

Economic and Revenue Update

A Briefing for the Money Committees

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Topics for Discussion

- National and State Economic Indicators
- December Year-to-Date Revenue Collections, Fiscal Year 2021
- Next Significant Data Points
- Federal Stimulus Funding
- CARES Act and CAA Tax Conformity

National and State Economic Indicators

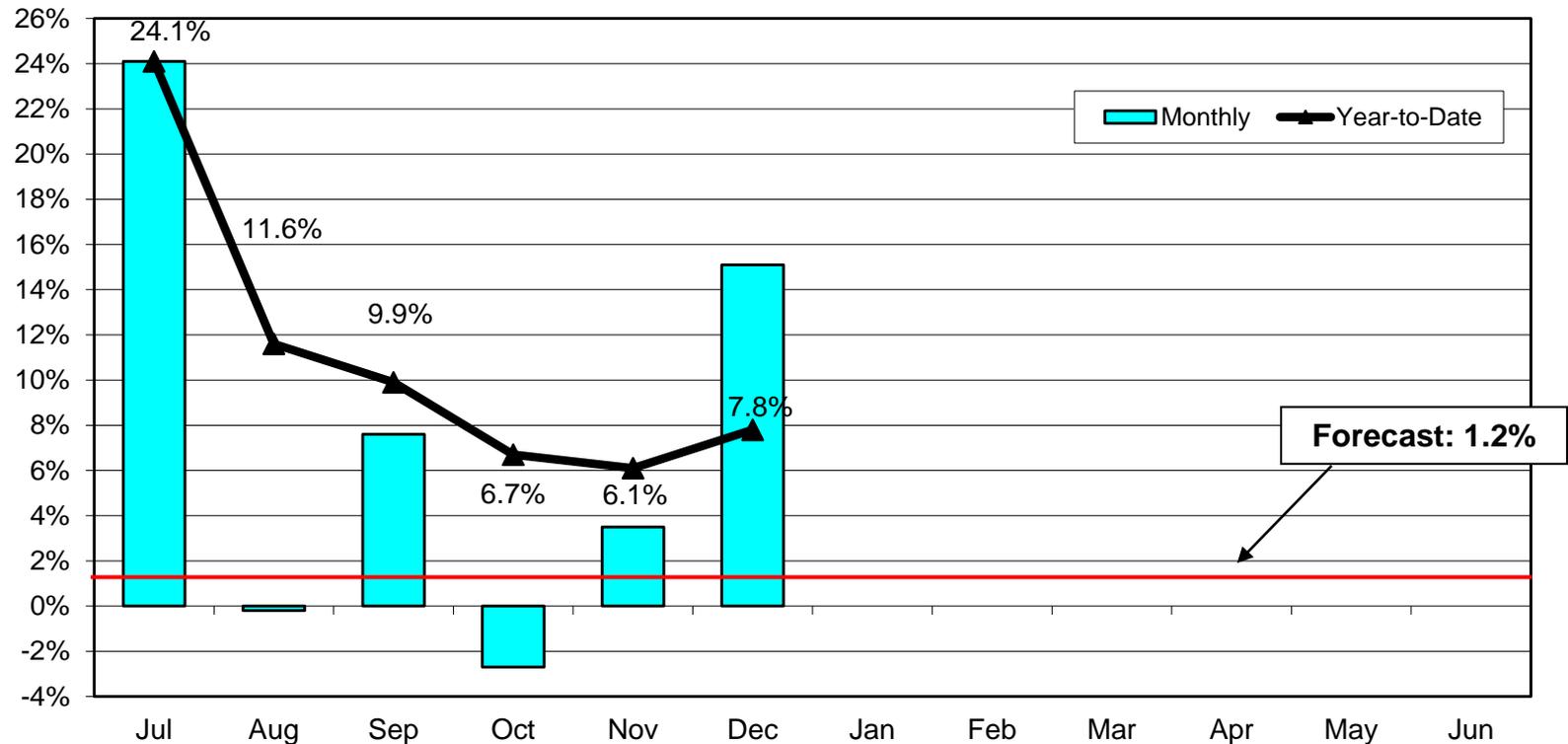
- According to the third estimate, real GDP rose at an annualized rate of 33.4 percent in the third quarter of 2020, the largest gain on record and reversing about 75 percent of the second quarter decline.
 - Prior to this, the largest gain in real GDP was 16.7 percent in the first quarter of 1950.
- Payroll employment fell by 140,000 jobs in December.
 - COVID-19 restrictions and winter weather drove a decline of 498,000 jobs in the leisure and hospitality sector.
- The national unemployment rate was unchanged at 6.7 percent in December.
- Initial claims for unemployment fell by 3,000 during the week ending January 2, but remain extremely high at 787,000.
- The Conference Board's index of leading indicators rose 0.6 percent in November to 109.1 following increases of 0.8 percent in October and 0.7 percent in September. Although this was the seventh consecutive increase, the readings suggests the recovery is slowing.
- The Conference Board's index of consumer confidence fell from 92.9 to 88.6 in December. The current conditions component declined for the month, while expectations improved.
- The Institute of Supply Management index rose from 57.5 to 60.7 in December. It has remained above the expansionary threshold of 50.0 since June.

National and State Economic Indicators

- The CPI rose 0.2 percent in November and stands 1.2 percent above November 2019.
 - Core inflation (excluding food and energy prices) also rose by 0.2 percent, and has increased 1.7 percent from last year.
- At its December meeting, the Federal Reserve left the federal funds target rate unchanged at the range of 0.0 to 0.25 percent.
- In Virginia, payroll employment fell 4.4 percent in November compared with last year. Northern Virginia fell 4.8 percent; Hampton Roads employment fell 3.2 percent, and Richmond-Petersburg fell 4.4 percent.
- The seasonally adjusted unemployment rate fell 0.3 percentage point to 4.9 percent and stands 2.2 percentage points above November of last year.
- The Virginia Leading Index rose 0.8 percent in November after rising 2.3 percent in October.
 - The U.S. Leading Index, future employment, and initial claims improved in November while auto registrations declined.
 - The indexes for all eleven Virginia metro areas rose for the month.

