

June 24, 2021

Fiscal Research Center

To V or not to V?

The Shape of Georgia's Economic Recovery from the COVID Recession

Robert D. Buschman, Ph.D.
FRC Associate Director

Presentation to Georgia Financial Management Council



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About the Fiscal Research Center (FRC)

Non-partisan academic think tank that leverages the Andrew Young School of Policy Studies' public finance expertise to assist Georgia's state and local policy-makers on questions of tax and economic policy.

- **Technical assistance to state government:**
 - "Fiscal notes"
 - *Georgia Tax Expenditure Report*
<http://opb.georgia.gov/tax-expenditure-reports>
 - *Study committee support and other*
- **Technical assistance to local governments:**
 - *Incorporation studies*
 - *Revenue analysis and forecasting*
- **Technical assistance projects outside Georgia**
- **Academic research**



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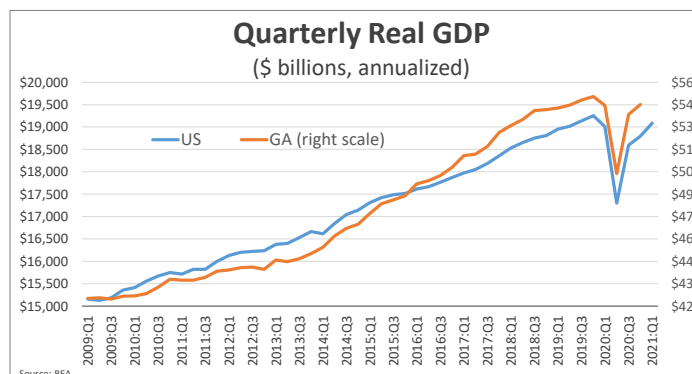
The Shape of Georgia's Economic Recovery from the COVID Recession

Overview:

- **How has the COVID-19 pandemic impacted Georgia's economy and state revenues, and how is the recovery going?**
 - What has been the economic impact?
 - Real GDP
 - Employment
 - Income
 - Consumer spending
 - How has the pandemic impacted state revenues?
 - Sales taxes
 - Income taxes

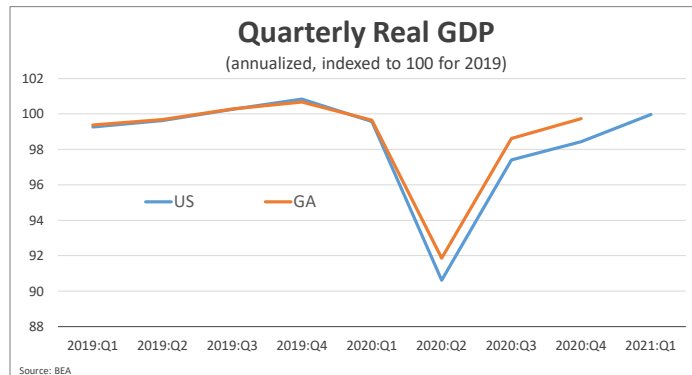
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Real GDP: US and Georgia



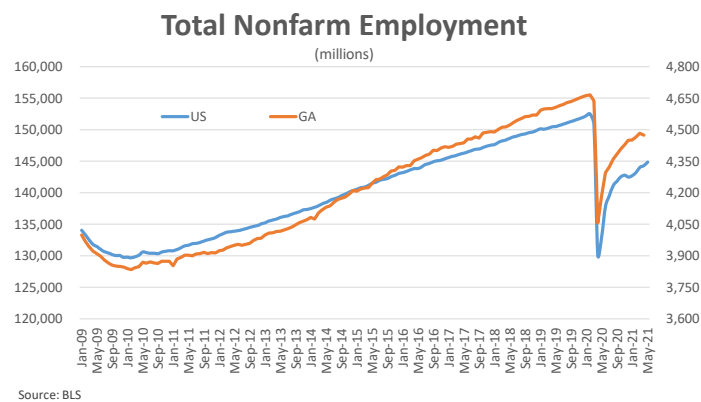
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Real GDP: US and Georgia

