



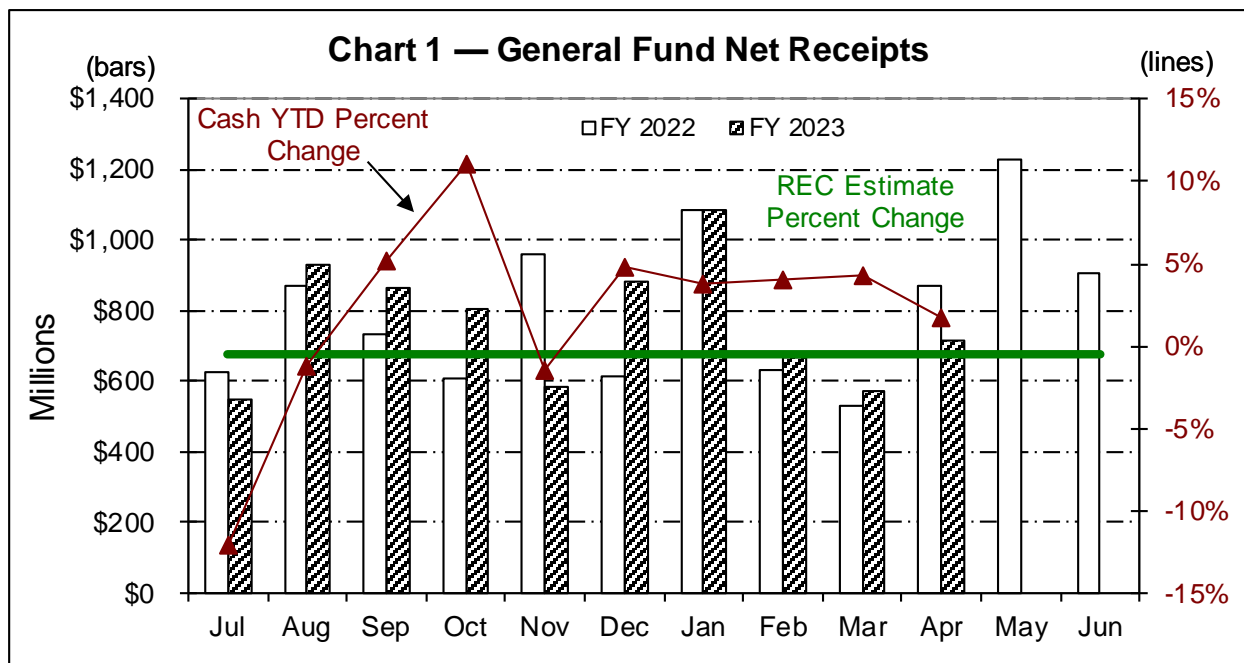
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Maria Wagenhofer and Jeff Robinson

DATE: May 1, 2023

Monthly General Fund Revenue Receipts Through April 30, 2023

The attached spreadsheet presents FY 2023 General Fund total net receipts with comparable figures for actual FY 2022. The figures can be compared to the FY 2023 estimate of \$9.621 billion as set by the Revenue Estimating Conference (REC) on March 10, 2023. The FY 2023 estimate is a projected decrease of \$52.4 million (-0.5%) compared to FY 2022 actual receipts (excluding transfers). The next REC meeting has not been scheduled.



Overview of Current Situation

March 2023 net General Fund revenue, as reported in the State accounting system, includes the following items of impact:

- The Department of Revenue instituted a new revenue deposit process that began November 15, 2021. Due to this new process, as of the end of April 2023, \$31.3 million (fiscal year basis) remains in a deposit suspense account for FY 2023. In addition to deposits for personal income tax and sales/use tax revenue, the suspense account has also received deposits of motor fuel tax, which are not to be included in State General

Fund revenues. At a future date, the Department of Revenue will transfer deposits for motor fuel tax from the deposit suspense account and thereby remove those deposits from State General Fund revenue. Also, at a future date, the Department of Revenue will transfer deposits of personal income tax and sales/use tax revenue categories to properly reflect the source of the revenue. This affects year-to-date and month-to-month comparisons.