Growth in Total General Fund Revenue Collections

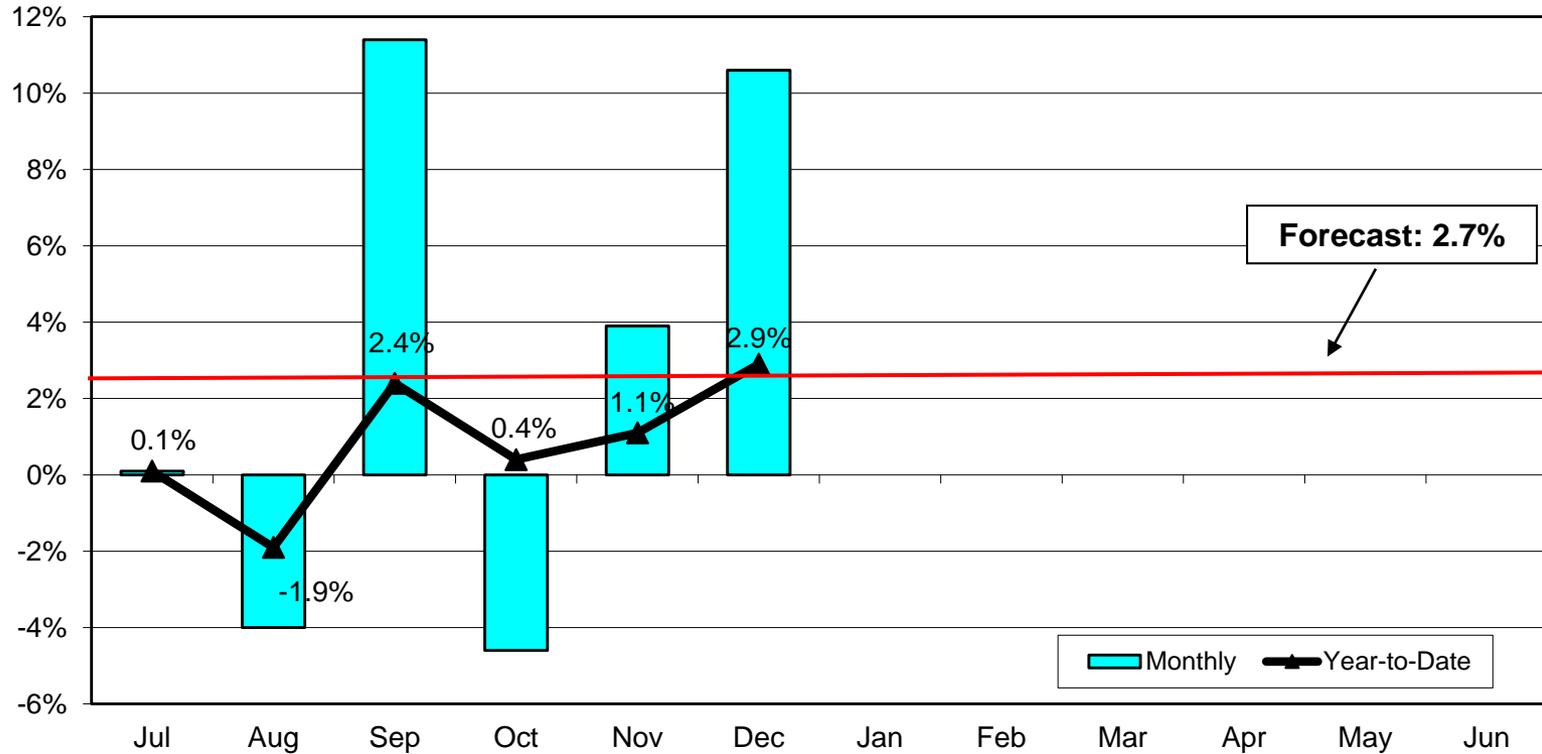
FY21 Monthly and Year-to-Date



Monthly Growth: 24.1% -0.2% 7.6% -2.7% 3.5% 15.1%

- Total general fund revenues increased 15.1 percent in December.
 - One additional deposit day for payroll withholding.
 - Strong receipts in all major sources.
- On a year-to-date basis, total revenues increased 7.8 percent, ahead of the annual forecast of 1.2 percent growth.

