



Presentation to House Finance Committee: Effect of Pandemic on Revenue

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Immediate Impact of Pandemic

- On March 16, Revenue headquarters, Lottery headquarters, and all district offices were closed due to the COVID-19 pandemic.
- The call center was unable to take incoming calls. Customer service was limited to emails.
- All noticing and collection activities ceased. All incoming and outgoing paper mail stopped.
- Collection agencies were directed to stop making collection efforts on Revenue cases.
- Management personnel identified and performed all processes that could be performed remotely. Using remote access, staff could process all electronic returns and payments, transfer funds, and answer taxpayer emails.

Getting Back to Work – April-May

- In order to expand telework, large orders were placed for additional laptops in early April. A limited number were distributed by mid-month, with a priority placed on those providing customer service.
- Check depositing and tax return scanning work at the Bureau of Imaging and Document Management (BIDM) partially resumed in early April.
- By the end of April, BIDM returned to full operation in two shifts to limit the risk to employees.
- As of mid-May, over 30% of DOR employees were using leave or on LWOP.
- Over 100 non-working Revenue employees were reassigned to Department of Labor and Industry or Department of State to assist with phone calls and emails.
- The income tax and corporate return due dates were postponed from April 15 to July 15/August 14, providing both taxpayers and the Department more time to adjust to the new situation.

Getting Back to Work – June-July

- In early June, about 50 non-working Revenue employees were reassigned to work at BIDM to help process incoming paper mail and deposit checks.
- By the end of June, all call center staff were supplied a laptop. With assistance from field personnel, PTTR and PIT phone calls were prioritized.
- In early July an order of over 400 laptops was received and distributed to staff, allowing us to recall almost all employees to work.
- With the additional staffing, BIDM brought priority backlogs under control. Tax season document scanning work is expected to be completed in September.
- Revenue field offices reopened for in-person customer service on a limited basis, taking appointments to avoid having taxpayers stand in line.



Getting Back to Work – August

- By August 1, all tax season paper checks were deposited. The Department successfully deposited over \$4 billion in General Fund revenue during July.
- We resumed most normal processes for outgoing and incoming mail, tax return review, refund issuance, and appeal review. Backlogged outgoing correspondence was released in order to resume routine communication with taxpayers.
- Call center operations have returned to normal, with employees taking calls while working at home.
- The Department currently has 1,299 employees teleworking, or about 80%, 292 partially or fully working on-site, and the remaining 18 temporarily reassigned to L&I.

Easing Enforcement Activities

In April, recognizing the severe financial strains imposed by the pandemic on many businesses, the Department announced an easing of tax enforcement activities:

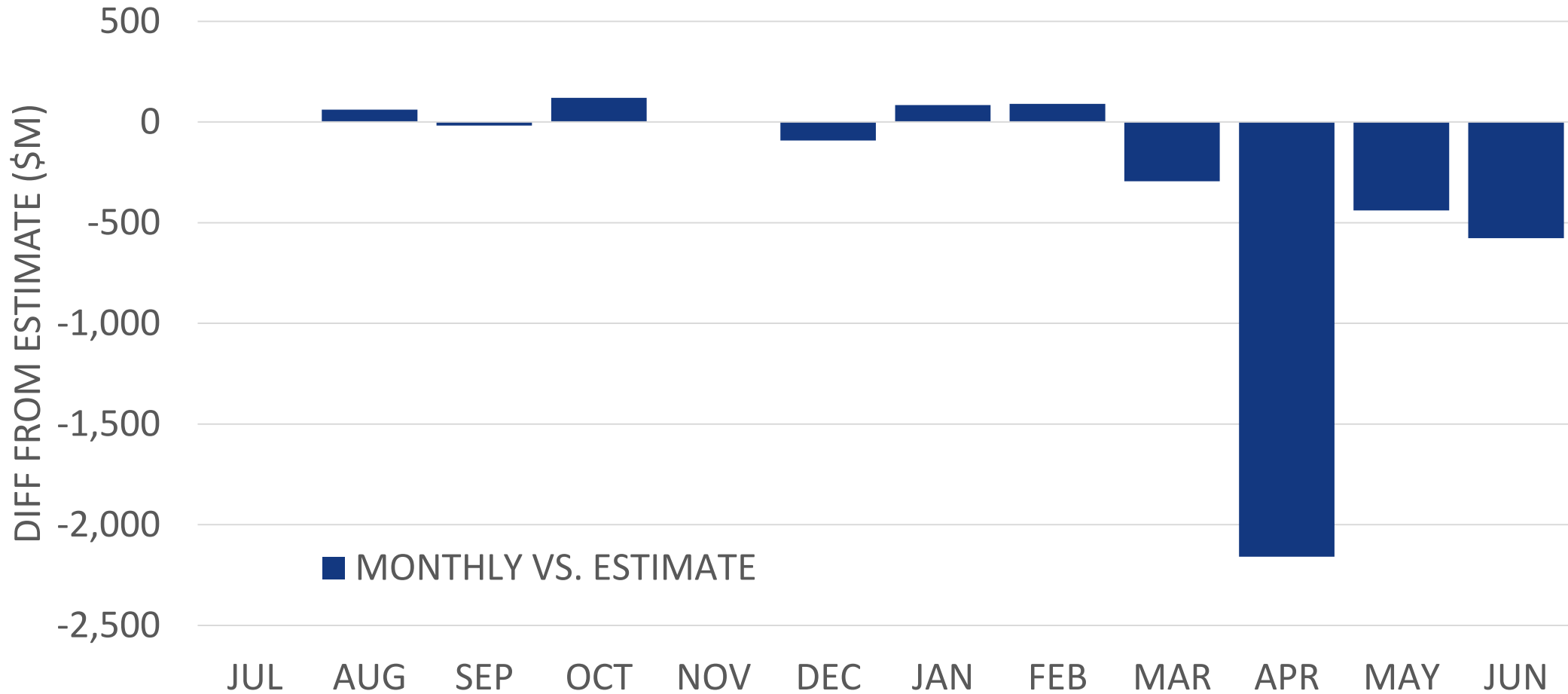
- Suspended automatic enforcement actions regarding liens, license revocations and referrals to collection agencies.
- Abated penalties in most cases if taxpayers remitted trust fund taxes they collected.
- Offered audit penalty abatement and 90-day interest relief through December 31, 2020. Provided flexibility with scheduling planned audit work.
- Offered to delay payment plans due to hardship and provide flexible terms for new payment plans.
- Redeployed enforcement personnel to provide taxpayer assistance as well as outreach and education on tax compliance.

