

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

FROM: Evan Johnson and Eric Richardson

DATE: October 2, 2023

### Monthly General Fund Revenue Receipts Through September 30, 2023

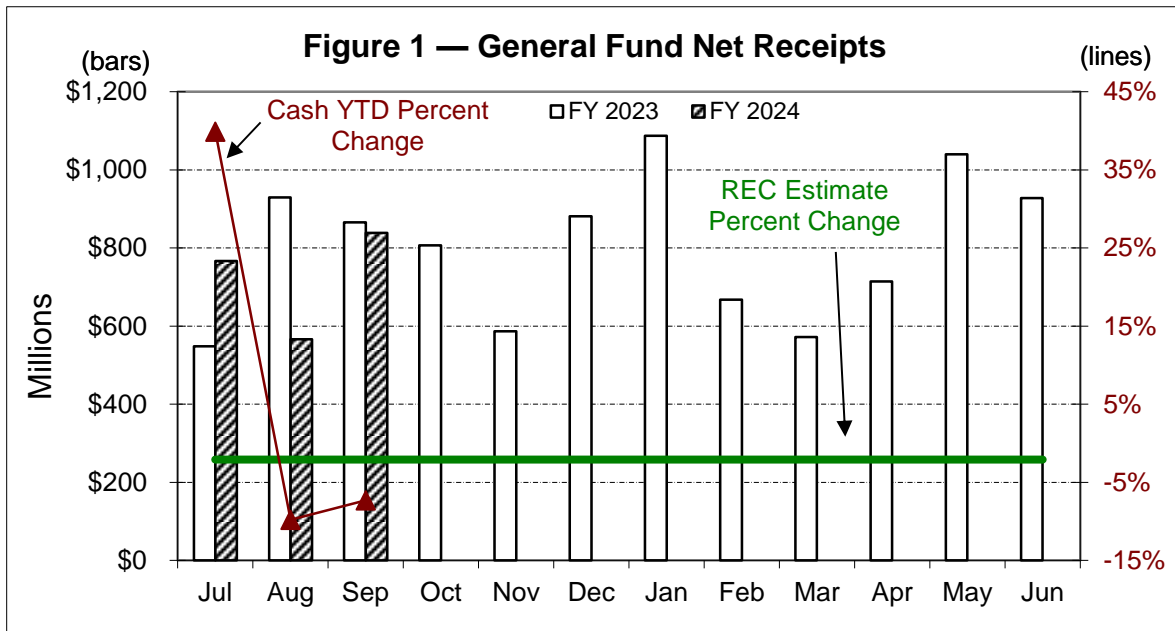
The attached spreadsheet presents FY 2024 General Fund total net receipts with comparable figures for actual FY 2023. The figures can be compared to the FY 2024 estimate of \$9.514 billion as set by the Revenue Estimating Conference (REC) on March 10, 2023, adjusted for the enactment of revenue changes in [HF 205](#) (Barrel Tax Revenues, Brewpubs Act), [HF 672](#) (Permanent Teaching Licensure Act), [HF 710](#) (Sports Wagering Receipt and County Endowment Funds Act), [SF 513](#) (Motor Vehicle Enforcement Bureau, Department of Public Safety Act), [SF 549](#) (Captive Insurance Act), and [SF 575](#) (Economic Development Authority Policy Act). The FY 2024 estimate is a projected decrease of \$207.6 million (-2.1%) compared to FY 2023 actual receipts (excluding transfers). The next REC meeting is scheduled for October 12, 2023.