Growth in Withholding Tax Collections FY21 Monthly and Year-to-Date

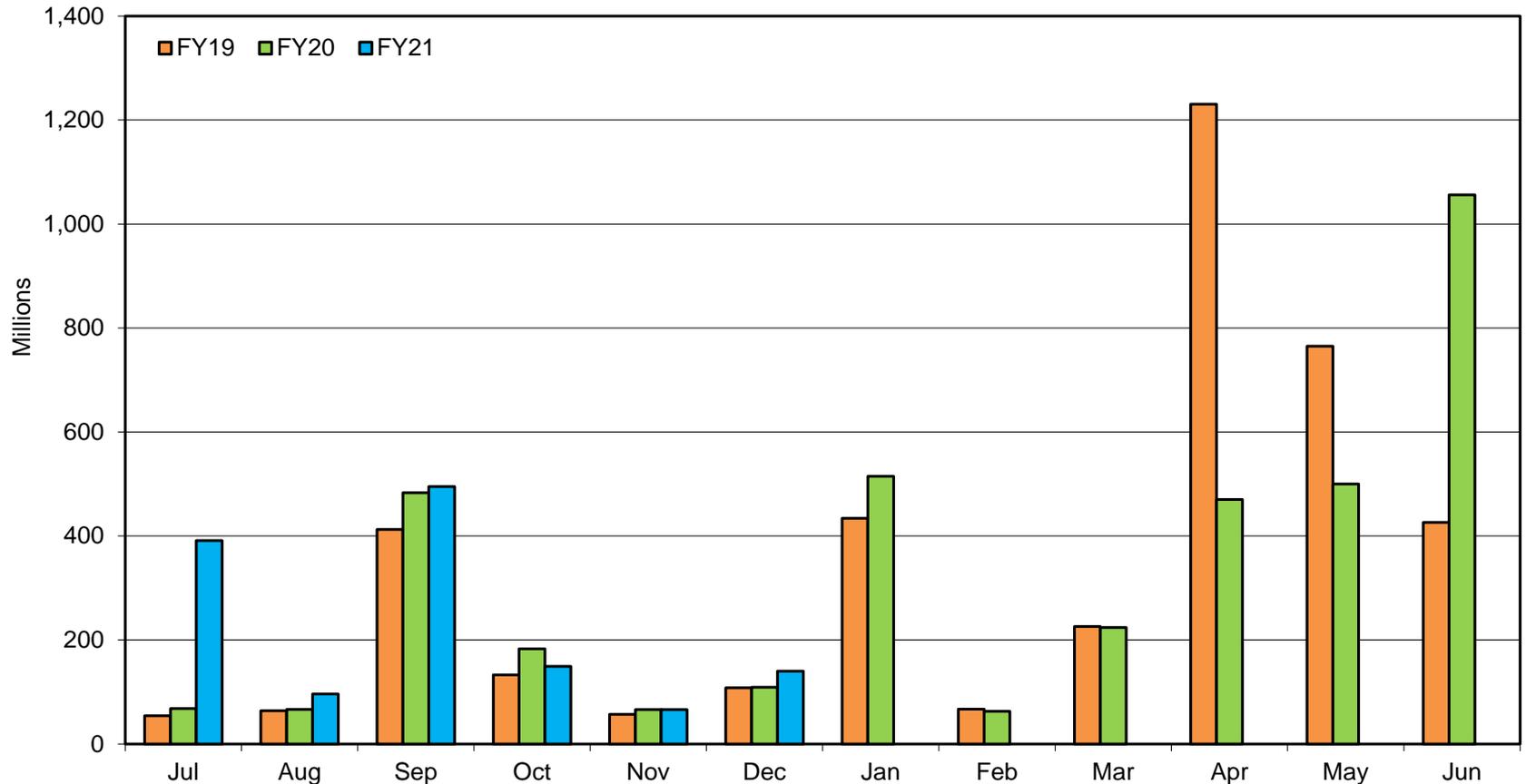


Monthly Growth: 0.1% -4.0% 11.4% -4.6% 3.9% 10.6%

- Collections increased 10.6 percent in December.
 - December contained one additional deposit day, January will have one fewer.
- Year-to-date, withholding collections have increased 2.9 percent compared with the same period last year, ahead of the projected annual growth of 2.7 percent.

Nonwithholding Tax Collections

FY19 – FY21 Monthly



- December and January are significant months for collections in this source.
 - January 15 is the due date for the fourth estimated payment for tax year 2020.
 - Another assessment of this source will be done after January's receipts are received.
- Year-to-date, collections were \$1,340.0 million compared with \$976.6 million in the same period last year, however, adjusting for the late payments from FY20 pushed into July, collections were \$990.0 million for the first half of FY21.