Effect of the Pandemic on Pennsylvania Economy and Tax Revenue

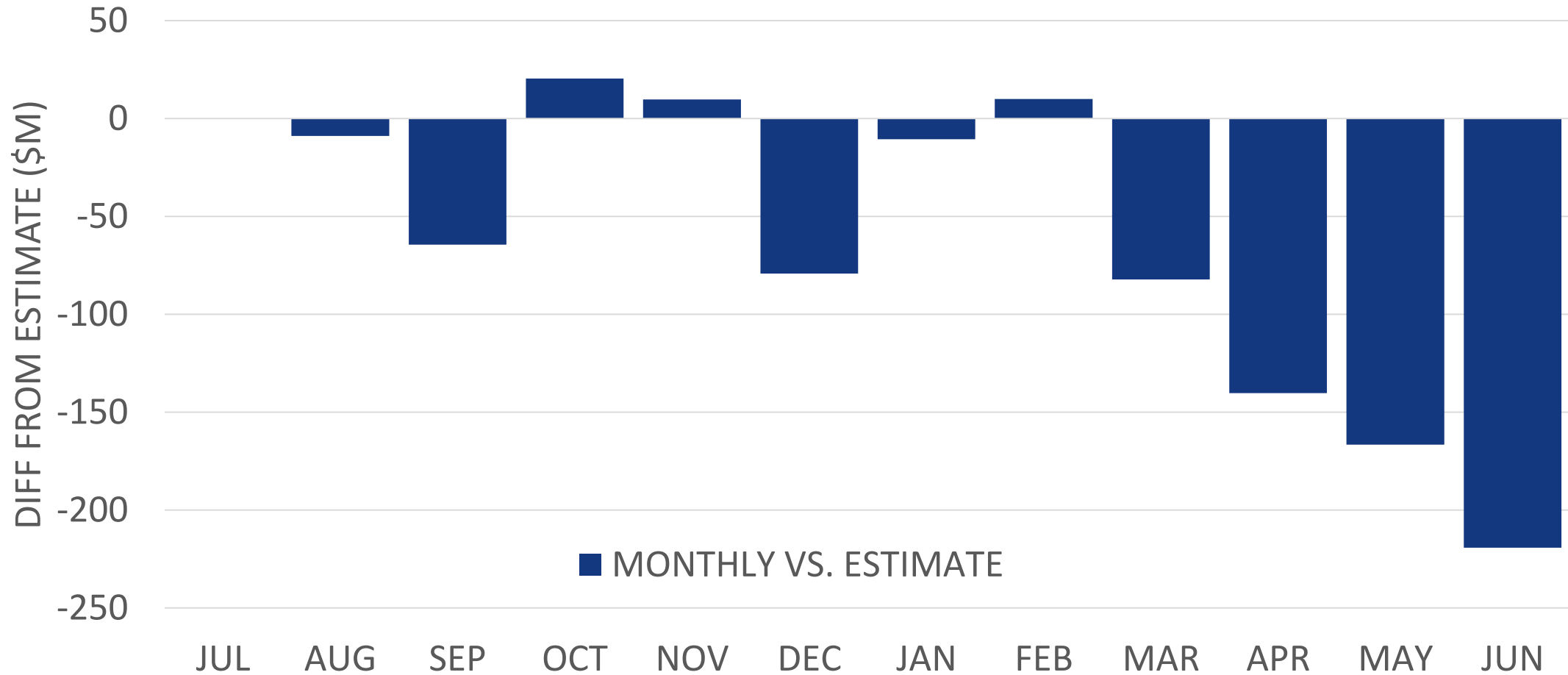
IHSMarkit Economic Forecast

VARIABLE	February Economic Data			May Economic Data		
	2020	2021	2022	2020	2021	2022
PA Home Sales, Total	5.9%	0.0%	-0.3%	8.2%	2.2%	-0.9%
Gross State Product (GSP)	3.3%	3.7%	3.7%	-7.5%	6.0%	4.9%
PA Unemployment Rate	1.2%	-5.2%	3.9%	284.6%	-7.7%	-29.9%
PA Personal Income	3.8%	3.5%	3.4%	1.0%	1.0%	3.2%
PA Retail Sales, Total	2.9%	2.7%	2.6%	-8.1%	6.5%	6.6%
PA Wage & Salary Disbursements, Total	4.0%	3.9%	3.9%	-10.2%	7.8%	7.4%
PA Employment	0.8%	0.3%	0.0%	-14.7%	2.4%	6.4%