### Final FY 2023 Net Revenues

	Dollars in Millions			
	<b>Actual FY 2022</b>	<b>Actual FY 2023</b>	<b>Change</b>	<b>Percentage Change</b>
Income Tax	\$ 5,780.1	\$ 5,599.3	\$ -180.8	-3.1%
Sales/Use Tax	3,853.7	3,937.1	83.4	2.2%
Corporate Tax	919.0	984.1	65.1	7.1%
Other Taxes	403.4	563.8	160.4	39.8%
<b>Total Taxes</b>	<b>\$ 10,956.2</b>	<b>\$ 11,084.3</b>	<b>\$ 128.1</b>	<b>1.2%</b>
Other Receipts	364.5	428.8	64.3	17.6%
<b>Gross Tax &amp; Other Receipts</b>	<b>\$ 11,320.7</b>	<b>\$ 11,513.1</b>	<b>\$ 192.4</b>	<b>1.7%</b>
Accruals (Net)	-47.2	146.6	193.8	-410.6%
Refund (Accrual Basis)	-1,028.8	-1,230.3	-201.5	19.6%
School Infrast. Refunds (Accrual)	-571.3	-708.1	-136.8	23.9%
<b>Total Net Receipts</b>	<b>\$ 9,673.4</b>	<b>\$ 9,721.3</b>	<b>\$ 47.9</b>	<b>0.5%</b>
Transfers (Accrual Basis)	130.0	124.0	-6.0	-4.6%
<b>Net Receipts Plus Transfers</b>	<b>\$ 9,803.4</b>	<b>\$ 9,845.3</b>	<b>\$ 41.9</b>	<b>0.4%</b>

Net General Fund revenue for FY 2023, excluding transfers, totaled \$9.721 billion, an increase of \$47.9 million (0.5%) compared to FY 2022. The total for FY 2023 net revenue excluding transfers

was \$100.3 million above the March REC estimate. General Fund revenue including transfers was \$41.9 million (0.4%) above FY 2022 and \$94.9 million above the FY 2023 March REC estimate.



### Overview of Current Situation

September 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. 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 [SF 2367](#) (2022 Department of Revenue, Sales Tax 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 August 1 through August 15 on August 25 and taxes collected from August 16 through August 31 on September 10. Monthly remitters would remit August taxes on September 20. Under the changes in SF 2367, taxes collected August 1 through August 31, 2023, were to be remitted September 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.

- Beginning January 1, 2023, [HF 2317](#) (2022 Income Tax Rate Reduction and Exemptions Act) reduces lowa 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, September 2023 net General Fund revenue was \$27.0 million (-3.1%) below the September 2022 net revenue level.

## Fiscal Year Growth

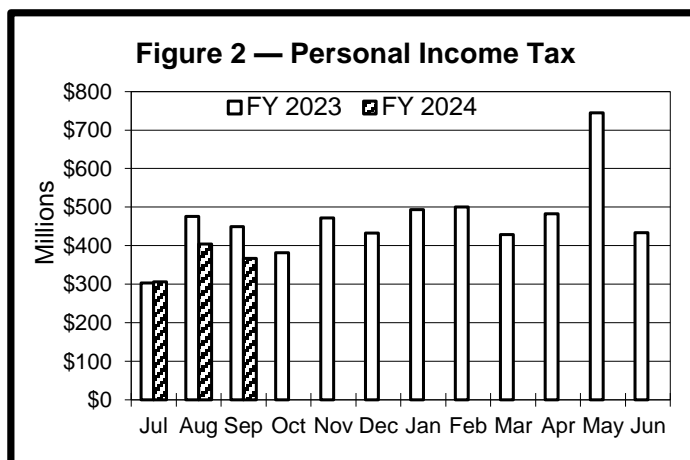
The following table converts year-to-date receipts from a cash year basis to a fiscal year basis.

<b>Net General Fund Receipts Through September 30, 2023</b>					
Fiscal Year-to-Date, Gross Receipts Net of Refunds. Dollars in Millions.					
	FY 2023	FY 2024	\$ Difference	% Dif	
Net Individual Income	\$ 863.0	\$ 690.9	\$ -172.1	-19.9%	
Net Sales/Use	481.5	658.0	176.5	36.7%	
Net Corporate	185.0	141.1	-43.9	-23.7%	
Net Franchise	11.5	10.5	-1.0	-8.7%	
Net Inheritance	12.8	1.1	-11.7	-91.4%	
Net Insurance & Other Taxes	166.0	23.3	-142.7	-86.0%	
Other Revenue	48.0	70.7	22.7	47.3%	
Net Revenue	\$ 1,767.8	\$ 1,595.6	\$ -172.2	-9.7%	

## Revenue Categories

**Personal Income Tax** receipts received in September 2023 were impacted by the suspense account revenue process and income tax law changes. Personal income tax receipts totaled \$366.5 million, a decrease of \$83.0 million (-18.5%) compared to September 2022.