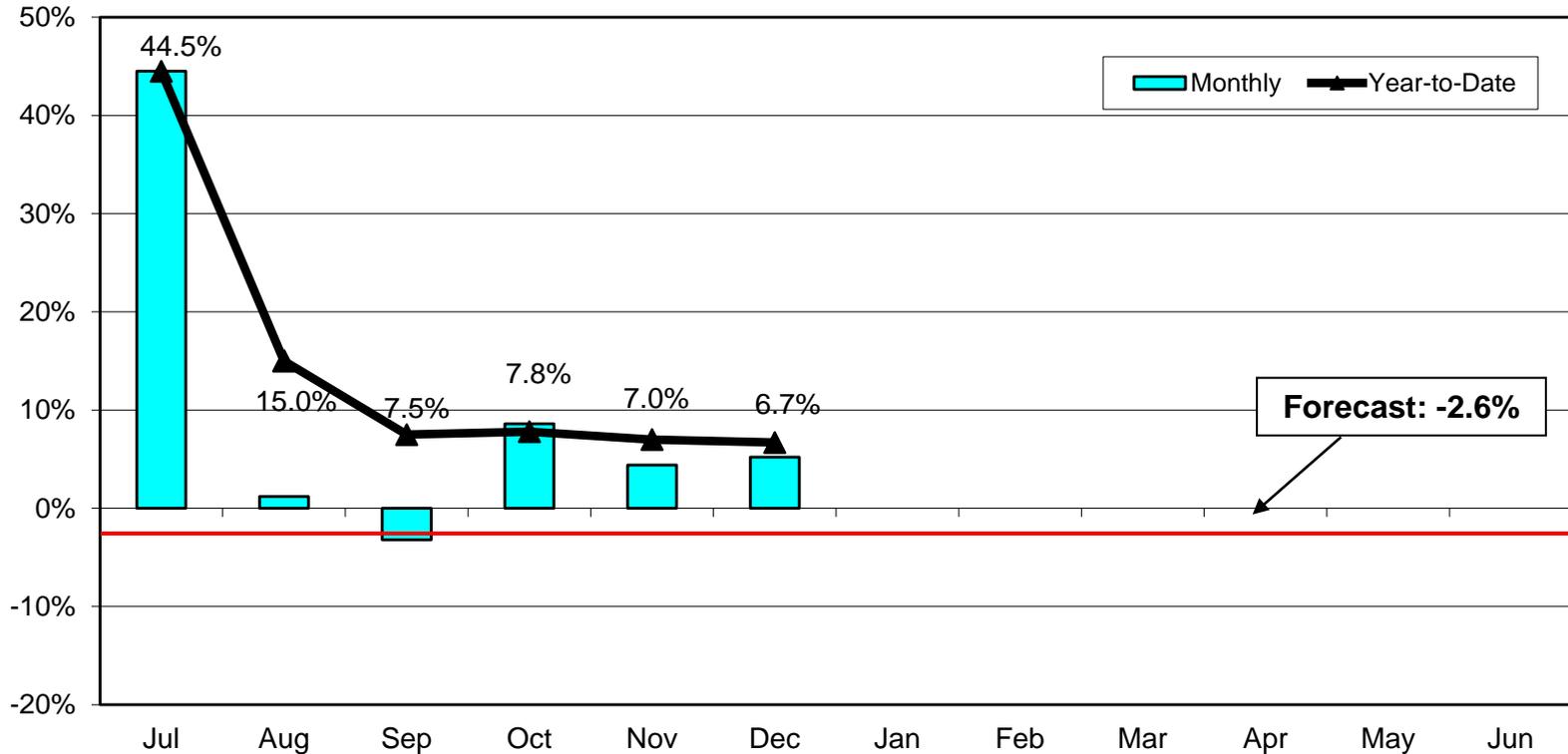
Individual Income Tax Refunds

- Not a significant month.
- Through December, TAX has issued \$471.5 million in individual refunds compared with \$350.4 million in the same period last year.
 - Of the \$121.1 million increase, approximately \$110 million was due to refunds received for processing in July versus June as numerous taxpayers waited until the federal due date of July 15 to file their returns.

Net Individual Income Tax

- Through the first three months of the fiscal year, collections of net individual income tax increased 6.0 percent from the same period last year, ahead of the annual estimate of a 1.0 percent increase.

Growth in Sales Tax Collections FY21 Monthly and Year-to-Date



Monthly Growth: 44.5% 1.2% -3.2% 8.6% 4.4% 5.2%

- Collections of sales and use taxes, reflecting mainly November sales, increased 5.2 percent in December.
 - Sales tax collections were broad-based.
- On a year-to-date basis, collections increased 6.7 percent, ahead of the annual estimate of a 2.6 percent decline.

Net Corporate Income Tax Collections

- December is a significant month since quarterly estimated payments are due from most corporations and refunds from extension returns are processed.
- Gross collections were \$272.1 million in December, compared with \$208.0 million last year, a 30.8 percent increase.
 - Growth was broad-based.
- Refunds were \$16.9 million in December, compared with \$40.0 million last December.
- On a year-to-date basis, collections in this source have increased 37.7 percent, ahead of the annual estimate of 19.9 percent growth.
- Fiscal-year-to-date, 53.1 percent of the projected fiscal year's net corporate payments have been received.
 - This is ahead of the historical average of 42.1 percent.

Recordation and Insurance Premiums Tax

Recordation

- In December, collections increased 57.3 percent compared to last year. Year-to-date collections have increased 38.9 percent compared to last year, ahead of the forecast of 13.6 percent growth.

Insurance

- The transfer of insurance premiums to the Transportation Trust Fund per Chapter 896, 2007 Acts of the Assembly, in the amount of \$181.4 million was completed in December.
 - December collections to the General Fund were \$102.2 million as compared to last December's \$94.0 million.

Summary of Fiscal Year 2021 Revenue Collections

December 16 Forecast

July through December
Percent Growth over Prior Year

<u>Major Source</u>	As a % of Total Revenues	<u>YTD Actual</u>	<u>Annual Estimate</u>	<u>Variance</u>	<u>Jan-Jun Req'd to Meet Est.</u>	<u>Prior Year Jan-Jun</u>
Withholding	62.4 %	2.9 %	2.7 %	0.2 %	2.5 %	0.4 %
Nonwithholding	18.0	37.2	4.4	32.8	(6.9)	(10.2)
Refunds	(10.0)	34.5	20.1	14.4	16.7	3.3
Net Individual	70.5	6.0	1.0	5.0	(3.3)	(4.0)
Sales	16.4	6.7	(2.6)	9.3	(10.8)	(0.2)
Corporate	5.5	37.7	19.9	17.8	4.6	(1.3)
Wills (Recordation)	2.5	38.9	13.6	25.3	(12.7)	21.3
Insurance	1.5	8.7	(7.4)	16.1	(13.1)	(7.7)
All Other Revenue	3.6	(11.1)	(4.0)	(7.1)	1.5	(2.9)
Total	100.0 %	7.8 %	1.2 %	6.6 %	(4.4) %	(2.9) %
Total less Nonwithholding	82.0 %	4.7 %	0.6 %	4.1 %	(3.6) %	(0.3) %

- \$667.7 million ahead of the December 16 forecast through December.

Next Significant Data Points

- January receipts will serve as the next critical data point in evaluating the outlook for the current fiscal year and serve as the basis for any recommended mid-session adjustment.
 - **Withholding:** Monthly and quarterly filers are due.
 - **Nonwithholding:** December and January are significant months for collections in this source. Taxpayers have until January 15 to submit their fourth estimated payment for tax year 2020. A clearer assessment of growth in this source will be possible at the end of January.
 - **Sales:** January receipts are needed to more accurately assess growth in this source because a large part of holiday sales occur in December.
 - **Corporate:** The fourth estimated payment will be received from retailers and other companies with February-January taxable years.