2019-20 – General Fund Total



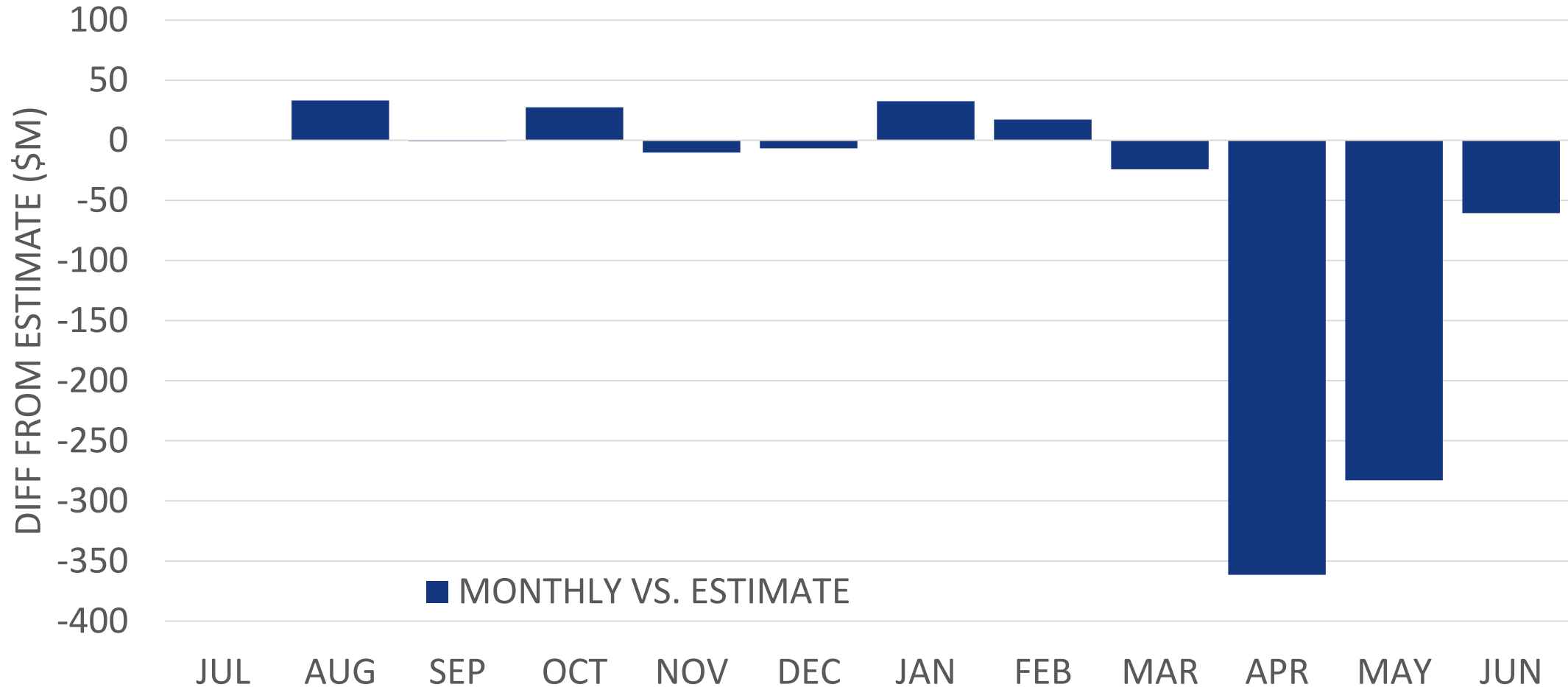
2019-20 – Corporate Net Income Tax



2020-21 – Corporate Net Income Tax

	2018-19	2019-20	2020-21	2021-22
	ACTUAL	ACTUAL	OFFICIAL	ESTIMATE
CORPORATE NET INCOME TAX	3,398	2,827	2,828	3,260
GROWTH FROM PRIOR YEAR		-16.8%	0.0%	15.3%
REVENUE ADJUSTED FOR SHIFT	3,398	3,120	2,535	3,260
GROWTH FROM PRIOR YEAR		-8.2%	-18.7%	28.6%

2019-20 – Sales & Use Tax



2020-21 – Sales & Use Tax

WHEN IS JUNE SUT PAID?	2019	2020	DIFFERENCE	GROWTH
JUNE	351	199	-152	-43%
JULY	555	750	195	35%
	905	949	43	5%
WHEN IS JULY SUT PAID?	2019	2020	DIFFERENCE	GROWTH
JULY	342	337	-5	-1%
AUGUST	559	607	48	9%
	901	944	43	5%

