020 versus Feb 2020



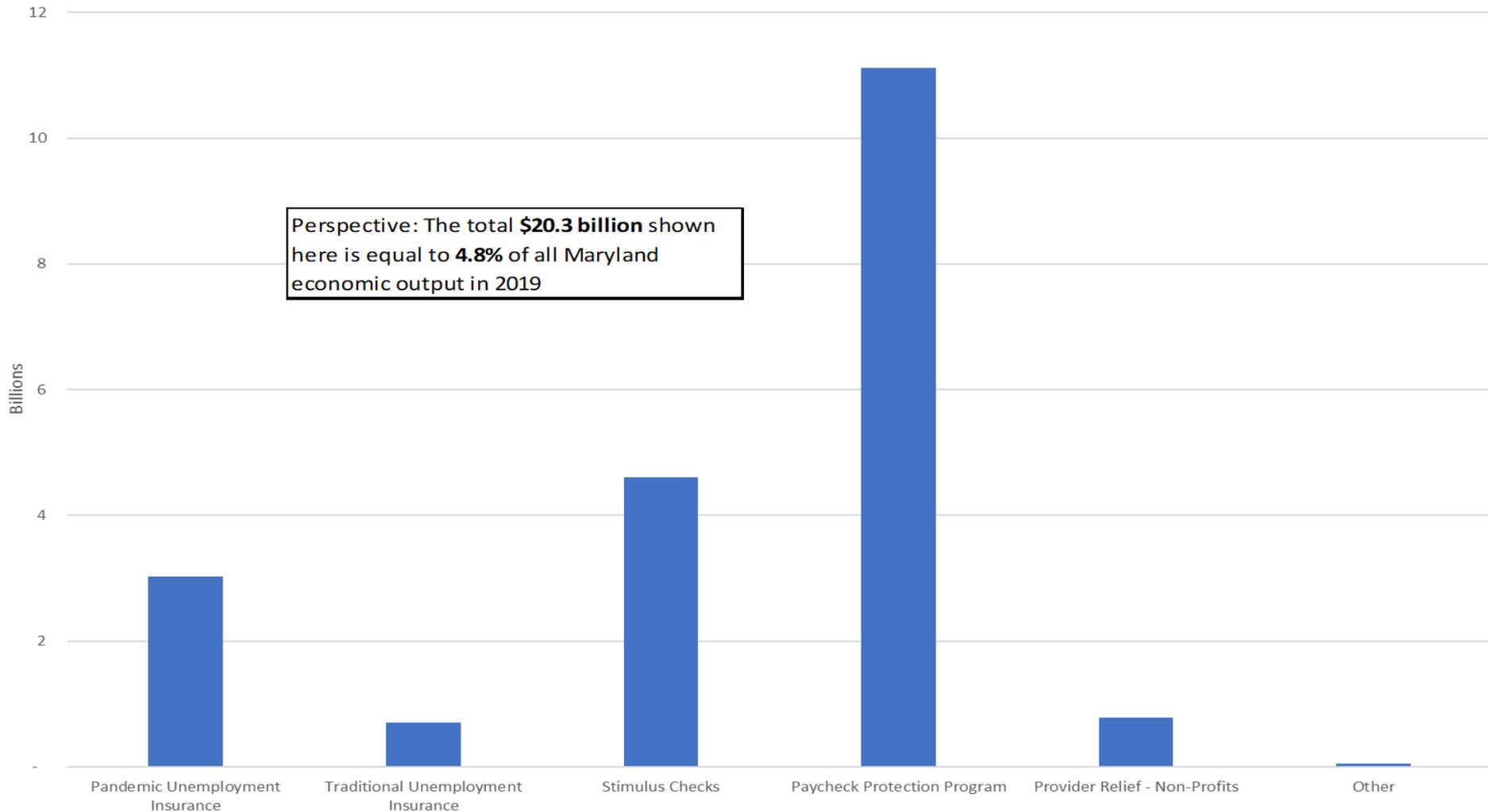
# Reflected in our Withholding Data

## Contribution to Year-Over-Year Growth of Total Withholding (Jan to Oct)



# 2020Q2 Stimulus Was Incredibly Successful

Estimated Stimulus Amounts by Key Programs in 2020Q2 (\$ in billions)