Federal Stimulus Funding

Coronavirus Relief Fund (CRF) – Summary Status

as of 1/14/2021

Total Allocation to Virginia	\$3,309,738,321
<i>Less Fairfax County</i>	<i>(\$200,235,485)</i>
Balance for Rest of State	\$3,109,502,836
<i>Plus Interest Earned</i>	<i>\$11,877,003</i>
Total Available for Obligation	\$3,121,379,839

	Amounts	% of Total Available for Obligation
Total Obligated	\$3,119,656,192	99.9%
Balance Remaining - unobligated	\$1,723,647	0.1%
Total expended	\$2,662,990,311	85.3%
Total authorized but not yet expended	\$456,665,880	14.6%
	\$3,119,656,192	99.9%

Authorized Use of Coronavirus Relief Fund

as of 1/14/2021

	Total Allocation to Virginia	\$3,309,738,321	
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	Balance for Rest of State	\$3,109,502,836	
	<i>Plus Interest Earned</i>	\$11,877,003	
	Total Available for Obligation	\$3,121,379,839	
	Obligated in	Obligated in	Total Obligated
	FY 2020	FY 2021	
Current Commitments Approved:			
Local Government Allocation - Round 1	\$644,573,383	-	\$644,573,383
Local Government Allocation - Round 2	-	\$644,573,383	\$644,573,383
VDEM - testing (\$21.5M was transferred to VDH by subsequent decision brief approved 7-27-2020)	\$42,338,400	-	\$42,338,400
VDEM - PPE	\$97,000,000	-	\$97,000,000
VDEM - other	\$33,722,001	-	\$33,722,001
VDH - replace deficit authorization	\$3,291,300	-	\$3,291,300
VDH - contact tracing/UVA equipment	\$59,157,614	-	\$59,157,614
DGS - consolidated labs testing	\$6,052,673	-	\$6,052,673
DHCD - emergency housing for homeless	\$5,528,998	\$3,270,000	\$8,798,998
FY 2020 agency-based requests (does not include \$10M for DHCD mortgage and rental assistance)	\$80,480,698	-	\$80,480,698
DHCD - mortgage and rental assistance (includes \$10M in FY 2020 portion originally approved as part of agency-based requests)	\$10,000,000	\$40,000,000	\$50,000,000
DSBSD - small business assistance grants	-	\$70,000,000	\$70,000,000
DMAS - long-term care facilities	-	\$55,640,872	\$55,640,872
DMAS - PPE for personal care attendants	-	\$9,256,178	\$9,256,178
VDEM, VDACS, & DSS - food insecurity	-	\$3,861,953	\$3,861,953
VDEM - 4 priority PPE projects (1) federally-funded health care facilities, 2) congregate care facilities, 3) local health district offices, and 4) adult and childcare facilities across the Commonwealth)	-	\$42,112,285	\$42,112,285
VDH - Carillion serology study	-	\$566,309	\$566,309

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Current Commitments Approved – <i>continued</i>:	Obligated in FY 2020	Obligated in FY 2021	Total Obligated
VDH - testing and contact tracing	-	\$71,829,059	\$71,829,059
VDH - Environmental Health Specialists for Executive Order enforcement	-	\$1,298,038	\$1,298,038
DBHDS - state hospital census support	-	\$2,853,215	\$2,853,215
VDH - point-of-care antigen testing	-	\$16,010,500	\$16,010,500
DHCD - broadband/internet access	-	\$30,000,000	\$30,000,000
DHCD - additional mortgage/rental assistance	-	\$12,000,000	\$12,000,000
DOE - distribution to schools for reopening	-	\$220,798,208	\$220,798,208
VDH - vaccination program	-	\$22,052,445	\$22,052,445
DMAS - hazard pay for personal care attendants (\$1,500 payment to PCAs who worked between March 12, 2020, and June 30, 2020.)	-	\$73,056,734	\$73,056,734
DBHDS - hazard pay	-	\$669,312	\$669,312
DSS - child care for a recovering economy (includes local capacity and childcare provider stabilization funds)	-	\$58,341,000	\$58,341,000
VDH - additional testing needs - One Lab	-	\$9,929,838	\$9,929,838
VDH - agreement with Unite Us	-	\$10,000,000	\$10,000,000
VDH - DocuSign subscription	-	\$192,250	\$192,250
VDH - COVID-19 communications Strategy	-	\$3,450,000	\$3,450,000
VDH - sample testing costs, staffing, overtime	-	\$6,632,255	\$6,632,255
VDH - Virginia Association of Free and Charitable Clinics (VAFCC)	-	\$3,000,000	\$3,000,000
VDH - community mitigation efforts	-	\$41,019	\$41,019
Higher Ed Inst - reimburse COVID-19 expenses for PPE, sanitization, virtual education, etc.	-	\$116,261,410	\$116,261,410

Authorized Use of Coronavirus Relief Fund

as of 1/14/2021

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Total Available for Obligation	\$3,121,379,839

Current Commitments Approved – <i>continued:</i>	Obligated in FY 2020	Obligated in FY 2021	Total Obligated
Museums - reimburse COVID-19 expenses for PPE, sanitization, virtual education, etc.	-	\$834,013	\$834,013
VCCS - training vouchers for unemployed	-	\$30,000,000	\$30,000,000
UVA Medical Center – reimbursement for COVID-19 response to expand bed and treatment capacity	-	\$3,442,283	\$3,442,283
VCU Hospital – reimbursement for COVID-19 response to expand bed and treatment capacity	-	\$11,333,374	\$11,333,374
DSBSD - small business assistance grants - additional funds for Rebuild Virginia	-	\$30,000,000	\$30,000,000
DJJ - reimburse COVID-19 expenses for PPE, sanitization, medical overtime	-	\$332,427	\$332,427
DOC - reimburse COVID-19 expenses for PPE, sanitization, medical overtime	-	\$6,309,925	\$6,309,925
DSS - Virginia Federation of Food Banks	-	\$7,000,000	\$7,000,000
SCC / DHCD - payments to utilities for customer debt relief	-	\$100,000,000	\$100,000,000
DVS - reimburse COVID-19 expenses for PPE, sanitization, medical overtime	-	\$59,719	\$59,719
DMAS - retainer payments for Medicaid DD waiver day support providers	-	\$25,000,000	\$25,000,000
SCHEV - payment to private institutions of higher education	-	\$22,000,000	\$22,000,000
VDEM - COVID-19 pandemic response	-	\$41,769,113	\$41,769,113