2020-21 – Sales & Use Tax

POSITIVES

- FEDERAL STIMULUS PAYMENTS
- \$600 UC BENEFITS PLUS PUA
- STAYCATION SPENDING
- PENT-UP DEMAND FOR MOTOR VEHICLES

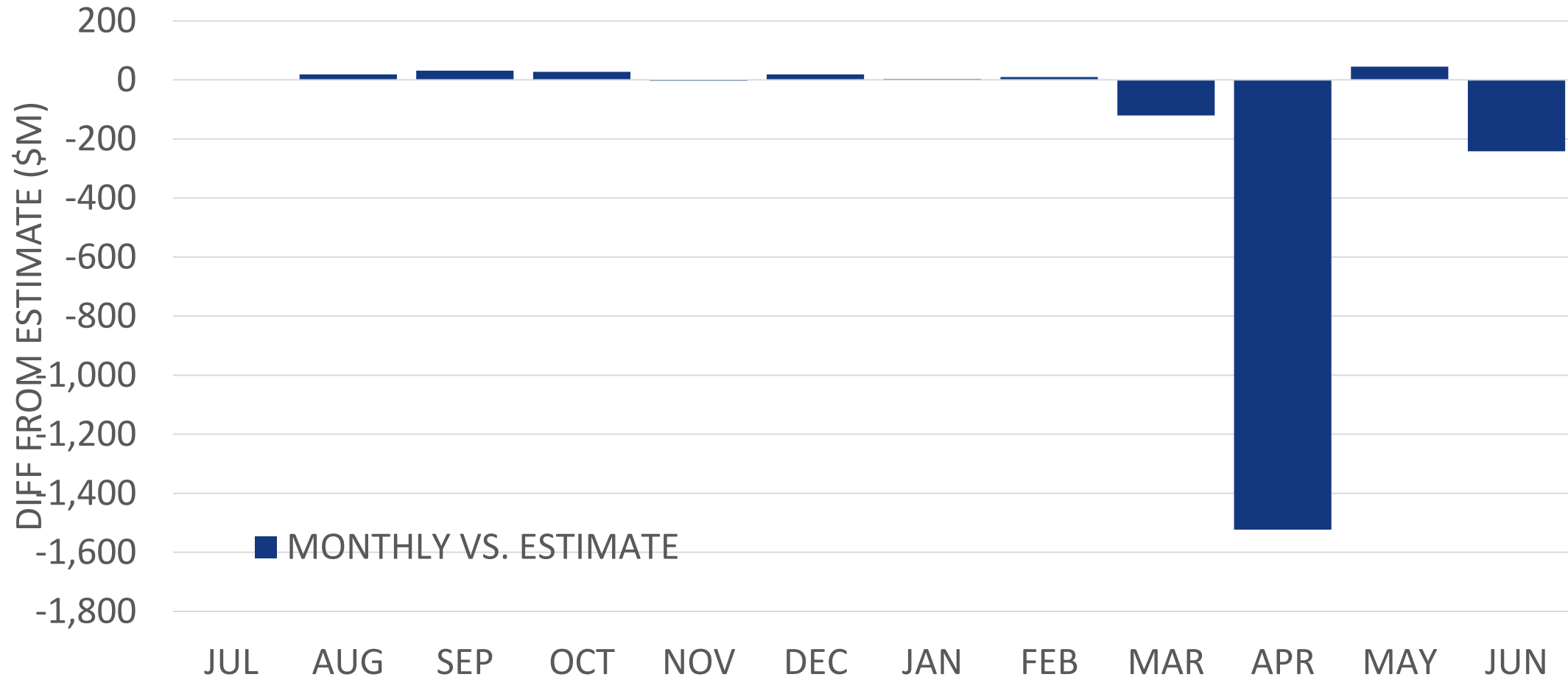
NEGATIVES

- TRAVEL RESTRICTIONS
- LIMITS ON RESTAURANT/BAR CAPACITY
- HIGH UNEMPLOYMENT

2020-21 – Sales & Use Tax

	2018-19	2019-20	2020-21	2021-22
	ACTUAL	ACTUAL	OFFICIAL	ESTIMATE
SALES & USE TAX	11,100	10,818	11,076	11,260
GROWTH FROM PRIOR YEAR		-2.5%	2.4%	1.7%
REVENUE ADJUSTED FOR SHIFT	11,100	11,009	10,885	11,260
GROWTH FROM PRIOR YEAR		-0.8%	-1.1%	3.4%