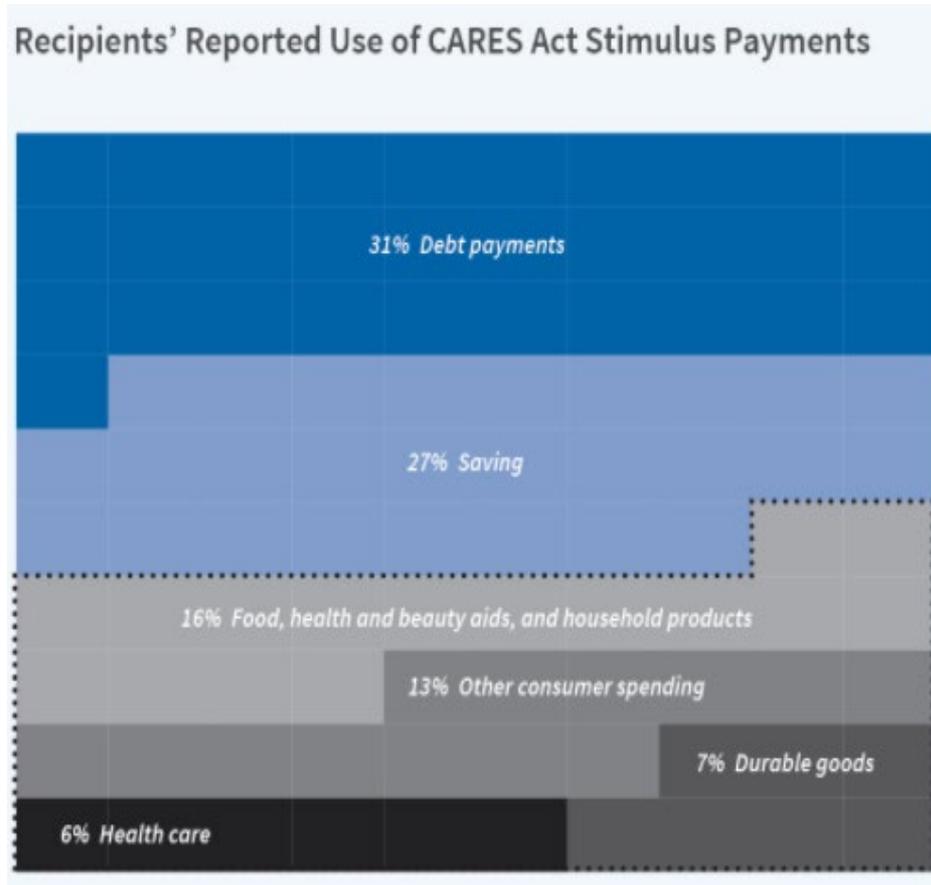


Note: This does not include all stimulus efforts (including much of the stimulus sent directly to governments), this represents the largest dollar categories for which we could find publicly available data

Sources: U.S. Bureau of Economic Analysis; U.S. Small Business Association; Comptroller of Maryland, Bureau of Revenue Estimates