Authorized Use of Coronavirus Relief Fund

as of 1/14/2021

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Balance for Rest of State	\$3,109,502,836
Plus Interest Earned	\$11,877,003
Total Available for Obligation	\$3,121,379,839

Current Commitments Approved – <i>continued</i>:	Obligated in FY 2020	Obligated in FY 2021	Total Obligated
DMAS - hospitals/health care providers	-	\$60,000,000	\$60,000,000
VDH - reimburse salaries for "public health employees"	-	\$7,948,800	\$7,948,800
DBHDS - support for state facilities, central office, and CSBs	-	\$936,292	\$936,292
DMAS - Expand definition of long-term care facilities to include Medicaid Developmental Disability Waiver (DDW) residential providers and increase funding	-	\$15,000,000	\$15,000,000
ABC - PPE, sanitization, safe operations	-	\$1,033,119	\$1,033,119
DSS - Childcare Provider Stabilization Funds	-	\$16,600,000	\$16,600,000
Senate - PPE, Sanitizer, plexiglass, technology for virtual meetings	-	\$215,796	\$215,796
VEC - unemployment assistance	-	\$210,000,000	\$210,000,000
DSBSD - small business assistance grants - additional funds for Rebuild Virginia - December 2020 Increase	-	\$20,000,000	\$20,000,000

Subtotal, Current Commitments	\$982,145,067	\$2,137,511,124	\$3,119,656,191
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Balance Remaining To Commit			\$1,723,647
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Amounts Obligated and Spent by Agency

as of 1/14/2021

Agency	Total Obligated	Total Expenditures (FY2020 + FY2021)	Amounts Not Spent
602: Department of Medical Assistance Services	\$237,953,784	\$108,025,378	\$129,928,406
601: Department of Health	\$166,724,303	\$66,326,740	\$100,397,563
127: Department of Emergency Management	\$236,513,058	\$143,411,834	\$93,101,224
194: Department of General Services	\$55,328,886	\$16,927,207	\$38,401,678
260: Virginia Community College System	\$41,513,000	\$17,175,746	\$24,337,254
350: Department of Small Business and Supplier Diversity	\$120,066,863	\$99,861,933	\$20,204,930
799: Department of Corrections	\$30,470,428	\$15,827,985	\$14,642,443
165: Department of Housing and Community Development	\$70,798,998	\$64,176,543	\$6,622,455
765: Department of Social Services	\$85,123,445	\$80,514,098	\$4,609,347
212: Virginia State University	\$9,602,333	\$5,679,221	\$3,923,112
217: Radford University	\$3,791,536	\$221,769	\$3,569,767
792: Mental Health Treatment Centers	\$2,088,691	\$169,428	\$1,919,264
213: Norfolk State University	\$3,588,478	\$1,972,537	\$1,615,941
214: Longwood University	\$1,648,068	\$114,085	\$1,533,983
216: James Madison University	\$4,761,913	\$3,295,198	\$1,466,715
938: New College Institute	\$1,641,550	\$301,556	\$1,339,994
221: Old Dominion University	\$6,829,564	\$5,728,220	\$1,101,344
215: University of Mary Washington	\$2,319,940	\$1,252,539	\$1,067,401

Amounts Obligated and Spent by Agency

as of 1/14/2021

Agency	Total Obligated	Total Expenditures (FY2020 + FY2021)	Amounts Not Spent
720: Department of Behavioral Health and Developmental Services	\$3,382,492	\$2,371,628	\$1,010,864
242: Christopher Newport University	\$2,626,975	\$1,724,200	\$902,775
794: Virginia Center for Behavioral Rehabilitation	\$844,598	\$4,710	\$839,888
162: Department of Accounts Transfer Payments	\$1,375,625,354	\$1,374,881,085	\$744,269
245: State Council of Higher Education for Virginia	\$22,605,272	\$22,005,272	\$600,000
182: Virginia Employment Commission	\$210,818,894	\$210,261,175	\$557,719
238: Virginia Museum of Fine Arts	\$777,368	\$278,700	\$498,668
777: Department of Juvenile Justice	\$1,033,586	\$726,583	\$307,003
100: Senate of Virginia	\$215,796	\$0	\$215,796
948: Southwest Virginia Higher Education Center	\$170,000	\$0	\$170,000
247: George Mason University	\$10,671,330	\$10,516,038	\$155,292
912: Department of Veterans Services	\$134,844	\$13,073	\$121,771
199: Department of Conservation and Recreation	\$321,148	\$204,221	\$116,926
793: Intellectual Disabilities Training Centers	\$105,969	\$0	\$105,969
211: Virginia Military Institute	\$895,326	\$789,450	\$105,876
197: Direct Aid to Public Education	\$220,698,208	\$220,598,208	\$100,000
239: Frontier Culture Museum of Virginia	\$118,072	\$37,304	\$80,768
440: Department of Environmental Quality	\$98,751	\$22,468	\$76,282

