

Revenue Estimate Performance

Fiscal Years 2012-13 to 2025-26

July 2026

This document examines the performance of General Fund revenue estimates made by the Independent Fiscal Office (IFO) from fiscal year (FY) 2012-13 through FY 2025-26. For this document, commentary is included only for estimates since FY 2017-18. For earlier budget cycles (FY 2012-13 to FY 2016-17), see prior year releases. For each fiscal year, the document compares actual collections to the IFO's Official Revenue Estimate that occurs in June of the preceding fiscal year, as required by the statute that established the office. For example, the IFO official estimate for FY 2026-27 was released on June 22, 2026. When appropriate, the estimates were adjusted for any statutory changes that affect General Fund revenues that were not reflected in the June release.

The text that follows discusses the performance of IFO General Fund revenue estimates for the past nine fiscal years and the factors that caused forecast discrepancies. (Note: These abbreviations are used: PIT for personal income tax; SUT for sales and use tax; CNIT for corporate net income tax.) As a general rule of thumb, a forecast that is within 1.0 percentage point of actual revenue collections is considered a solid forecast. A 1.0% forecast variance implies a \$400 to \$500 million deviation from actual revenues. A **summary table** on page 5 lists forecast errors for major revenue sources and the total forecast variance relative to actual revenues since FY 2012-13.

Fiscal Year 2017-18

The difference between actual collections and the IFO official estimate was -\$178 million, or -0.5% of final General Fund revenues. Removing the scheduled \$200 million JUA transfer (Act 44 of 2017) that was not received, the adjusted difference is \$22 million, or 0.1%. Corporate net income tax revenues were below forecast likely due to profit shifting out of tax year 2017 in response to the large federal corporate rate cut enacted by the Tax Cuts and Jobs Act (TCJA) of 2017. The CNIT overprediction error (-\$193 million) was offset by underpredictions for SUT (\$141 million) and PIT (\$118 million). Other revenue sources that were materially different than forecast include escheats (-\$146 million), gross receipts (-\$91 million) and inheritance (\$50 million).

Fiscal Year 2018-19

The difference between actual collections and the IFO official estimate was \$959 million, or 2.8% of final General Fund revenues. All main revenue sources came in over estimate with the highest being SUT (\$349 million) and CNIT (\$323 million). The unexpected increase in SUT revenues was due to stronger than anticipated consumer spending from the TCJA of 2017 and the taxation of internet sales via Act 43 of 2017. Corporate net income tax revenues exceeded forecast due to strong profits growth and (likely) a greater than expected impact on the corporate tax base from the TCJA of 2017. Most other revenue sources also came in higher than forecast including: PIT (\$116 million), licenses and fees (\$103 million) and gross receipts (\$37 million). Much of the licenses and fees error was attributable to one-time revenue gains from gaming expansion.

Fiscal Year 2019-20

The difference between actual collections and the IFO official estimate was -\$1,304 million, or -3.8% of final General Fund revenues.¹ The entire shortfall was attributable to reduced economic activity due to business closures and other mitigation efforts related to the COVID-19 pandemic. With the exception of inheritance tax, all major tax revenue sources fell short of the official estimate, including SUT (-\$566 million), PIT (-\$374 million) and CNIT (-\$256 million). Escheats was the only revenue category to exceed projections by a significant amount (\$126 million).

Fiscal Year 2020-21

The difference between actual collections and the IFO official estimate was \$4,518 million, or 11.2% of final General Fund revenues.² The overage was attributable to the enactment of large federal stimulus programs (Lost Wage Assistance Program, the Consolidated Appropriations Act and the American Rescue Plan) after the release of the estimate, which provided for extended unemployment compensation benefits, additional economic impact payments and more funding for the Paycheck Protection Program. As a result of the significant influx of federal monies, all major tax revenue sources came in well above the official estimate, including SUT (\$1,383 million), CNIT (\$1,235 million) and PIT (\$905 million).

Fiscal Year 2021-22

The difference between actual collections and the IFO official estimate was \$6,219 million, or 12.9% of final General Fund revenues. All major tax revenue sources dramatically outperformed the official estimate, with PIT (\$2,607 million), CNIT (\$1,557 million) and SUT (\$1,456 million) primarily driving the underprediction. Many factors contributed to the forecast error, including: (1) a tight labor market that resulted in very strong wage growth (PIT and SUT), (2) much higher than projected inflation rates (8.8% in June 2022), (3) unprecedented growth in capital gains (79%) and net business profits (31%) for tax year 2021 (PIT), and (4) the continued moratorium on federal student loan repayments (SUT).

Fiscal Year 2022-23

The difference between actual collections and the IFO official estimate was \$2,730 million, or 6.1% of final General Fund revenues. Several revenue sources considerably outperformed the official estimate, with CNIT (\$1,251 million), SUT (\$829 million) and Treasury collections (\$436 million) driving the underprediction. The forecast error was primarily due to (1) higher than projected non-financial corporate domestic profits (CNIT), (2) an underestimation of residual savings from prior stimulus payments and (3) historically high general fund balances combined with a rapid (and unexpected) increase in the Federal Funds rate (Treasury).

1 The IFO estimates that \$1.9 billion in FY 2019-20 revenue was shifted to FY 2020-21 as a result of tax due date extensions in response to the COVID-19 pandemic. The amounts include \$375 million in CNIT, \$1,335 million in PIT, \$160 million in SUT and \$68 million in Other Tax. To facilitate an accurate comparison, this analysis assumes that the delayed revenues were received in FY 2019-20.

2 The IFO official estimate refers to the estimate published on June 22, 2020 and excludes statutory changes (+\$331.2 million) enacted in November 2020 in conjunction with the FY 2020-21 state budget.