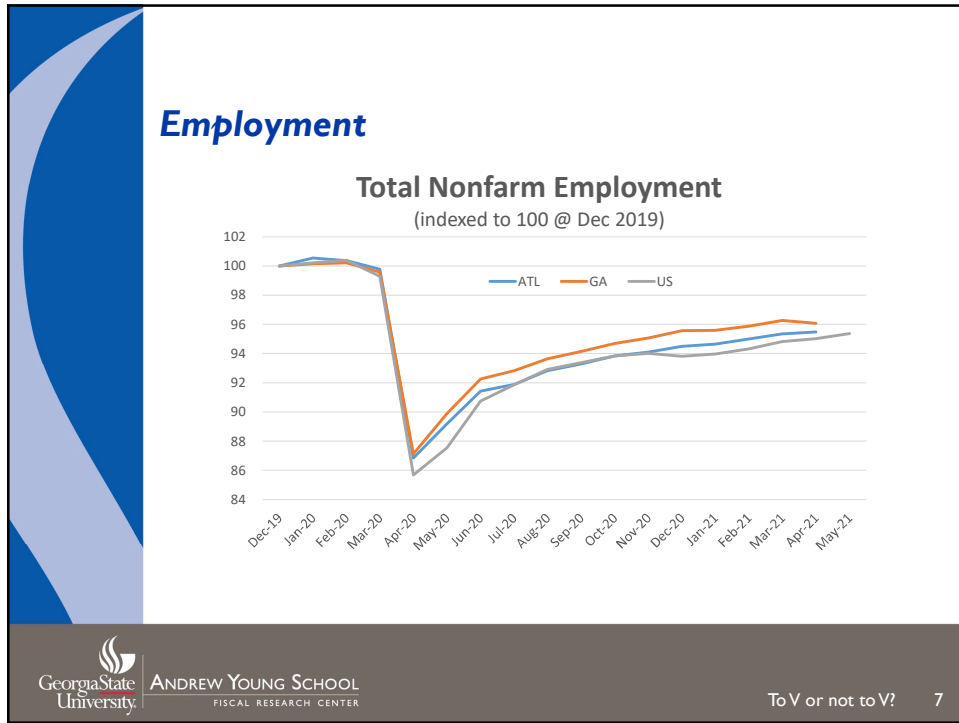


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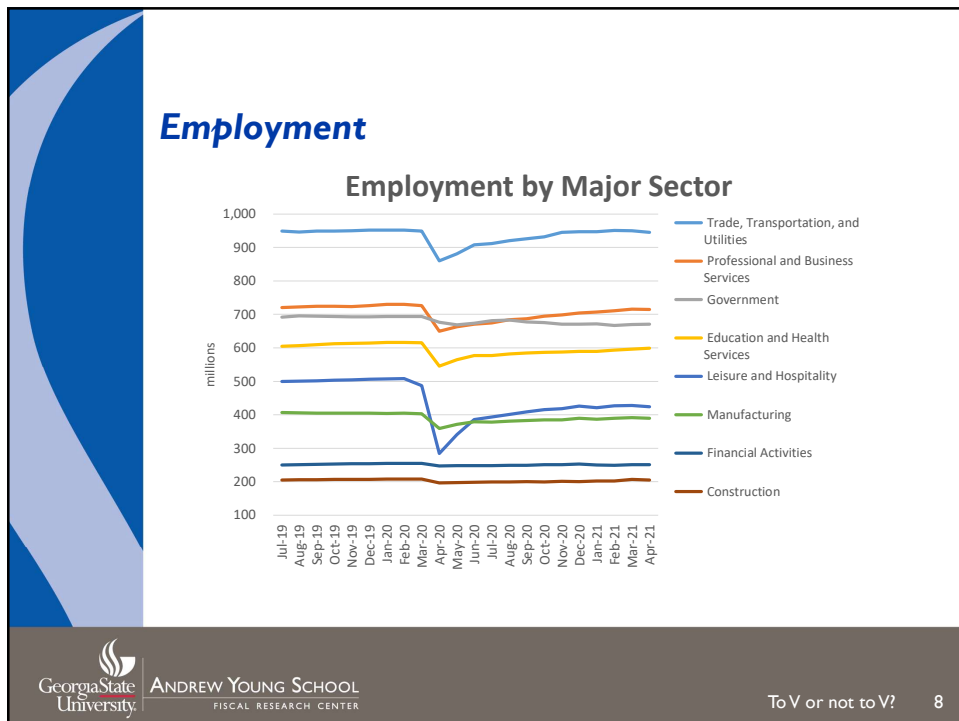
Employment