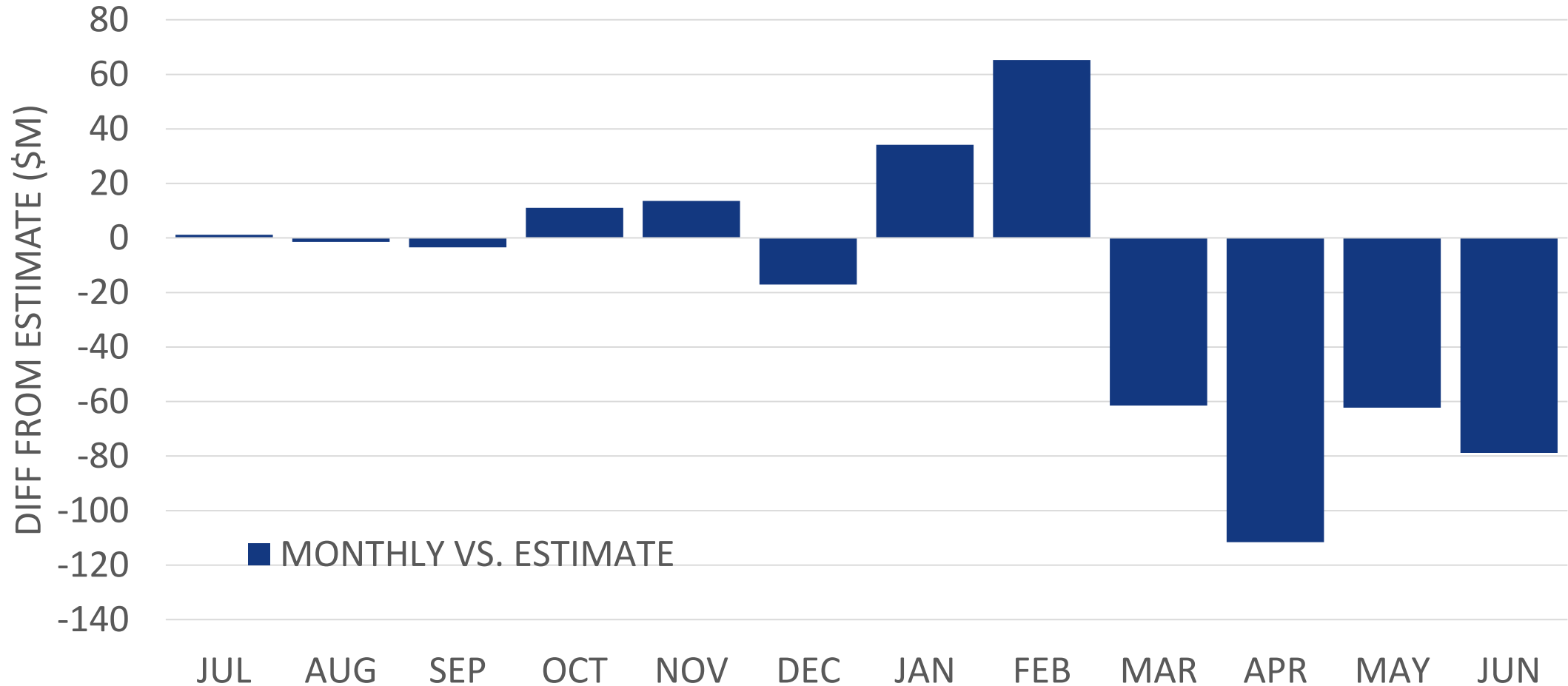
2019-20 – Personal Income Tax



2020-21 – Personal Income Tax

	2018-19	2019-20	2020-21	2021-22
	ACTUAL	ACTUAL	OFFICIAL	ESTIMATE
PERSONAL INCOME TAX	14,096	12,835	15,165	14,415
GROWTH FROM PRIOR YEAR		-8.9%	18.1%	-4.9%
REVENUE ADJUSTED FOR SHIFT	14,096	14,164	13,836	14,415
GROWTH FROM PRIOR YEAR		0.5%	-2.3%	4.2%