- Beginning July 1, 2022, the Department of Revenue implemented [Senate File 2367](#) (2022 Department of Revenue Tax Administration Act), which moves most remitters to a monthly schedule for sales, use, and excise tax remittance. Previously, these taxes were remitted twice a month, monthly, quarterly, or annually. A twice-a-month remitter would remit taxes collected from March 1 through March 15 on March 25 and taxes collected from March 16 through March 31 on April 10. Monthly remitters would remit March taxes on April 20. Under the changes in SF 2367, taxes collected March 1 through March 31, 2023, were to be remitted April 30, 2023 (on or before the last day of the month following the collection of the tax by the remitter). Given that Iowa automatically moves tax due dates that fall on weekends to the next working day, the move to a monthly due date of the last day of each month significantly increases the monthly variability shown in General Fund tax receipts. Because of the last day of April falling on a weekend, April tax receipts for sales, use, and excise tax do not include remittances from the April 30, 2023, monthly due date.
- Beginning January 1, 2023, [House File 2317](#) (2022 Income Tax Rate Reduction and Exemptions Act) reduces Iowa individual income tax rates and the number of tax brackets annually beginning with tax year (TY) 2023 until a single tax bracket/rate is established in TY 2026. Additionally, all retirement income is exempt from the State individual income tax effective January 1, 2023. These changes affect month-to-month and year-to-date comparisons for income tax.

Without adjusting for the above items of impact, April 2023 net General Fund revenue was \$157.3 million (-18.1%) below the April 2022 net revenue level.

Fiscal Year Growth

The following table converts year-to-date receipts from a cash year basis to a fiscal year basis.

Net General Fund Receipts Through April 30, 2023						
Fiscal Year-to-Date, Gross Receipts Net of Refunds. Dollars in Millions.						
	FY 2022	FY 2023	\$ Difference	% Dif		
Net Individual Income	\$ 3,518.1	\$ 3,430.9	\$ -87.2	-2.5%		
Net Sales/Use	2,312.8	2,383.6	70.8	3.1%		
Net Corporate	598.0	647.3	49.3	8.2%		
Net Franchise	47.6	61.7	14.1	29.6%		
Net Inheritance	62.4	56.4	-6.0	-9.6%		
Net Insurance & Other Taxes	156.2	189.7	33.5	21.4%		
Other Revenue	264.0	314.4	50.4	19.1%		
Net Revenue	\$ 6,959.1	\$ 7,084.0	\$ 124.9	1.8%		

Revenue Categories

Personal Income Tax receipts received in April 2023 were impacted by the suspense account revenue process and income tax law changes. Personal income tax receipts totaled \$482.6 million, a decrease of \$111.2 million (-18.7%) compared to April 2022.

The FY 2023 REC personal income tax estimate of \$5.634 billion represents a projected decrease of 2.5% compared to actual FY 2022. Through April 2023, personal income tax receipts increased 0.6%. By subcategory, withholding payments increased \$49.4 million, estimated payments decreased \$6.6 million, and payments with returns decreased \$18.0 million. **Chart 2** compares FY 2022 and FY 2023 monthly personal income tax receipts.

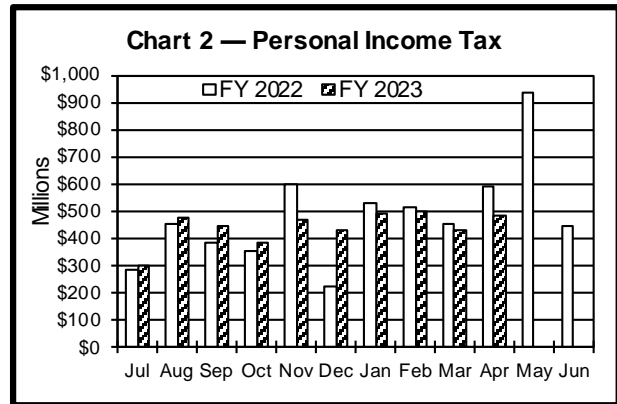
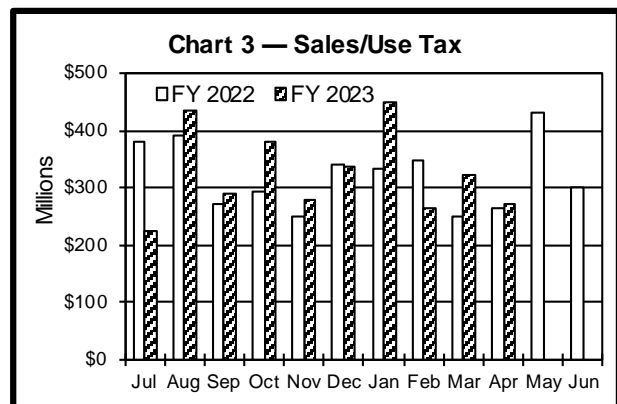


Chart 2 compares FY 2022 and FY 2023 monthly personal income tax receipts.