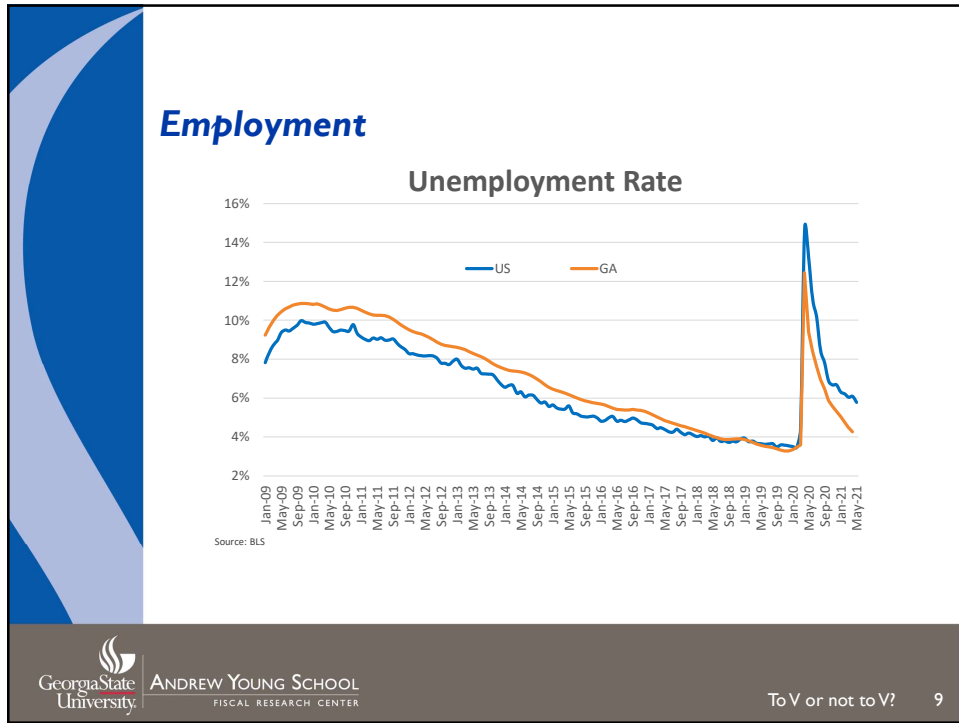
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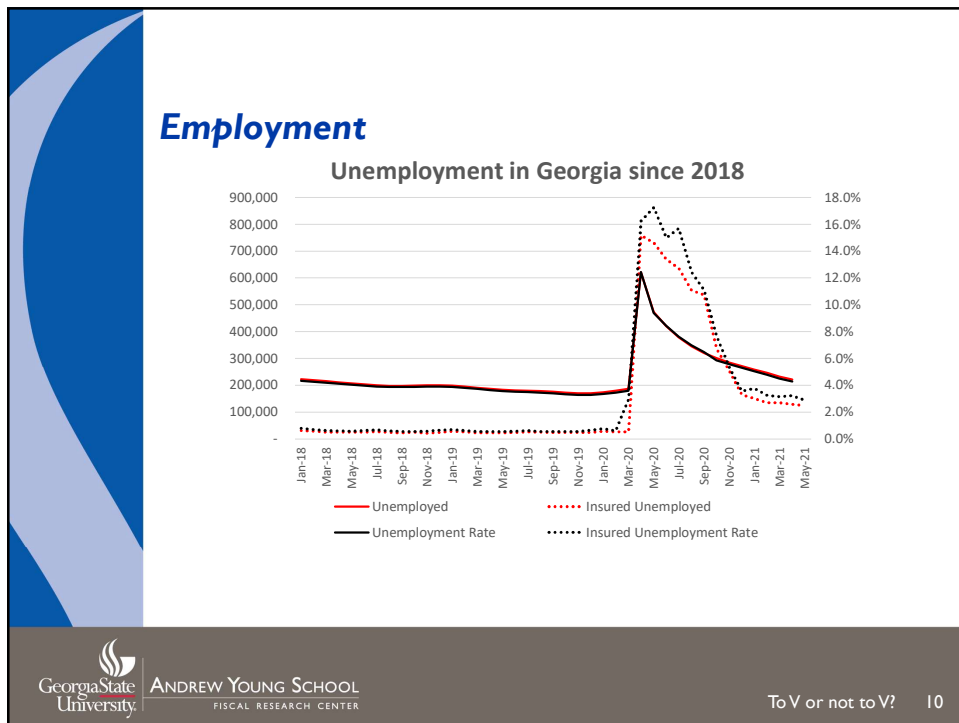
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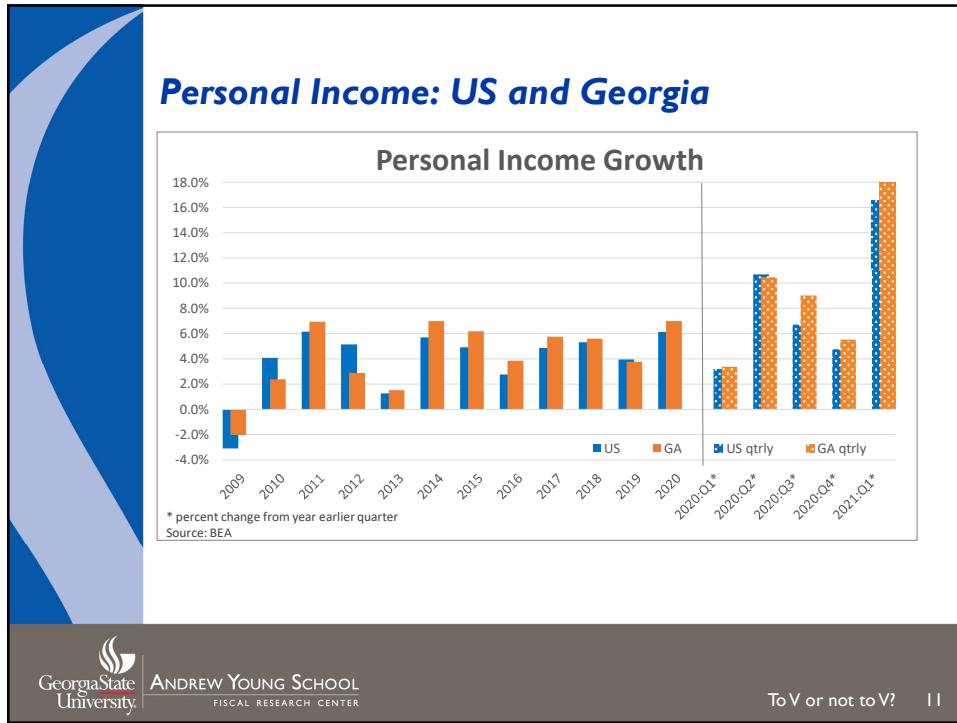
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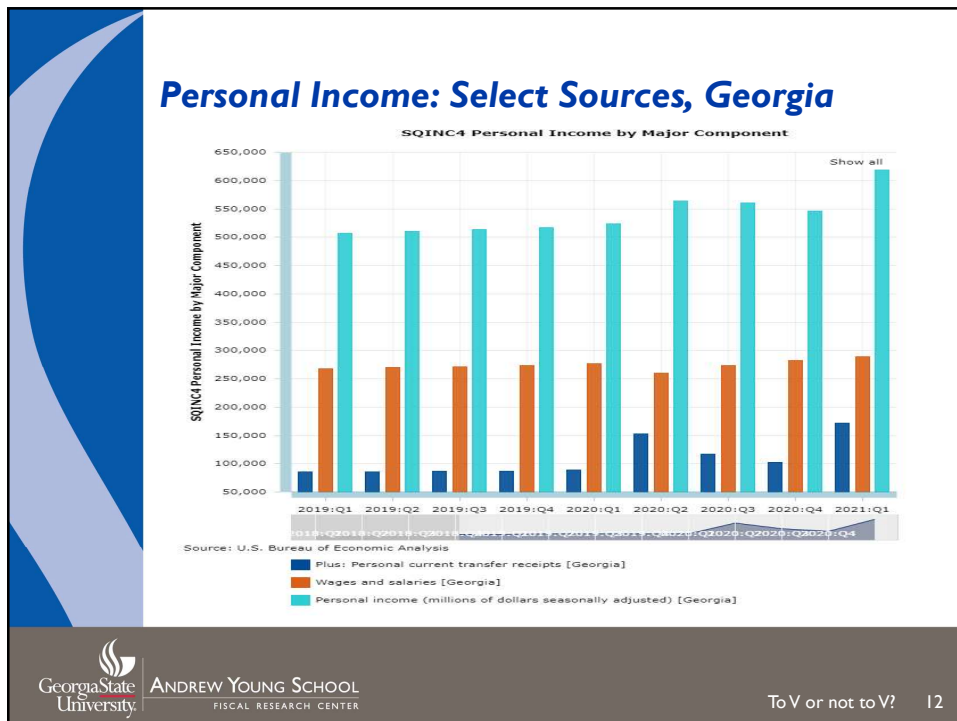
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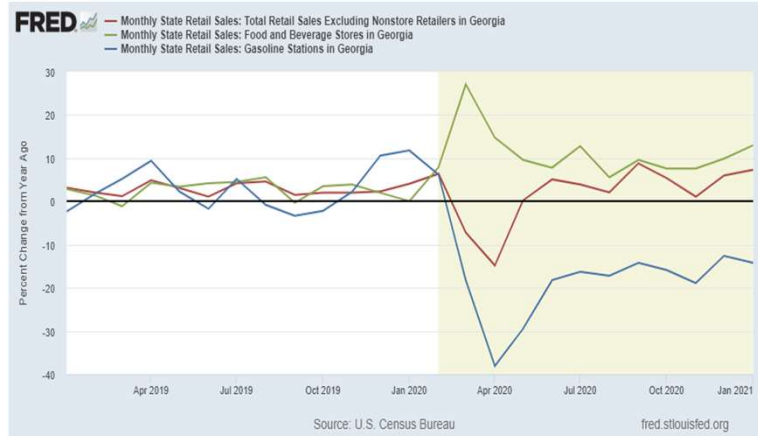