2019-20 – All Other Taxes



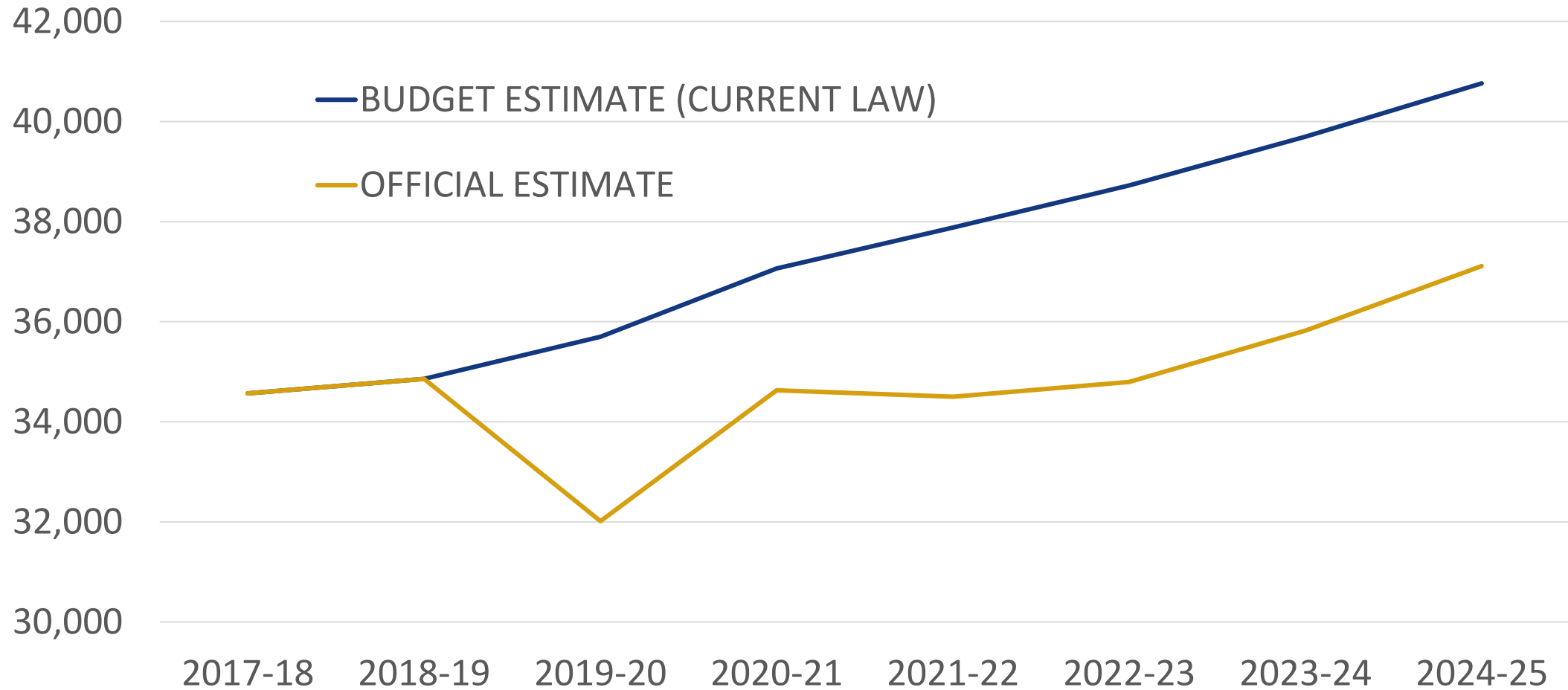
2020-21 – All Other Taxes

	2018-19	2019-20	2020-21	2021-22
	ACTUAL	ACTUAL	OFFICIAL	ESTIMATE
ALL OTHER TAXES	5,464	5,131	4,876	4,908
GROWTH FROM PRIOR YEAR		-6.1%	-5.0%	0.7%

