

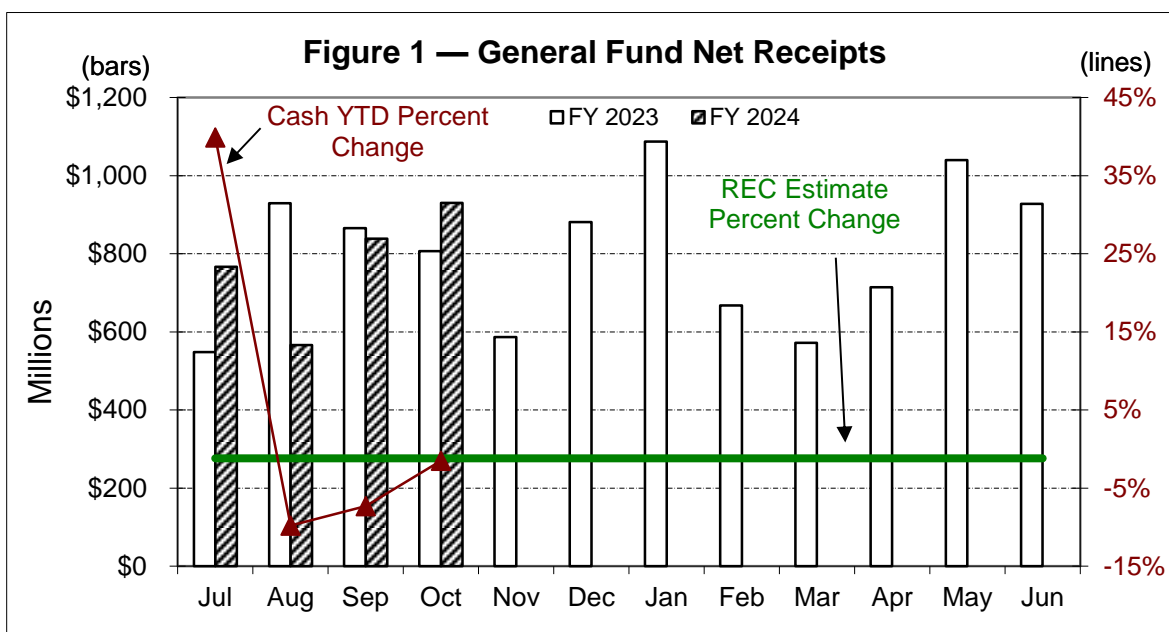
TO: Members of the Iowa Senate and  
Members of the Iowa House of Representatives

FROM: Evan Johnson and Eric Richardson

DATE: November 1, 2023

### Monthly General Fund Revenue Receipts Through October 31, 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 \$9.601 billion as set by the Revenue Estimating Conference (REC) on October 12, 2023, adjusted for the enactment of revenue changes in [HF 205](#) (Barrel Tax Revenues, Brewpubs Act), [HF 672](#) (Permanent Teaching Licensure 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 \$120.2 million (-1.2%) compared to FY 2023 actual receipts (excluding transfers). The next REC meeting is scheduled for December 2023.



### Overview of Current Situation

October 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 September 1 through September 15 on September 25 and taxes collected from September 16 through September 30 on October 10. Monthly remitters would remit September taxes on October 20. Under the changes in SF 2367, taxes collected September 1 through September 30, 2023, were to be remitted October 31, 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 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, October 2023 net General Fund revenue was \$123.9 million (15.4%) above the October 2022 net revenue level.

## Fiscal Year Growth

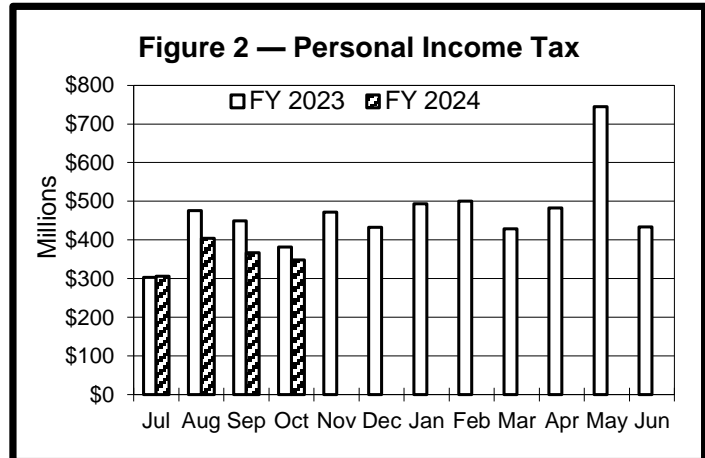
The following table converts year-to-date receipts from a cash year basis to a fiscal year basis.