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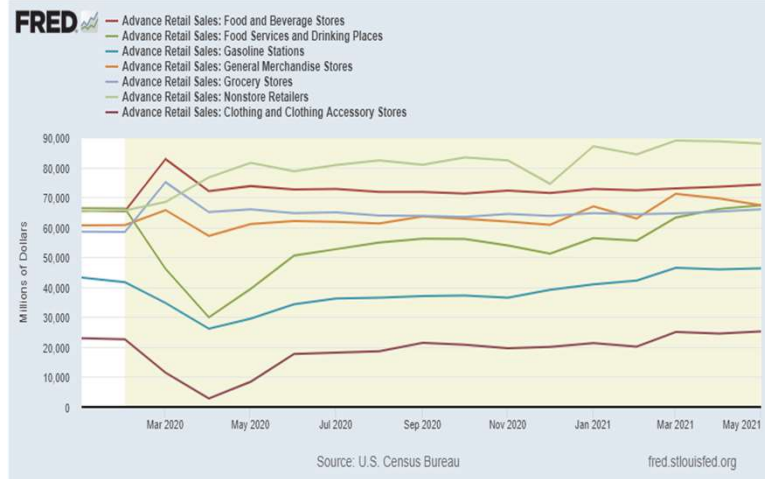
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Monthly Retail Sales: Select Categories, Georgia