# Early Stimulus Research

## Direct Payments

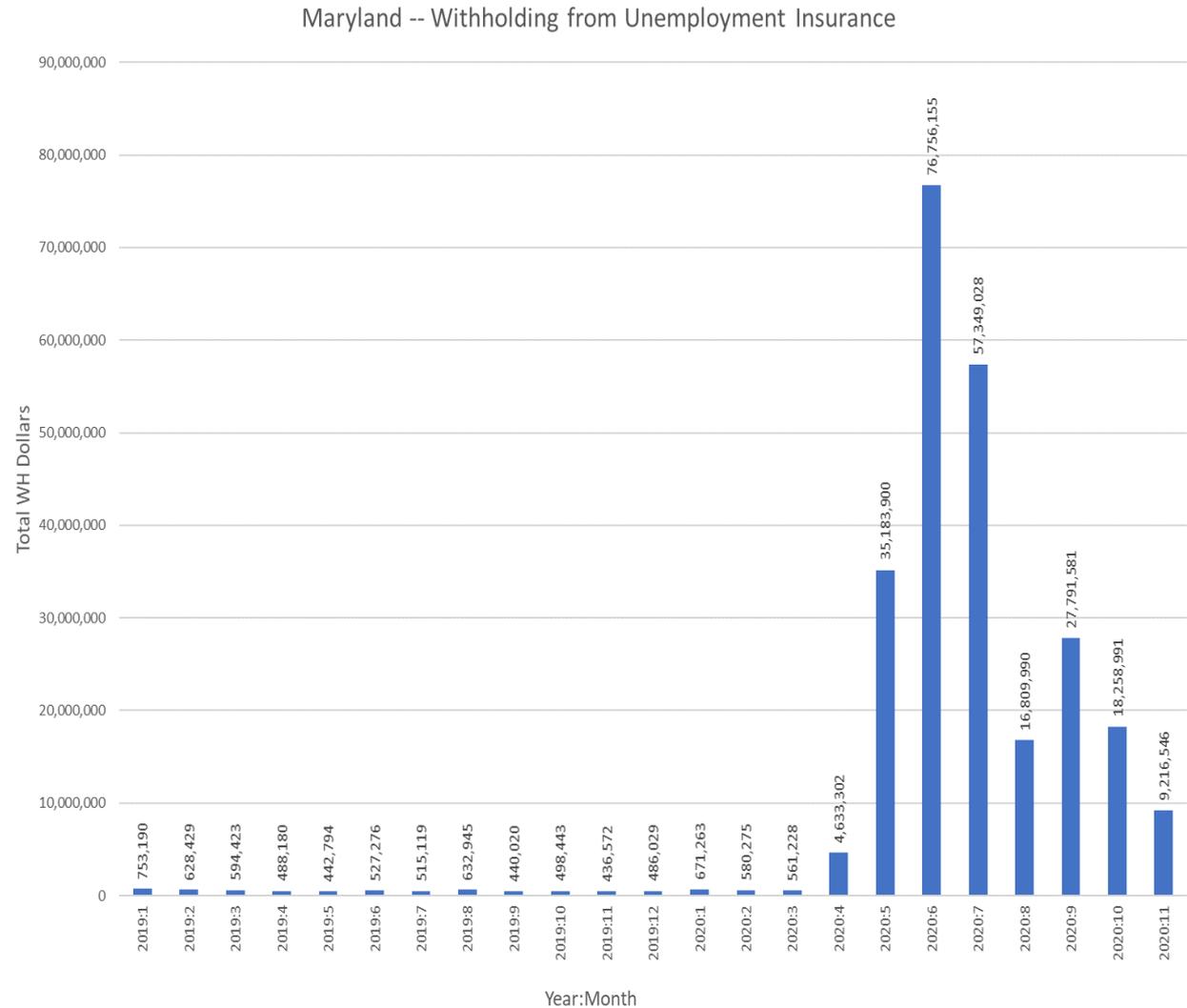


## Unemployment Insurance

- Congressional Budget Office estimates that 5 of every 6 recipients of the extra \$600 received benefits that exceeded their work earnings
- Research from University of Chicago finds that typically consumption declines by 7% on UI, but instead actually increased with the extra \$600