Fiscal Year 2023-24

The difference between actual collections and the IFO official estimate was \$273 million, or 0.6% of final General Fund revenues. The overage was driven by gross receipts tax (\$195 million), SUT (\$191 million) and Treasury collections (\$291 million) and was partially offset by a shortfall in non-withheld PIT payments (-\$393 million). Factors contributing to the forecast error include: (1) resilient consumers that sustained spending despite persistent inflation, (2) wealth effects from continued stock market gains and rapid home price appreciation and (3) interest rates that remained elevated and combined with high General Fund balances to push Treasury collections to record levels.

Fiscal Year 2024-25

The difference between actual collections and the IFO official estimate was \$640 million, or 1.4% of final General Fund revenues. The overage was primarily driven by PIT (\$579 million), gross receipts tax (\$92 million) and SUT (\$91 million) and was partially offset by a shortfall in CNIT collections (-\$226 million). Factors contributing to the forecast error include: (1) unexpected strength in PIT final (non-withholding) payments for tax year 2024, driven by a surge in capital gains income, (2) a large settlement payment and strong estimated payments for tax year 2025 for the electric and telecom sectors in gross receipts tax and (3) a pull forward of consumer and business spending in anticipation of higher prices resulting from new tariffs (electronics and building supplies).

Fiscal Year 2025-26

The difference between actual collections and the IFO official estimate was \$1,004 million, or 2.1% of final General Fund revenues. The overage was primarily driven by PIT (\$382 million) and SUT (\$293 million). Factors contributing to the forecast error include: (1) strong stock market gains that were much higher than projected by the Commonwealth's provider of economic data that drove PIT payments associated with capital gains and taxable consumer spending due to wealth effects and (2) very strong taxable business spending on equipment related to artificial intelligence. Another \$170 million gain occurred at the end of June 2026 due to a one-time corporate payment related to old tax years.

Summary

For four of the 14 fiscal years, the IFO official estimate has been roughly within 0.5% of actual revenues. (See table on page 5.) In those cases, revenues were slightly higher than projected. For the 10 remaining years, the forecast variance was split between over (three years) and underpredictions (seven years). A highly unusual period was the three fiscal years from FY 2019-20 to FY 2021-22 due to the outbreak of a global pandemic in March 2020, followed by three large waves of federal stimulus that drove demand, causing inflation to spike to the highest rate in four decades. Federal stimulus was enacted during the latter two fiscal years that was not included in the original forecasts. The forecast discrepancies for those years (one overprediction followed by two large underpredictions) are different than other years and generally do not provide insight regarding the underlying reliability of forecast models.

Forecasts that continually under or overpredict may not be efficient and could suggest underlying issues with the models, economic forecasts or methodologies used to make projections. Excluding the three pandemic-impacted fiscal years noted above, two of the past 11 estimates overpredicted actual revenues, five underpredicted and four estimates were roughly within 0.5% of actual revenues. Prediction errors within 0.5% of actual revenues are close for forecasting purposes and not considered material. If the pandemic-impacted years are excluded, then there appears to be a bias towards underprediction. Part of that outcome is attributable to the absence of a natural (not policy induced) recession since 2011, which would result in overprediction. Because a number of underprediction errors have been driven by U.S. economic forecasts that projected a stock market and/or corporate profits contraction, the IFO will now assume those forecasts are flat, and not negative, unless clear real-time data can support a contraction forecast.

General Fund Revenues: Difference from Estimate

Fiscal Year	Actual less Estimate					Total	Percent Difference
	CNIT	PIT	SUT	Other Tax	Non-Tax		
2012-13	\$166	\$151	-\$285	\$33	\$72	\$137	0.5%
2013-14	\$42	-\$283	-\$109	-\$196	-\$2	-\$547	-1.9%
2014-15	\$328	\$81	\$30	\$131	\$66	\$635	2.1%
2015-16	\$53	-\$156	-\$45	\$175	\$101	\$129	0.4%
2016-17 ¹	-\$194	-\$391	-\$236	-\$102	\$281	-\$641	-2.0%
2017-18 ¹	-\$193	\$118	\$141	\$12	-\$56	\$22	0.1%
2018-19	\$323	\$116	\$349	\$86	\$85	\$959	2.8%
2019-20 ²	-\$256	-\$374	-\$566	-\$151	\$43	-\$1,304	-3.8%
2020-21 ³	\$1,235	\$905	\$1,383	\$449	\$546	\$4,187	10.4%
2021-22	\$1,557	\$2,607	\$1,456	\$512	\$87	\$6,219	12.9%
2022-23	\$1,251	\$262	\$829	\$13	\$376	\$2,730	6.1%
2023-24	-\$48	-\$416	\$191	\$139	\$407	\$273	0.6%
2024-25	-\$226	\$579	\$91	\$170	\$26	\$640	1.4%
2025-26	-\$25	\$382	\$293	\$216	\$138	\$1,004	2.1%

Note: In dollar millions. Non-tax includes Treasury interest earnings, escheats, licenses and fees and liquor store profit transfer.

Table Notes

1. Excludes \$200 million for non-receipt of the Pennsylvania Professional Liability Joint Underwriting Association (JUA) transfer.
2. The IFO estimates \$1.9 billion in FY 2019-20 revenue was shifted to FY 2020-21 as a result of tax due date extensions in response to the COVID-19 pandemic. The amounts include \$375 million in CNIT, \$1,335 million in PIT, \$160 million in SUT and \$68 million in Other Tax. To facilitate an accurate comparison, this analysis assumes that the delayed revenues were received in FY 2019-20.
3. Estimate refers to the IFO's Official Estimate published on June 22, 2020 and excludes the \$331 million in statutory changes enacted in November 2020 in conjunction with the FY 2020-21 state budget.