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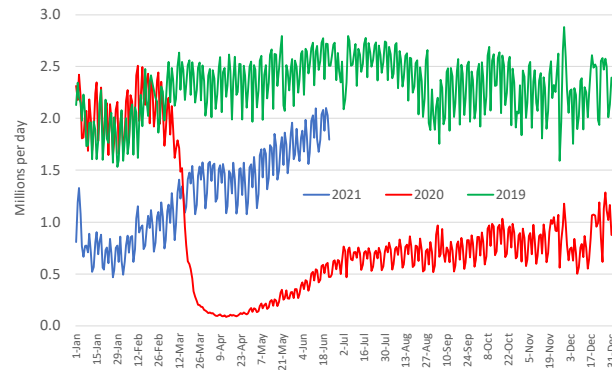
Monthly Retail Sales: Select Categories, US



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Travel and Tourism: Airlines

TSA (US) Checkpoint Travel Numbers:

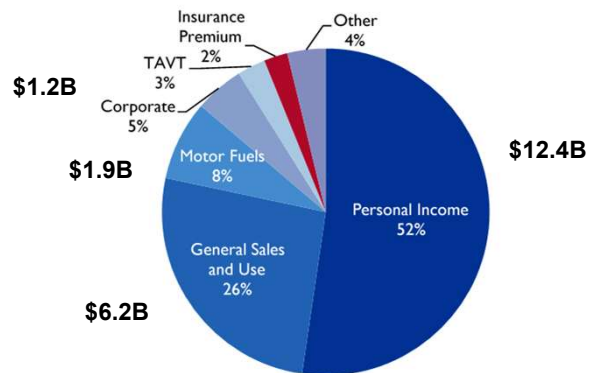


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Georgia's Revenue Sources

State General Fund Tax Collections

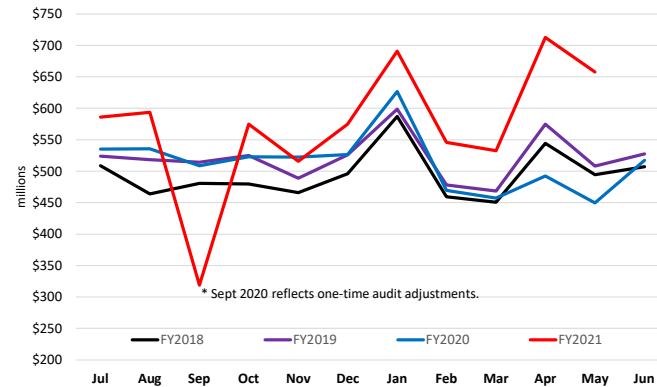
Fiscal Year Ending June 30, 2020



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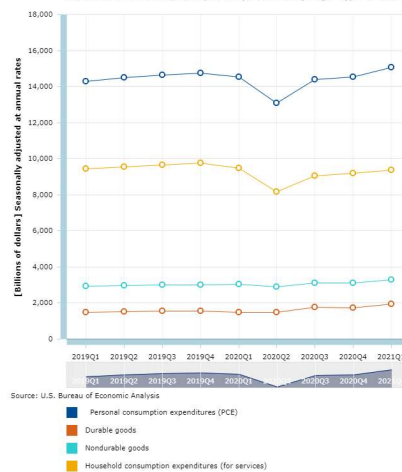
State Sales Tax Collections

- **Fiscal Year 2020: -1.4%, -\$89 million**
- **FY 2021 thru May: +11.6%, +\$657 million**