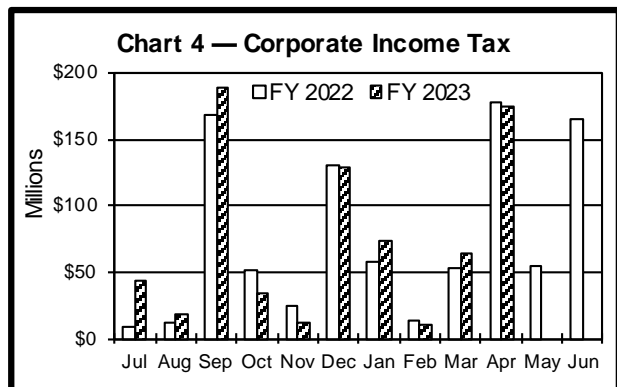
Sales/Use Tax receipts received in April 2023 were impacted by the suspense account revenue process and changes to tax due dates. Sales/use tax receipts totaled \$273.0 million, an increase of \$10.3 million (3.9%) compared to April 2022.

The REC estimate for FY 2023 sales/use tax receipts is \$3.720 billion, a projected decrease of 3.5% compared to actual FY 2022. Through April 2023, sales/use tax receipts increased 4.2%. **Chart 3** compares FY 2022 and FY 2023 monthly sales/use tax receipts.



Corporate Income Tax receipts received in April 2023 totaled \$174.6 million, a decrease of \$2.7 million (-1.5%) compared to April 2022.

The REC estimate for FY 2023 corporate income tax revenue is \$961.0 million, a projected increase of 4.6% compared to actual FY 2022. Through April 2023, corporate income tax receipts increased 7.0%. **Chart 4** compares FY 2022 and FY 2023 monthly corporate income tax receipts.



Other Tax receipts received in April 2023, including suspense account revenue transfers completed in April and any pending suspense account revenue transfers, totaled \$39.8 million, a decrease of \$11.6 million compared to April 2022.

The REC estimate for FY 2023 other tax revenue is \$584.8 million, an increase of \$181.4 million (45.0%) compared to actual FY 2022. Through April 2023, other tax receipts increased 1.0%.

Other Receipts (nontax receipts) received in April 2023 totaled \$32.2 million, an increase of \$2.9 million (9.9%) compared to April 2022.

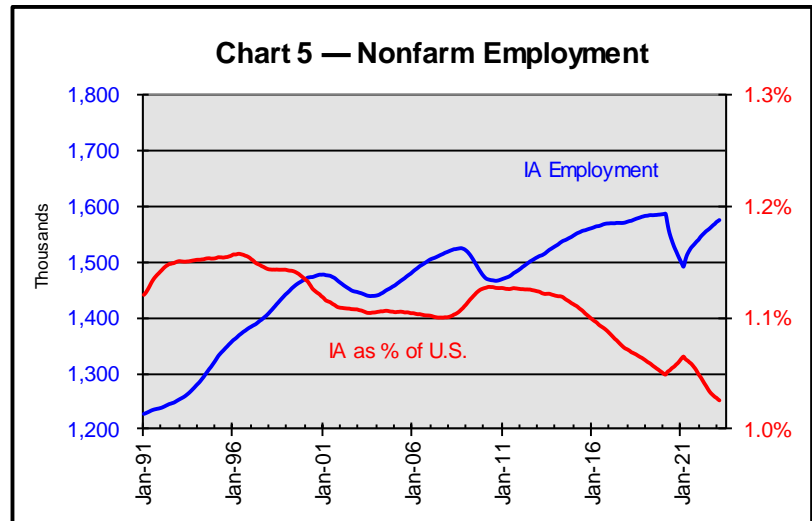
The REC estimate for FY 2023 other receipts revenue is \$420.0 million, a projected increase of 15.2% compared to actual FY 2022. Through April 2023, other receipts increased 14.9%.

Tax Refunds issued in April 2023 totaled \$249.7 million, an increase of \$51.7 million compared to April 2022. In addition to regular refunds, school infrastructure refunds totaled \$38.5 million, a decrease of \$6.8 million compared to April 2022.

Status of the Economy

Iowa Nonfarm Employment was reported at 1,575,000 for the month of March 2023 (not seasonally adjusted), 22,800 (1.5%) higher than March 2022.

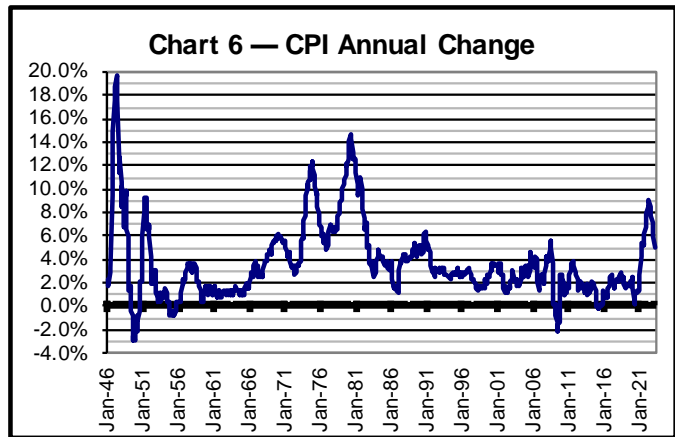
Iowa's 12-month average nonfarm employment is presented as the blue line on **Chart 5**. Iowa's average nonfarm employment peaked in February 2020 at 1,588,000. This figure is 61,700 above the previous prerecession peak that occurred in October 2008. The current 12-month average reading is 1,577,000, resulting in an annual average Iowa nonfarm employment level that is 11,000 below the February 2020 peak.