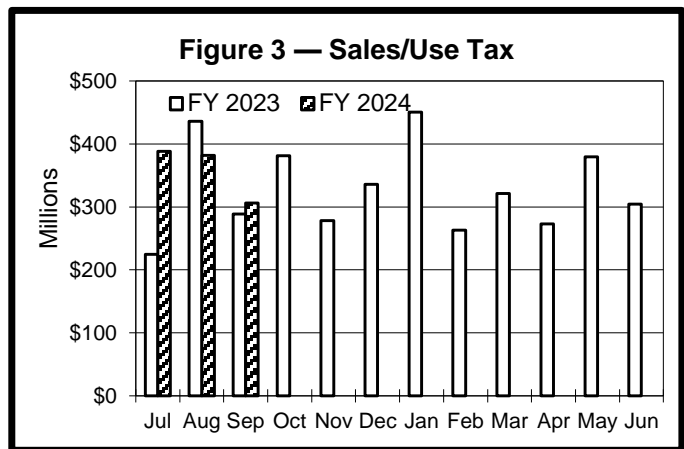
The FY 2024 REC personal income tax estimate of \$5.133 billion represents a projected decrease of 8.3% compared to actual FY 2023. Through September 2023, personal income tax receipts decreased 12.3%. By subcategory, withholding payments decreased \$62.1 million, estimated payments decreased \$83.2 million, and payments with returns decreased \$5.9 million. **Figure 2** compares FY 2023 and FY 2024 monthly personal income tax receipts.



**Sales/Use Tax** receipts received in September 2023 were impacted by the suspense account revenue process and changes to tax due dates. Sales/use tax receipts totaled \$306.4 million, an increase of \$17.8 million (6.2%) compared to September 2022.

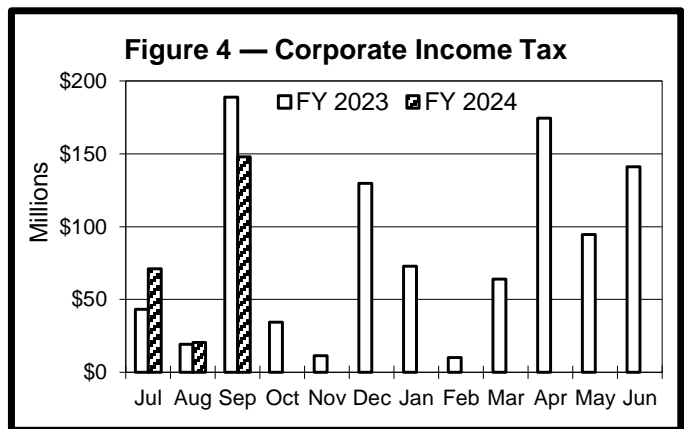
The REC estimate for FY 2024 sales/use tax receipts is \$3.925 billion, a projected decrease of 0.3% compared to actual FY 2023. Through September 2023, sales/use tax receipts increased 13.4%.

**Figure 3** compares FY 2023 and FY 2024 monthly sales/use tax receipts.



**Corporate Income Tax** receipts received in September 2023 totaled \$147.9 million, a decrease of \$41.1 million (-21.7%) compared to September 2022.

The REC estimate for FY 2024 corporate income tax revenue is \$893.3 million, a projected decrease of 9.2% compared to actual FY 2023. Through September 2023, corporate income tax receipts decreased 4.8%. **Figure 4** compares FY 2023 and FY 2024 monthly corporate income tax receipts.



**Other Tax** receipts received in September 2023, including suspense account revenue transfers completed in September and any pending suspense account revenue transfers, totaled \$92.8 million, an increase of \$4.7 million compared to September 2022.