US Personal Consumption

Table 2.3.5. Personal Consumption Expenditures by Major Type of Product

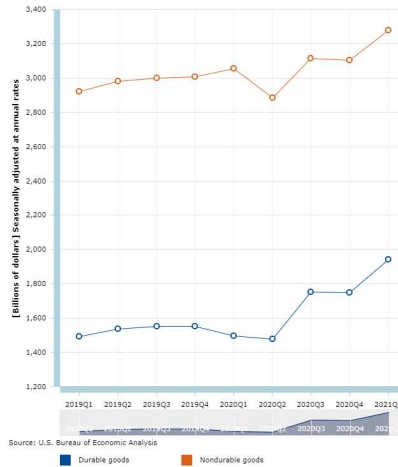


Source: U.S. Bureau of Economic Analysis

■ Personal consumption expenditures (PCE)
■ Durable goods
■ Nondurable goods
■ Household consumption expenditures (for services)

US Personal Consumption

Table 2.3.5. Personal Consumption Expenditures by Major Type of Product

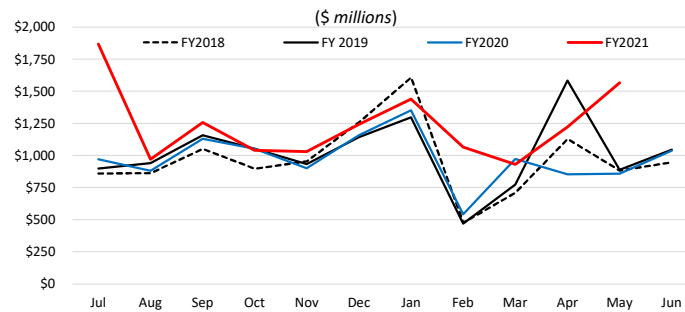


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Personal Income Tax Collections

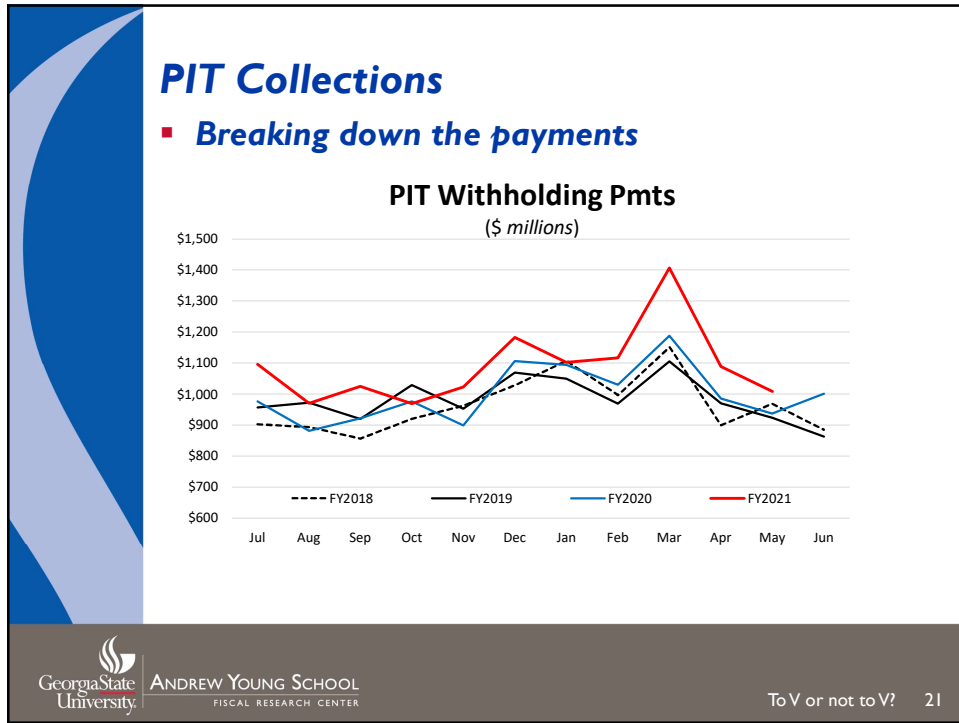
- FY 2020 (adjusted): +1.9%, +\$231 million**
- FY 2021 thru May: +21.2%, +\$2.26 billion**