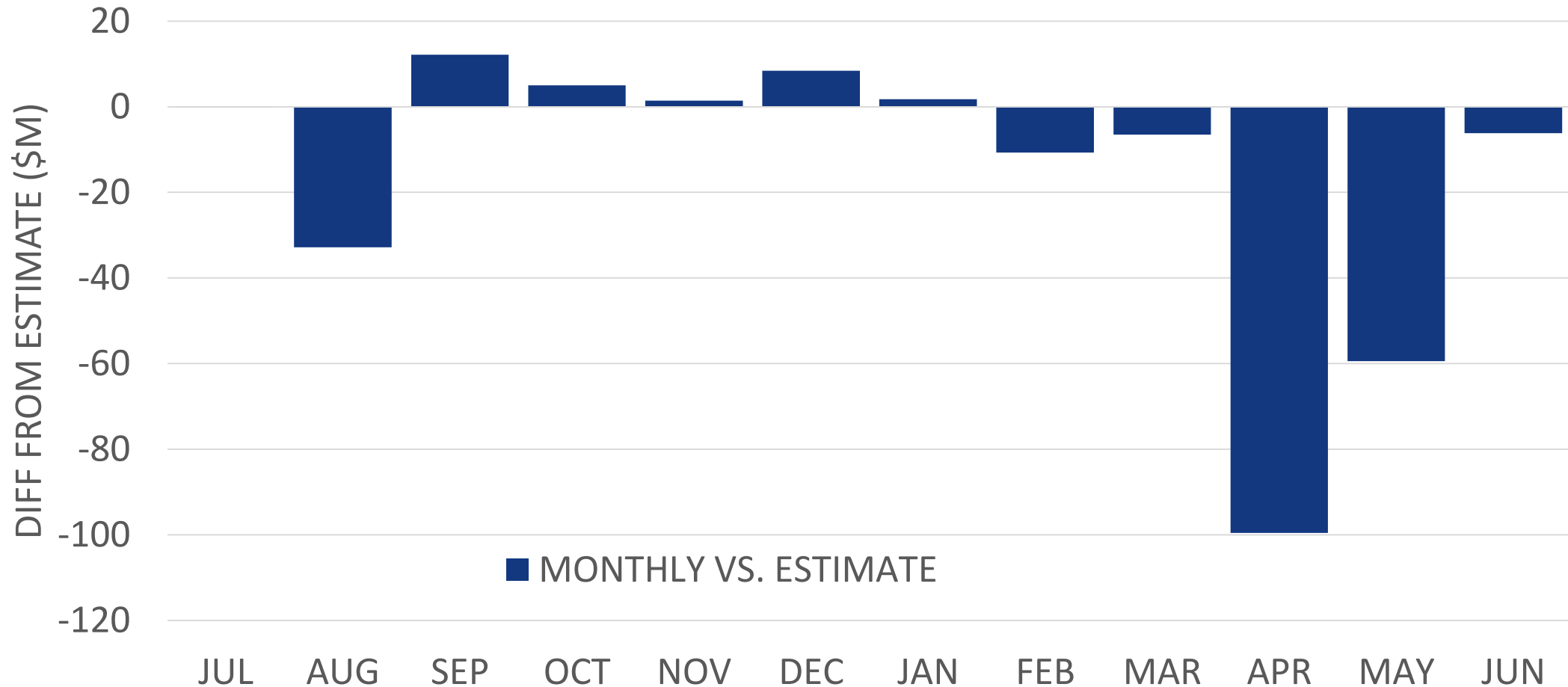
2020-21 – General Fund Tax Total

	2018-19	2019-20	2020-21	2021-22
	ACTUAL	ACTUAL	OFFICIAL	ESTIMATE
GENERAL FUND TAX REVENUE	34,056	31,611	33,945	33,843
GROWTH FROM PRIOR YEAR		-7.2%	7.4%	-0.3%
REVENUE ADJUSTED FOR SHIFT	34,056	33,424	32,132	33,843
GROWTH FROM PRIOR YEAR		-1.9%	-3.9%	5.3%

General Fund – Long-Term Forecast



2019-20 – Motor License Fund Total



2020-21 – Motor License Fund Total

	2018-19	2019-20	2020-21	2021-22
	ACTUAL	ACTUAL	OFFICIAL	ESTIMATE
MOTOR LICENSE FUND TOTAL	2,849	2,663	2,742	2,924
GROWTH FROM PRIOR YEAR		-6.5%	2.9%	6.6%

Questions?