<b>Net General Fund Receipts Through October 31, 2023</b>					
Fiscal Year-to-Date, Gross Receipts Net of Refunds. Dollars in Millions.					
	FY 2023	FY 2024	\$ Difference	% Dif	
Net Individual Income	\$ 1,160.3	\$ 930.5	\$ -229.8	-19.8%	
Net Sales/Use	820.2	776.7	-43.5	-5.3%	
Net Corporate	207.2	362.1	154.9	74.8%	
Net Franchise	13.6	17.5	3.9	28.7%	
Net Inheritance	21.6	8.6	-13.0	-60.2%	
Net Insurance & Other Taxes	265.5	230.0	-35.5	-13.4%	
Other Revenue	86.1	107.2	21.1	24.5%	
Net Revenue	\$ 2,574.5	\$ 2,432.6	\$ -141.9	-5.5%	

## Revenue Categories

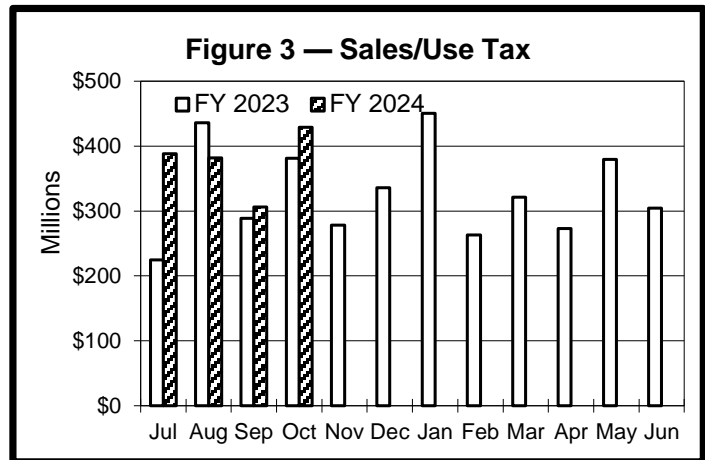
**Personal Income Tax** receipts received in October 2023 were impacted by the suspense account revenue process and income tax law changes. Personal income tax receipts totaled \$347.9 million, a decrease of \$34.2 million (-9.0%) compared to October 2022.

The FY 2024 REC personal income tax estimate of \$5.308 billion represents a projected decrease of 5.2% compared to actual FY 2023. Through October 2023, personal income tax receipts decreased 11.5%. By subcategory, withholding payments decreased \$113.5 million, estimated payments decreased \$70.9 million, and payments with returns decreased \$984,000. **Figure 2** compares FY 2023 and FY 2024 monthly personal income tax receipts.



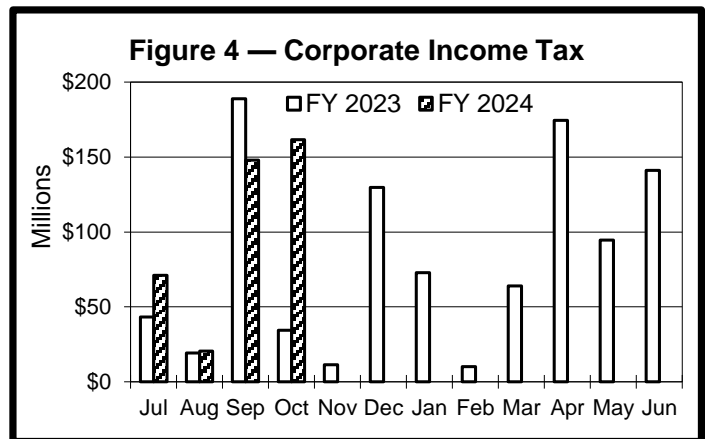
**Sales/Use Tax** receipts received in October 2023 were impacted by the suspense account revenue process and changes to tax due dates. Sales/use tax receipts totaled \$429.0 million, an increase of \$47.7 million (12.5%) compared to October 2022.