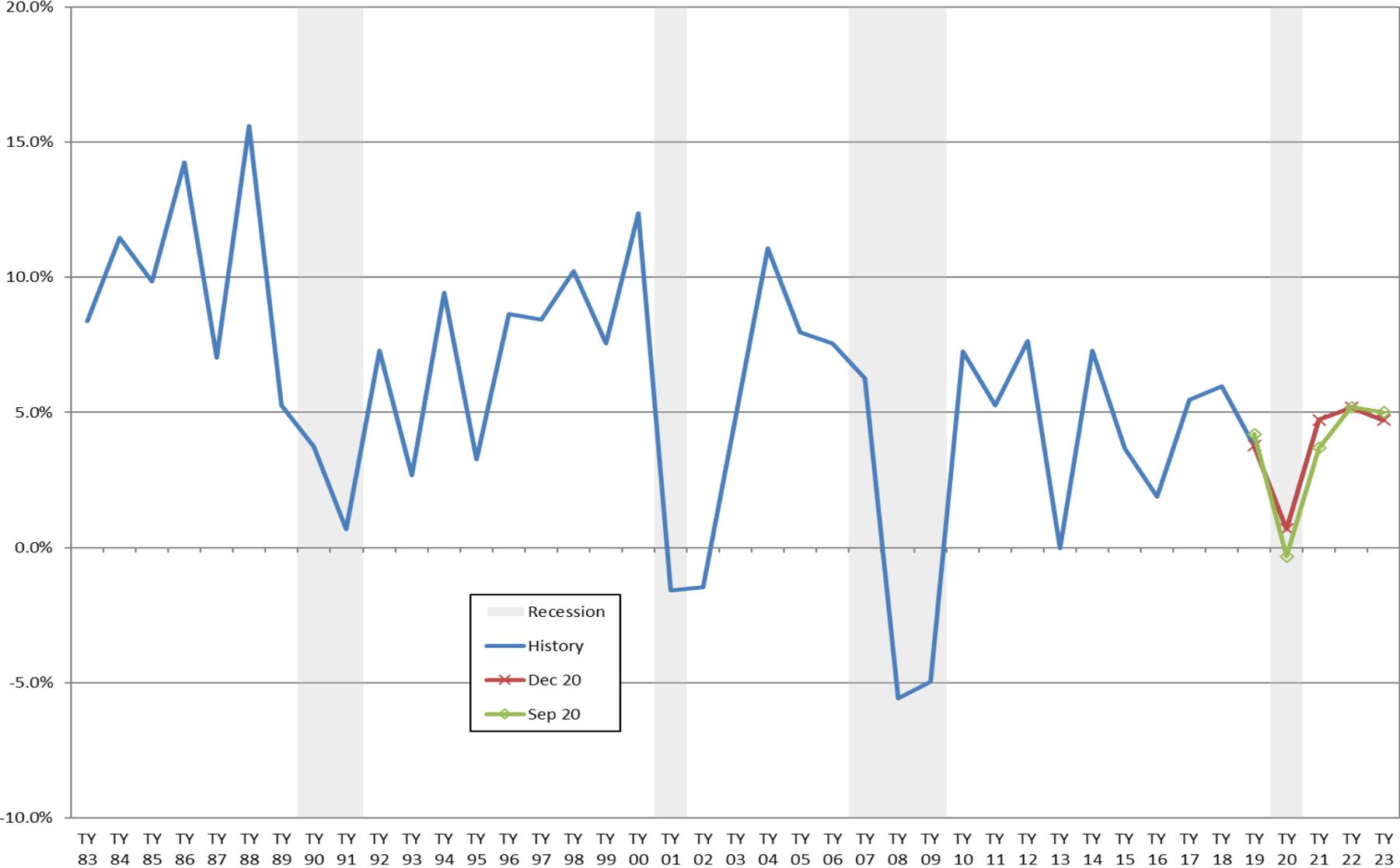
# Unemployment Insurance Direct Revenue Impact – Income Tax

- UI is taxable
- Bolstering withholding collections
- We estimate \$269M for tax year 2020
- However, our research and simulations show that 70% will be refunded at filing time