The REC estimate for FY 2024 other tax revenue is \$412.3 million, a decrease of \$151.5 million (-26.9%) compared to actual FY 2023. Through September 2023, other tax receipts decreased 78.6%.

**Other Receipts** (nontax receipts) received in September 2023 totaled \$39.0 million, an increase of \$14.5 million (59.2%) compared to September 2022.

The REC estimate for FY 2024 other receipts revenue is \$424.9 million, a projected decrease of 0.9% compared to actual FY 2023. Through September 2023, other receipts increased 31.2%.

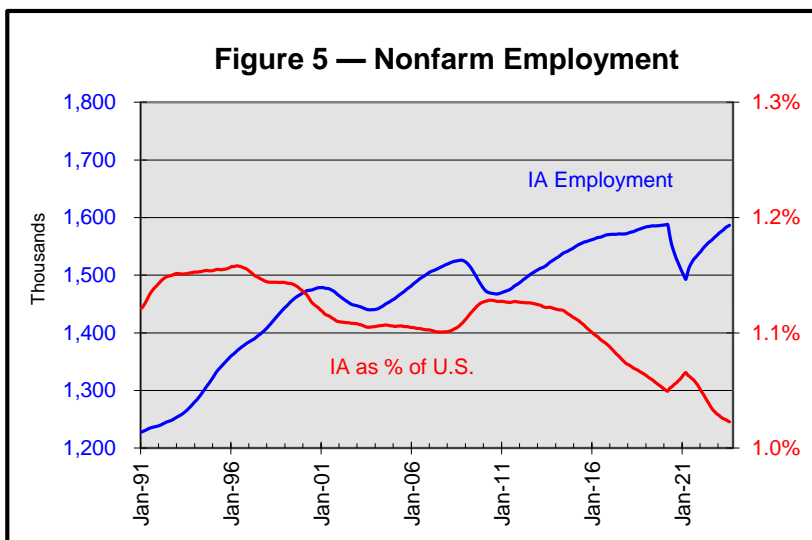
**Tax Refunds** issued in September 2023 totaled \$53.4 million, an increase of \$6.5 million compared to September 2022. In addition to regular refunds, school infrastructure refunds totaled \$60.1 million, a decrease of \$66.5 million compared to September 2022.

## Status of the Economy

### Iowa Nonfarm Employment

was reported at 1,582,600 for the month of August 2023 (not seasonally adjusted), 18,100 (1.2%) higher than August 2022.

Iowa's 12-month average nonfarm employment is presented as the blue line in **Figure 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 1,586,900, resulting in an annual average Iowa nonfarm employment level that is 1,100 below the February 2020 peak.

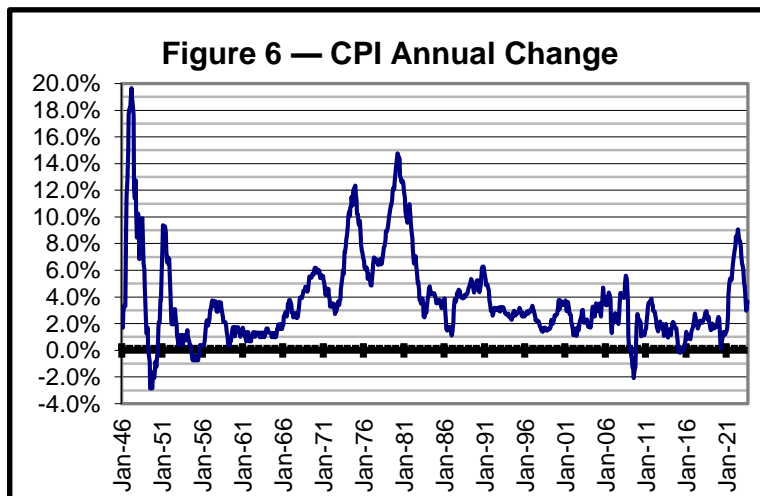


The red line in **Figure 5** presents Iowa nonfarm employment as a percentage of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Since 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 29 months and is currently at its lowest level in the history of the indicator.