Net PIT Collections*

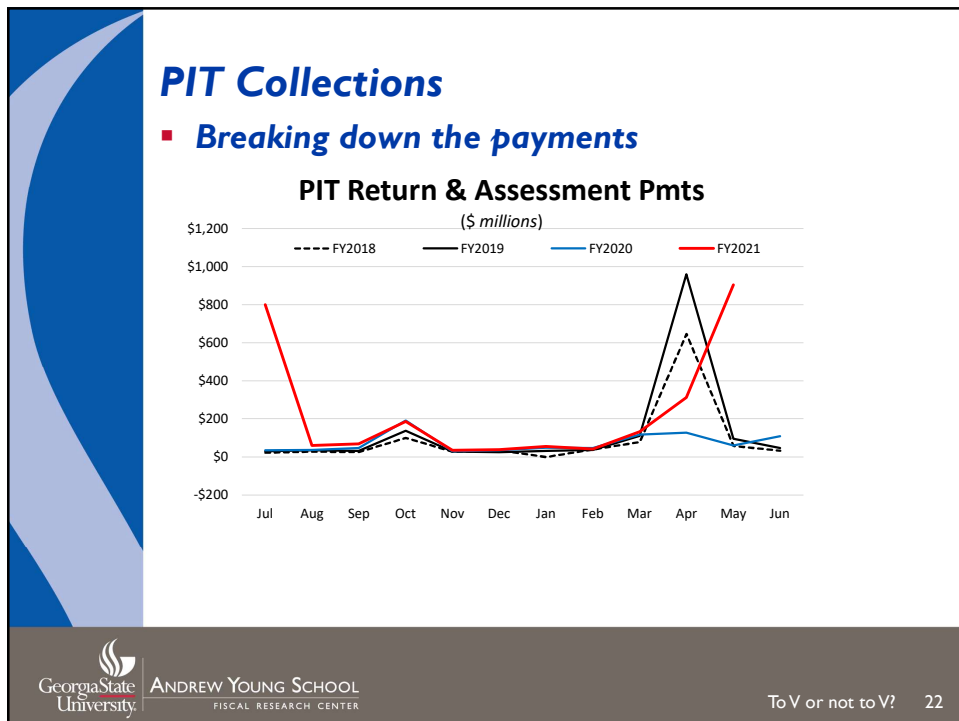


* July 2020 includes ~\$703 million shifted from FY 2020 due to filing extension; DOR counts this in June 2020

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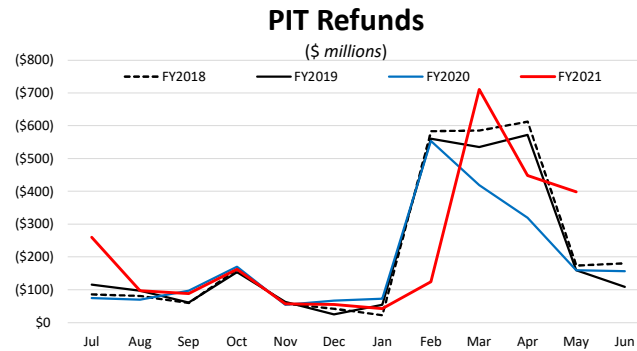
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PIT Collections

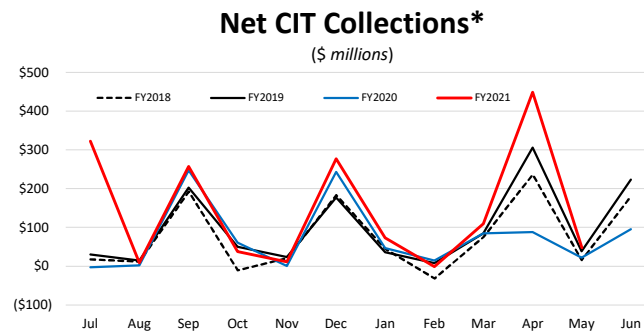
■ Breaking down the payments



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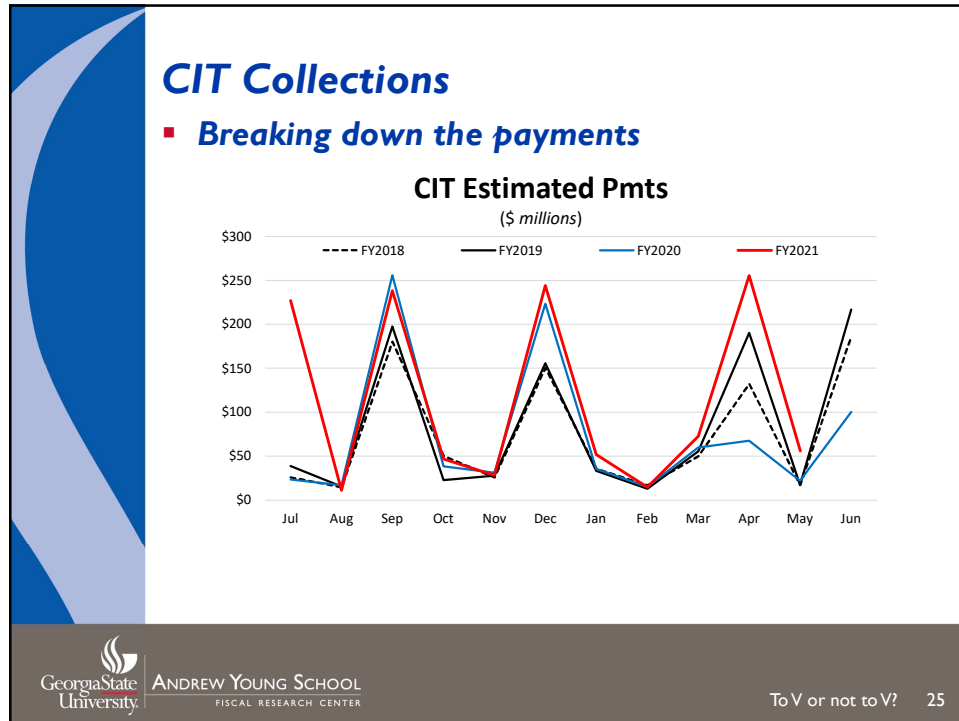
Corporate Income Tax Collections