Amounts Obligated and Spent by Agency

as of 1/14/2021

Agency	Total Obligated	Total Expenditures (FY2020 + FY2021)	Amounts Not Spent
146: The Science Museum of Virginia	\$185,087	\$121,967	\$63,120
425: Jamestown-Yorktown Foundation	\$71,824	\$39,095	\$32,729
132: Department of Elections	\$256,360	\$236,470	\$19,890
218: Virginia School for the Deaf and the Blind	\$100,000	\$80,681	\$19,319
417: Gunston Hall	\$23,553	\$5,775	\$17,778
702: Department for the Blind and Vision Impaired	\$27,135	\$23,845	\$3,290
790: Grants to Localities	\$454,124	\$450,879	\$3,245
942: Virginia Museum of Natural History	\$12,305	\$9,113	\$3,192
960: Department of Fire Programs	\$12,716	\$9,556	\$3,160
778: Department of Forensic Science	\$34,374	\$31,745	\$2,629
140: Department of Criminal Justice Services	\$18,997	\$16,717	\$2,280
848: Indigent Defense Commission	\$45,942	\$43,992	\$1,950
171: State Corporation Commission	\$43,650,706	\$43,650,312	\$394
152: Department of the Treasury	\$17,326	\$17,200	\$126
263: Virginia Rehabilitation Center for the Blind and Vision Impaired	\$729	\$637	\$92
751: Department for the Deaf and Hard-Of-Hearing	\$29,036	\$29,034	\$1
154: Department of Motor Vehicles	\$652,005	\$652,004	\$1
961: Division of Capitol Police	\$41,813	\$41,813	\$0

Amounts Obligated and Spent by Agency

as of 1/14/2021

Agency	Total Obligated	Total Expenditures (FY2020 + FY2021)	Amounts Not Spent
111: Supreme Court	\$98,338	\$98,338	\$0
157: Compensation Board	\$1,602	\$1,602	\$0
129: Department of Human Resource Management	\$4,247	\$4,247	\$0
301: Department of Agriculture and Consumer Services	\$2,300,000	\$2,300,000	\$0
411: Department of Forestry	\$206,540	\$206,540	\$0
204: The College of William and Mary in Virginia	\$5,585,714	\$5,585,714	\$0
241: Richard Bland College	\$73,059	\$73,059	\$0
268: Virginia Institute of Marine Science	\$32,363	\$32,363	\$0
207: University of Virginia	\$21,310,707	\$21,310,707	\$0
209: University of Virginia Medical Center	\$25,674,547	\$25,674,547	\$0
246: University of Virginia's College at Wise	\$1,080,026	\$1,080,026	\$0
236: Virginia Commonwealth University	\$61,254,159	\$61,254,159	\$0
208: Virginia Polytechnic Institute and State University	\$16,762,010	\$16,762,010	\$0
274: Eastern Virginia Medical School	\$2,524,982	\$2,524,982	\$0
935: Roanoke Higher Education Authority	\$212,606	\$212,606	\$0
937: Southern Virginia Higher Education Center	\$75,655	\$75,655	\$0
151: Department of Accounts	\$21,310	\$21,310	\$0
122: Department of Planning and Budget	\$7,115	\$7,115	\$0

Amounts Obligated and Spent by Agency

as of 1/14/2021

Agency	Total Obligated	Total Expenditures (FY2020 + FY2021)	Amounts Not Spent
161: Department of Taxation	\$22,508	\$22,508	\$0
402: Marine Resources Commission	\$10,597	\$10,597	\$0
999: Virginia Alcoholic Beverage Control Authority	\$2,714,205	\$2,714,205	\$0
156: Department of State Police	\$259,471	\$259,471	\$0
841: Department of Aviation	\$2,599	\$2,599	\$0
501: Department of Transportation	\$683,857	\$683,857	\$0
123: Department of Military Affairs	\$1,011,078	\$1,011,078	\$0
172: Virginia Lottery	\$22,545	\$22,545	\$0
191: Virginia Workers' Compensation Commission	\$161,500	\$161,500	\$0
	\$3,119,656,192	\$2,662,990,311	\$456,665,880

New Federal Relief Legislation

- Congress passed and the President signed H.R. 133, which is the fifth COVID-19 relief bill enacted to date.
- The legislation includes approximately \$900 billion in additional COVID-19 relief, a year-end omnibus appropriations package, and a variety of other legislation.
- According to *Federal Funds Information for States* (FFIS), it appears that states will receive approximately \$186.3 billion of the \$900 billion total.
- One of the key provisions of H.R. 133 is the extension of the date by which expenses must be incurred under the *Coronavirus Aid, Relief, and Economic Security* (CARES) Act for use of the Coronavirus Relief Fund (CRF).
 - The original CARES Act limited qualifying expenditures to the period of March 1, 2020 to December 30, 2020.
 - While the details of this legislation have not been published fully, the general information indicates that the December 30, 2020 deadline established in the CARES Act for incurring expenditures will be extended by one year, until December 31, 2021.

New Federal Relief Legislation - *continued*

- Consistent with the federal extension, the Governor extended the deadline to December 31, 2021 for all previously approved uses of the CRF.
 - This extension allows agencies that received CRF funds to continue to incur and reimburse CRF qualifying expenditures beyond December 30, 2020.
 - More importantly, it allows agencies to reimburse CRF qualifying expenditures beyond December 30, 2020 for the authorized constituents of the programs that they have been approved to administer.
- Other than the extension of the deadline, it does not appear that there are any other changes to the requirements or restrictions for use of CRF funds.
- Congress did not authorize additional CRF funds or another similar source of flexible federal funds.
- All new federal relief grants are directed to specific agencies and purposes.