### The Consumer Price Index (CPI)

through August 2023 was 307.0 (1983/84=100). Consumer prices increased in August 2023 (not seasonally adjusted), and the annual rate of inflation increased to 3.7%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.2% in August 2023 and increased 4.3% year over year. This is the 29th 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 3.6% and food prices increased 4.2% 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](#).

<b>GENERAL FUND RECEIPTS</b>					<b>ESTIMATED GENERAL FUND RECEIPTS</b>		
July 1 through September 30 (in millions of dollars)					(in millions of dollars)		
Dollars may not add due to rounding. Percentages calculated using rounded numbers.					FY 2023 Actual Compared to FY 2024 REC Estimate		
	<u>FY 2023</u>	<u>FY 2024</u>	<u>Year-to-Date % Change</u>	<u>September % Change</u>	<u>FY 2023 Actual</u>	<u>FY 2024 Adj. Estimate*</u>	<u>Projected % Change</u>
Personal Income Tax	\$ 1,228.7	\$ 1,077.5	-12.3%	-18.5%	\$ 5,599.3	\$ 5,133.2	-8.3%
Sales/Use Tax	949.4	1,077.0	13.4%	6.2%	3,937.1	3,924.7	-0.3%
Corporate Income Tax	251.4	239.4	-4.8%	-21.7%	984.1	893.3	-9.2%
Inheritance Tax	30.2	18.7	-38.1%	-57.6%	93.6	63.7	-31.9%
Insurance Premium Tax	62.7	80.7	28.7%	-63.6%	174.4	152.9	-12.3%
Beer/Liquor Tax	3.9	3.8	-2.6%	7.7%	13.3	12.7	-4.5%
Franchise Tax	16.5	20.3	23.0%	-13.8%	92.5	51.4	-44.4%
Miscellaneous Tax	72.4	-83.8	-215.7%	25.4%	190.0	131.6	-30.7%
<b>Total Gross Taxes</b>	<b>\$ 2,615.1</b>	<b>\$ 2,433.6</b>	<b>-6.9%</b>	<b>-10.0%</b>	<b>\$ 11,084.3</b>	<b>\$ 10,363.5</b>	<b>-6.5%</b>
Institutional Payments	\$ 3.4	\$ 2.9	-14.7%	-23.1%	\$ 13.3	\$ 10.0	-24.8%
Liquor Profits	38.9	32.9	-15.4%	-30.6%	150.5	151.5	0.7%
Interest	4.1	26.9	556.1%	635.7%	70.3	83.4	18.6%
Fees	5.5	6.8	23.6%	20.0%	29.7	28.4	-4.4%
Judicial Revenue	7.5	7.2	-4.0%	7.0%	89.1	88.4	-0.8%
Miscellaneous Receipts	13.3	18.7	40.6%	290.3%	75.9	63.2	-16.7%
<b>Total Gross Receipts</b>	<b>\$ 2,687.8</b>	<b>\$ 2,529.0</b>	<b>-5.9%</b>	<b>-8.4%</b>	<b>\$ 11,513.1</b>	<b>\$ 10,788.4</b>	<b>-6.3%</b>
Accrued Revenue — Net					146.6	223.3	
Tax Refunds	-116.7	-178.2	52.7%	13.9%	-1,230.3	-842.2	-31.5%
School Infrast. Refunds	-227.3	-179.2	-21.2%	-52.5%	-708.1	-655.8	-7.4%
<b>TOTAL NET RECEIPTS</b>	<b>\$ 2,343.8</b>	<b>\$ 2,171.6</b>	<b>-7.3%</b>	<b>-3.1%</b>	<b>\$ 9,721.3</b>	<b>\$ 9,513.7</b>	<b>-2.1%</b>

For the Year-to-Date section, refunds are presented on a cash year basis.  
For FY 2023 Actual and FY 2024 Estimate, refunds are presented on a fiscal year basis.  
The FY 2023 Actual column is final.  
\*The FY 2024 Adjusted Estimate includes legislative changes.  
The amounts on this table exclude transfer revenue.