- **FY 2020 (adjusted): -3.0%, -\$38 million**
- **FY 2021 thru May: +60.9%, +\$539 million**

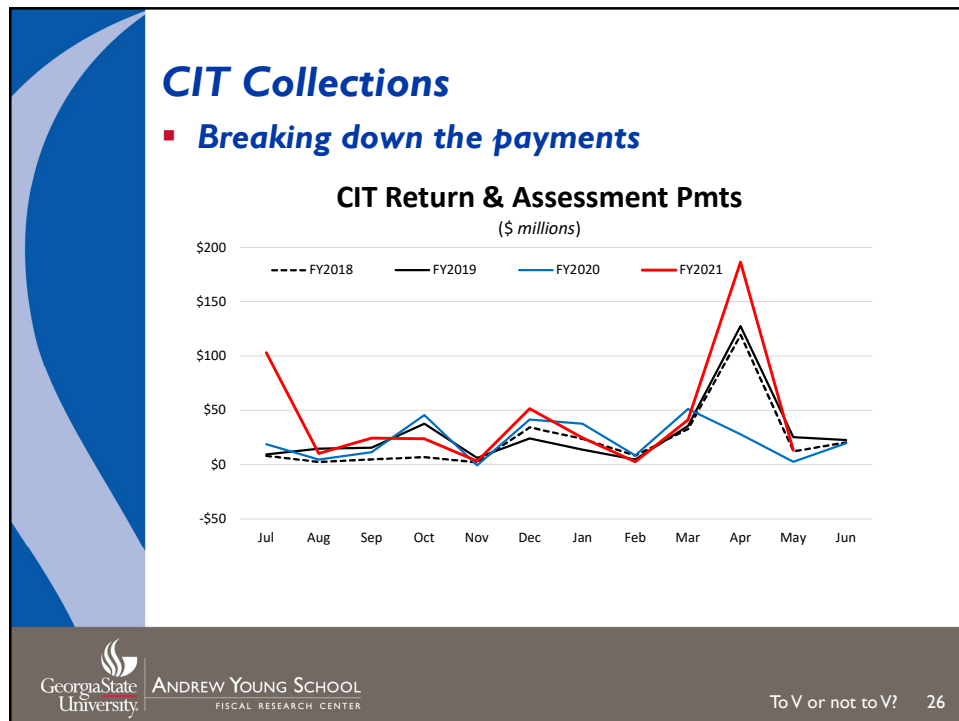


* July 2020 includes ~\$249 million shifted from FY 2020 due to filing extension; DOR counts this in June 2020

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Other observations:

- **Personal service businesses**
 - No sales tax impact
- **Motor vehicles TAVT revenues**
 - FY 2020 -23.5%, -\$203 million
 - FY 2021 YTD +7.5%, +\$46 million
 - Signs of recovery from pent-up demand
 - Mar-May 2021 up 16%, 38%, and 125% respectively
- **Total tax collections**
 - FY 2020 -0.4%, -\$92 million
 - FY 2021 YTD +17.2%, +\$3.59 billion
 - FY 2020 comparable period does not include \$953 million DOR reports in June 2020 as an adjustment due to income tax filing extension to July.



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Outlook for FY 2022: cautious optimism

- **The “V” recovery is not yet complete.**
 - 4.3% unemployment rate is only 1 point above pre-pandemic low, but labor force participation has fallen. Nonfarm payrolls still 193k or 4.1% below Feb 2020.
 - Current labor shortage, but pandemic unemployment benefits ending.
- **PIT revenues benefiting from financial markets; will that continue?**
- **Supply problems**
- **Inflation concerns; will the Fed have to act?**



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Questions?

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