Summary of New Federal Relief Funding

All Grants Are Directed to Specific Agencies and Purposes

Category	Amount <i>\$ in billions</i>
Aid to Small Business	\$325
Stimulus Checks	\$166
UI Extension / Augmentation	\$120
Education	\$82
Health Care	\$63
Transportation	\$45
Tax Cuts	\$30
Nutrition	\$26
Rental Assistance	\$25
Commercial Lender Support	\$12
Child Care	\$10
Broadband	\$7
Total	\$911

Source: Committee for a Responsible Federal Budget (reproduced by FFIS)

Estimated Amounts Awarded to Virginia

as of January 13, 2021

	Amount \$ in thousands
Education	
• Governor’s Emergency Education Relief (GEER) Fund – Flexible (CRRSAA)	\$29,967
• GEER Fund – Private Schools (CRRSAA)	\$46,618
• K-12 Fund (CRRSAA)	\$939,281
CDC	
• Testing Funds (CRRSAA, awards to date)	\$491,291
• COVID-19 Vaccine Preparedness – (CRRSAA, awards to date)	\$77,126
Treasury	
• Emergency Rental Assistance	\$569,661
Transportation	
• FTA Urbanized Formula (CRRSAA)	\$222,130
• Enhanced Mobility of Seniors and Persons with Disabilities	\$484
Labor	
• Extension Implementation Grants	\$650

CARES Act and CAA Tax Conformity

*Coronavirus Aid, Relief, and Economic Security (CARES) Act
Consolidated Appropriations Act (CAA) 2021*

CARES Act and CAA Tax Conformity

- Items currently in the Governor’s introduced budget and additional items to be proposed.

CARES AND CAA CONFORMITY PROVISIONS				
Provision	FY 2021	FY 2022	FY 2023	FY 2024
COVID-19 Related Retirement Distributions	-	(\$8.5)	(\$1.4)	(\$0.2)
Above-the-Line Charitable Contributions Deduction	(\$11.1)	(\$2.8)	-	-
Deduction Limitations for Certain Charitable Contributions	(\$19.5)	\$4.3	\$5.8	\$2.3
Exclusion of Educational Payments	(\$3.6)	(\$0.5)	-	-
Total CARES Act Provisions	(\$34.2)	(\$7.5)	\$4.5	\$2.1
Extension of the \$300 deduction for non-itemizers to Taxable Year 2021	-	(\$21.5)	(\$5.4)	-
Enhancing the charitable deduction for individuals for certain contributions	(\$4.5)	(\$19.8)	\$5.4	\$7.2
Temporary full business meals deduction	-	(\$17.8)	(\$10.5)	(\$2.2)
Extension of exclusion for certain employer payments of student loans	-	(\$8.5)	(\$6.2)	(\$6.6)
Depreciation of certain residential rental property over a 30-Year Period	-	(\$8.1)	(\$1.4)	(\$0.9)
Temporary enhancement of the earned income tax credit for certain taxpayers	(\$3.2)	-	-	-
Repeal of the deduction for qualified tuition	-	\$7.7	\$7.9	\$7.4
All other provisions	(\$1.3)	(\$1.8)	(\$0.7)	(\$0.7)
Total CAA Provisions	(\$9.0)	(\$69.7)	(\$10.9)	\$4.3

CARES Act and CAA Tax Conformity

- Items not conformed to in the Governor’s introduced budget and additional provision to be excluded.

CARES AND CAA DECONFORMITY PROVISIONS				
Provision	FY 2021	FY 2022	FY 2023	FY 2024
Enhanced Deduction for NOLs	-	-\$312.6	\$13.1	\$26.8
Excess Business Losses for Noncorporate Taxpayers	-	-\$305.9	-	-
Business Interest Deduction Limitation	-	-\$47.3	(\$1.7)	(\$1.3)
Total CARES Act Provisions	-	-\$665.7	\$11.4	\$25.5
Extension of 7.5% Floor for the Medical Expense Deduction	-	(\$14.5)	(\$29.6)	(\$30.2)
Deductibility of Business Expenses Funded by PPP Loan and EIDL Fund Proceeds	(\$150-\$190)	(\$190-\$310)	Unknown	Unknown
Total CAA Provisions	(\$150-\$190)	(\$205-\$325)	Unknown	Unknown

Federal Tax Treatment of PPP Loans

- Under the CAA, recipients of Paycheck Protection Program (PPP) loans are entitled to a double tax benefit.
- This results in disparate tax treatment and a significant revenue loss.
 - PPP recipients are treated more favorably than companies that did not receive such loans, including those that received *Rebuild VA* Grants.
 - According to Small Business Administration (SBA) data, more than half of PPP loans went to 5 percent of PPP recipients, many of them larger-sized businesses. As a result, a double tax benefit might disproportionately help larger-sized businesses.
 - The revenue impact of conforming to this treatment would be significant.
- Limited data is available on firms qualifying for PPP loans, forgiveness of the loans, firm size, operating income, and qualifying expenses.
 - Based on available SBA data, the impact would be significant.
 - The timing of the impact would depend on each PPP recipient's tax liability; any amounts not utilized could be carried over as losses.

Federal Tax Treatment of PPP Loans

- Simplified example demonstrating impact of allowing a double tax benefit:
 - Exclusion from income and the deduction of expenses is authorized under the CAA.

	Inclusion and Deduction	Exclusion and No Deduction	Exclusion and Deduction	NO PPP Loan
PPP Loan Amount	\$150,000	\$150,000	\$150,000	\$ 0
Expense Funded	\$150,000	\$150,000	\$150,000	\$ 150,000
Net Cash Result	\$0	\$0	\$0	\$ (150,000)
Income Reported	\$150,000	\$0	\$0	\$ 0
Deduction Taken	\$150,000	\$0	\$150,000	\$ 150,000
Net Tax Result	\$0	\$0	(\$150,000)	\$ (150,000)

Source: Thimmesch, Adam, "States and the PPP: The Tax Policy Case for State Nondeductibility," *State Tax Notes* 99: 129-135, 11 Jan. 2021.