

# Technical Note

## Personal Income by State, 2nd Quarter 2020

September 24, 2020

This technical note provides background information about the source data and estimating methods used to produce the estimates presented in the State Personal Income news release. The complete set of estimates for the second quarter is available on BEA's Web site at [www.bea.gov](http://www.bea.gov); a brief summary of "highlights" is also posted on the Web site.

### Coronavirus (COVID-19) Impact on Second Quarter 2020 State Personal Income

State personal income increased 34.2 percent at an annual rate in the second quarter of 2020, an increase from 4.1 percent in the first quarter. Personal income increased in every state and the District of Columbia ranging from 15.3 percent in the District of Columbia to 76.3 percent in Massachusetts.

The impact of COVID-19 on employment and earnings, as businesses switched to remote work or cancelled operations, and the federal government's pandemic assistance payments to households and businesses, affected personal income across all states. The full economic effects of the COVID-19 pandemic on state personal income cannot be separately quantified because the impacts are generally embedded in source data, however, decreases in net earnings<sup>1</sup> and property income (personal dividend income, personal interest income, and rental income of persons) were more than offset by increases in personal current transfer receipts in the second quarter.

### Federal Government Economic Response to the COVID-19 Pandemic

Since the onset of the COVID-19 pandemic, several legislative acts, including the CARES Act, were signed into law. The acts established several temporary programs and provided additional funding for existing federal programs to support individuals, communities, and businesses impacted by the pandemic. Because the effects of the acts were in the form of transfers to individuals, subsidies to businesses, and grants to state and local governments, their economic effects on state personal income show up indirectly through the components of personal

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<sup>1</sup> Net earnings is the sum of wages and salaries, supplements to wages and salaries (employer contributions for government social insurance, and employer contributions for employee pension and insurance funds), proprietors' income with capital consumption adjustment (CCADJ) and inventory valuation adjustment (IVA), less contributions for government social insurance, plus an adjustment for residence.

income, such as compensation and proprietors' income.. These indirect economic effects are embedded in source data thus, BEA cannot separately identify their total quarterly or annual effect of the acts on changes in state personal income.

During the second quarter, several provisions from the acts took effect. Most significantly, provisions from the one-time Economic Impact Payments to individuals and expanded Unemployment Insurance Program benefits boosted personal current transfer receipts while the portion of forgivable loans to businesses through the Paycheck Protection Program (PPP) raised proprietors' income. State-level source data were used to identify and measure the direct effects of these and other select federal pandemic response programs on personal current transfer receipts and proprietors' income. Tables showing the direct effects of these provisions on State Personal Income for every state and the District of Columbia will be made available on October 15, 2020.

### **Source Data Used to Measure the Direct Effects of the CARES Act on Second Quarter Personal Income**

To better measure the impact of the PPP payments on proprietors' income, detail state-level data on loan amounts from the Small Business Administration (SBA) were incorporated into the estimates. Also, detail state-level data on payments from the Farm Service Agency were included to capture the impact of the Coronavirus Food Assistance Program on proprietors' income for the farm sector.

To better measure the impact of the federal pandemic response programs on personal current transfer receipts additional source data were also used: (1) Detail state-level data on loan amounts from the SBA to measure the forgivable loans provided to nonprofit institutions serving households to make payroll and cover other expenses<sup>2</sup>; (2) State-level data on payments from the Internal Revenue Service to measure the Economic Impact Payments provided to individuals; (3) State-level data from the Department of Health and Human Services to account for funds provided to nonprofit institutions serving households via various Provider Relief Funds; and (4) state-level data on continuing claims for the Pandemic Unemployment Assistance program from the Employment and Training Administration were incorporated to measure benefit payments to individuals under this new unemployment insurance program.

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<sup>2</sup> In the NIPAs, PPP loan subsidies to nonprofit institutions serving households are classified as a social benefit payment.