The red line on **Chart 5** presents Iowa nonfarm employment as a percentage of U.S. nonfarm employment utilizing 12-month averages. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Since 2010, Iowa's percentage of U.S. employment has declined as the percentage growth in U.S. employment exceeded the percentage growth in Iowa employment. Iowa's percentage of U.S. employment has decreased the last 24 months and is currently at its lowest level in the history of the indicator.

The **Consumer Price Index (CPI)** through March 2023 was 301.8 (1983/84=100). Consumer prices increased slightly in March 2023 (not seasonally adjusted), and the annual rate of inflation decreased to 5.0%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.5% in March 2023 and increased 5.6% year over year. This is the 24th consecutive month in which the core inflation rate has been above 2.0% year over year. For the two components excluded from the core inflation rate, energy prices decreased 6.4% and food prices increased 8.3% year over year.



Further information can be found on the Fiscal Services Division webpages related to [State General Fund Daily Receipts](#) and other [Iowa Economic Trends](#).

Doc ID 1373726

GENERAL FUND RECEIPTS					ESTIMATED GENERAL FUND RECEIPTS		
July 1 through April 30 (in millions of dollars)					(in millions of dollars)		
Dollars may not add due to rounding. Percentages calculated using rounded numbers.					FY 2022 Actual Compared to FY 2023 REC Estimate		
	FY 2022	FY 2023	Year-to-Date % Change	April % Change	FY 2022 Actual	FY 2023 Estimate	Projected % Change
Personal Income Tax	\$ 4,396.3	\$ 4,421.0	0.6%	-18.7%	\$ 5,780.1	\$ 5,634.4	-2.5%
Sales/Use Tax	3,121.5	3,253.0	4.2%	3.9%	3,853.7	3,720.3	-3.5%
Corporate Income Tax	699.5	748.4	7.0%	-1.5%	919.0	961.0	4.6%
Inheritance Tax	84.7	75.5	-10.9%	-50.0%	97.7	93.4	-4.4%
Insurance Premium Tax	89.8	98.7	9.9%	0.0%	151.0	157.5	4.3%
Beer/Liquor Tax	11.3	10.9	-3.5%	-9.1%	13.6	12.8	-5.9%
Franchise Tax	56.0	66.8	19.3%	-29.8%	72.4	64.1	-11.5%
Miscellaneous Tax	64.8	57.8	-10.8%	-8.2%	68.7	257.0	274.1%
Total Gross Taxes	\$ 8,524.0	\$ 8,732.2	2.4%	-10.6%	\$ 10,956.2	\$ 10,900.5	-0.5%
Institutional Payments	\$ 9.0	\$ 10.4	15.6%	-12.5%	\$ 11.6	\$ 10.0	-13.8%
Liquor Profits	128.1	125.2	-2.3%	-3.2%	152.9	151.5	-0.9%
Interest	2.5	57.3	2,192.0%	914.3%	3.6	79.4	2105.6%
Fees	26.2	25.0	-4.6%	-45.5%	30.7	28.6	-6.8%
Judicial Revenue	67.1	67.9	1.2%	-1.2%	88.2	88.4	0.2%
Miscellaneous Receipts	62.2	53.3	-14.3%	-42.2%	77.5	62.1	-19.9%
Total Gross Receipts	\$ 8,819.0	\$ 9,071.3	2.9%	-10.1%	\$ 11,320.7	\$ 11,320.5	0.0%
Accrued Revenue — Net					-47.2	145.2	
Tax Refunds	-765.5	-825.0	7.8%	26.1%	-1,028.8	-1,095.0	6.4%
School Infrast. Refunds	-521.5	-586.4	12.4%	-15.0%	-571.3	-749.7	31.2%
TOTAL NET RECEIPTS	\$ 7,532.0	\$ 7,660.0	1.7%	-18.1%	\$ 9,673.4	\$ 9,621.0	-0.5%

For the Year-to-Date section, refunds are presented on a cash year basis.
For FY 2022 Actual and FY 2023 Estimate, refunds are presented on a fiscal year basis.
The FY 2022 Actual column is final.
The amounts on this table exclude transfer revenue.