The REC estimate for FY 2024 sales/use tax receipts is \$4.198 billion, a projected increase of 6.6% compared to actual FY 2023. Through October 2023, sales/use tax receipts increased 13.2%. **Figure 3** compares FY 2023 and FY 2024 monthly sales/use tax receipts.



**Corporate Income Tax** receipts received in October 2023 totaled \$161.6 million, an increase of \$127.1 million (368.4%) compared to October 2022.

The REC estimate for FY 2024 corporate income tax revenue is \$902.6 million, a projected decrease of 8.3% compared to actual FY 2023. Through October 2023, corporate income tax receipts increased 40.3%. **Figure 4** compares FY 2023 and FY 2024 monthly corporate income tax receipts.



**Other Tax** receipts received in October 2023, including suspense account revenue transfers completed in October and any pending suspense account revenue transfers, totaled \$124.0 million, an increase of \$12.6 million compared to October 2022.

The REC estimate for FY 2024 other tax revenue is \$355.5 million, a decrease of \$208.3 million (-36.9%) compared to actual FY 2023. Through October 2023, other tax receipts decreased 44.9%.

**Other Receipts** (nontax receipts) received in October 2023 totaled \$42.9 million, an increase of \$4.8 million (12.6%) compared to October 2022.

The REC estimate for FY 2024 other receipts revenue is \$423.4 million, a projected decrease of 1.3% compared to actual FY 2023. Through October 2023, other receipts increased 24.8%.

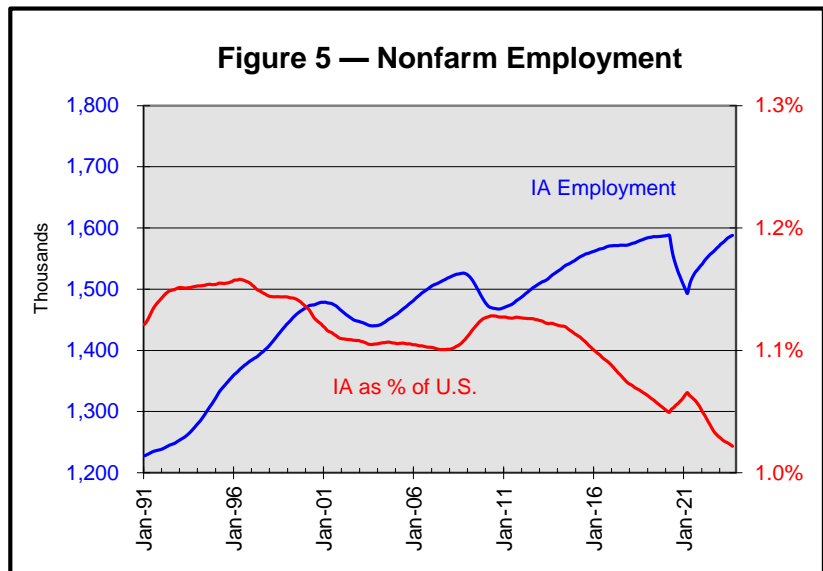
**Tax Refunds** issued in October 2023 totaled \$124.6 million, an increase of \$20.8 million compared to October 2022. In addition to regular refunds, school infrastructure refunds totaled \$50.1 million, a decrease of \$13.0 million compared to October 2022.

## Status of the Economy

### Iowa Nonfarm Employment

was reported at 1,588,900 for the month of September 2023 (not seasonally adjusted), 14,100 (0.9%) higher than September 2022.