# Income Tax Estimate By Tax Year (excl rate and law changes)

Estimate of Taxable Income - Baseline - Dec 2020



# Sales Tax: Volatile & Shifting

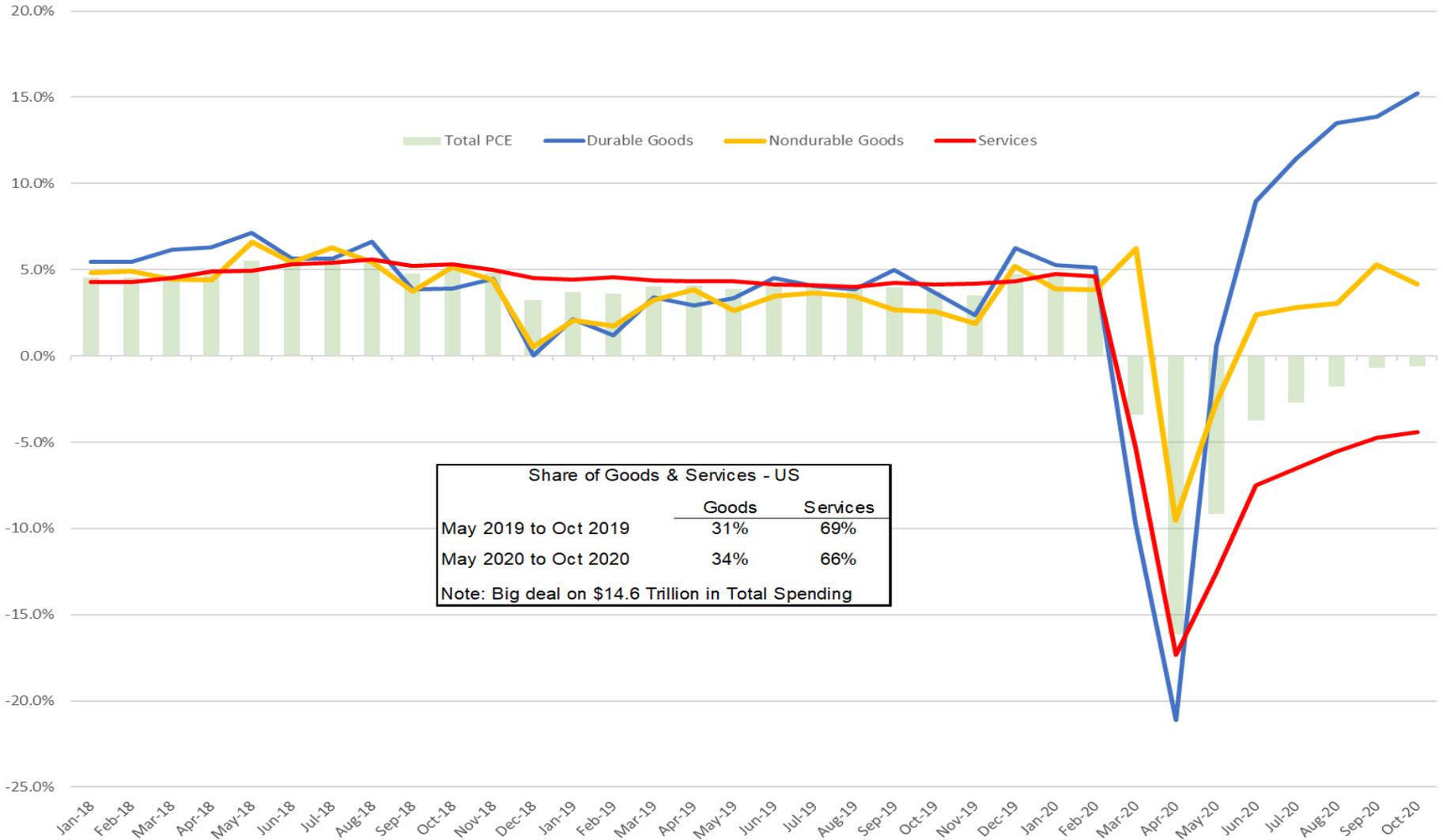
- Large downturns in the Spring with shutdown
- Stimulus very supportive
- Shift to durable goods in support of COVID replacement activities:
  - Home renovations; recreational items (canoes, kayaks, etc...)
- Shift to goods purchases in replacement of services
- Shift to online purchasing

<b>Evolution of Forecast for Remote &amp; Marketplace Sellers</b>			
Fiscal Year	Mar 2020	Sep 2020	Dec 2020
2020	\$260	\$331	\$331
2021	324	465	<b>547</b>
2022	350	500	<b>547</b>
2023	374	550	563

Notes: (1) Dollars in Millions; (2) First \$100M to GF, rest to Blueprint  
(3) Does not include online retailers with nexus

# Sales Tax: Temporary Shift From Services

National Personal Consumption Expenditures: Year-Over-Year Growth



# Disparate Impact Applies To Businesses Also

- In 2020Q2:
  - The top 0.1% of sales tax accounts (61 businesses) were up 32%
  - The remainder were down 22%
  - Also 11k fewer accounts (one account can be many locations)
- In 2020Q3:
  - The top 0.1% of sales tax accounts (55 businesses) were up 37%
  - The remainder were down 4%
  - Also 7.7k fewer accounts (one account can be many locations)

## TOP 100 RETAILERS - MARCH TO AUGUST 2020, YOY WITHHOLDING GROWTH



# Final Revenue & Econ Thoughts

- Greater risk on the non-wage side, businesses making payroll, but are they profitable??
- FREE LUNCH
  - What is the cost for our stimulus???
  - Can we print our way out of this?
  - Is inflation on the horizon – slower econ growth? Currently under debate in economic circles
- What happens to the broader financial economy with delayed and perhaps delinquent mortgage and rent payments?
- Local budgets to be more impacted due to heavier reliance on property tax? (Commercial property to undergo valuation correction)
- Accelerated shifts to AI and robotics?

# Thank You

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