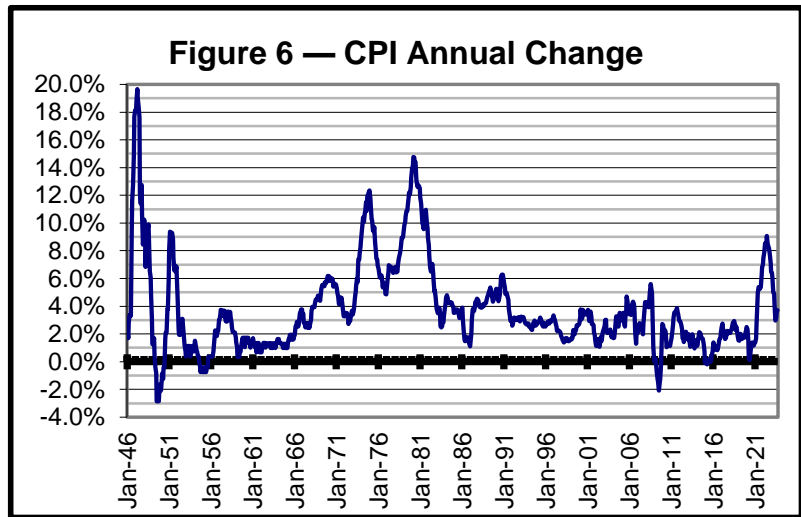
Iowa's 12-month average nonfarm employment is presented as the blue line in **Figure 5**. Iowa's average nonfarm employment previously peaked in February 2020 at 1,588,000. This figure is 61,700 above the previous prerecession peak that occurred in October 2008. The current 12-month average reading is 1,588,000, matching the previous peak in February 2020.



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 30 months and is currently at its lowest level in the history of the indicator.

The **Consumer Price Index (CPI)** through September 2023 was 307.8 (1983/84=100). Consumer prices increased in September 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 September 2023 and increased 4.1% year over year. This is the 30th 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 0.5% and food prices increased 3.7% 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](#).

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<b>GENERAL FUND RECEIPTS</b>					<b>ESTIMATED GENERAL FUND RECEIPTS</b>		
July 1 through October 31 (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		
	FY 2023	FY 2024	Year-to-Date % Change	October % Change	FY 2023 Actual	FY 2024 Adj. Estimate*	Projected % Change
Personal Income Tax	\$ 1,610.8	\$ 1,425.4	-11.5%	-9.0%	\$ 5,599.3	\$ 5,307.5	-5.2%
Sales/Use Tax	1,330.7	1,506.0	13.2%	12.5%	3,937.1	4,197.5	6.6%
Corporate Income Tax	285.9	401.0	40.3%	368.4%	984.1	902.6	-8.3%
Inheritance Tax	39.3	22.7	-42.2%	-56.0%	93.6	75.0	-19.9%
Insurance Premium Tax	64.7	80.9	25.0%	-90.0%	174.4	164.8	-5.5%
Beer/Liquor Tax	5.1	4.8	-5.9%	-16.7%	13.3	13.1	-1.5%
Franchise Tax	18.6	25.4	36.6%	142.9%	92.5	95.8	3.6%
Miscellaneous Tax	169.4	29.9	-82.3%	17.2%	190.0	6.8	-96.4%
<b>Total Gross Taxes</b>	<b>\$ 3,524.7</b>	<b>\$ 3,496.1</b>	<b>-0.8%</b>	<b>16.8%</b>	<b>\$ 11,084.3</b>	<b>\$ 10,763.1</b>	<b>-2.9%</b>
Institutional Payments	\$ 4.1	\$ 4.3	4.9%	100.0%	\$ 13.3	\$ 8.5	-36.1%
Liquor Profits	51.5	49.4	-4.1%	31.0%	150.5	151.5	0.7%
Interest	8.1	39.3	385.2%	210.0%	70.3	79.4	12.9%
Fees	7.1	8.3	16.9%	-6.3%	29.7	28.7	-3.4%
Judicial Revenue	16.5	16.1	-2.4%	-1.1%	89.1	89.9	0.9%
Miscellaneous Receipts	23.5	20.9	-11.1%	-78.4%	75.9	65.4	-13.8%
<b>Total Gross Receipts</b>	<b>\$ 3,635.4</b>	<b>\$ 3,634.4</b>	<b>0.0%</b>	<b>16.6%</b>	<b>\$ 11,513.1</b>	<b>\$ 11,186.5</b>	<b>-2.8%</b>
Accrued Revenue — Net					146.6	132.0	
Tax Refunds	-220.5	-302.8	37.3%	20.0%	-1,230.3	-1,035.1	-15.9%
School Infrast. Refunds	-264.4	-229.3	-13.3%	35.0%	-708.1	-682.3	-3.6%
<b>TOTAL NET RECEIPTS</b>	<b>\$ 3,150.5</b>	<b>\$ 3,102.3</b>	<b>-1.5%</b>	<b>15.4%</b>	<b>\$ 9,721.3</b>	<b>\$ 9,601.1</b>	<b>-1.2%</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.