



LEGISLATIVE SERVICES AGENCY

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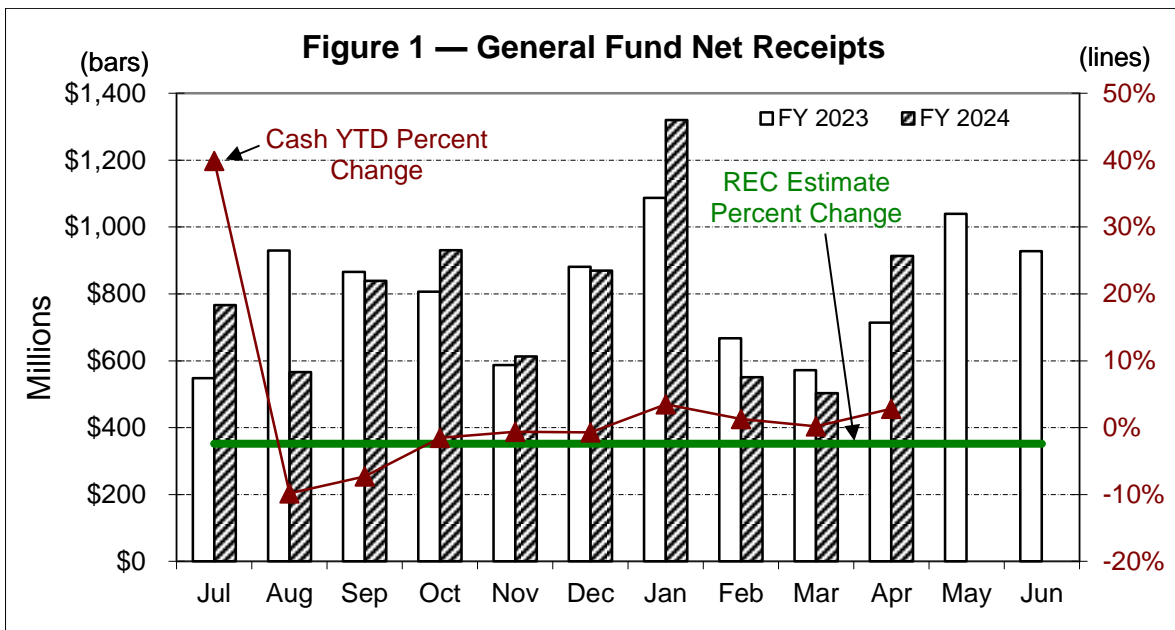
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Evan Johnson and Eric Richardson

DATE: May 1, 2024

Monthly General Fund Revenue Receipts Through April 30, 2024

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 \$9.484 billion as set by the Revenue Estimating Conference (REC) on March 15, 2024. The FY 2024 estimate is a projected decrease of \$237.0 million (-2.4%) compared to FY 2023 actual receipts (excluding transfers). The next REC meeting has not been scheduled.



Overview of Current Situation

April 2024 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. Beginning November 11, 2023, personal income tax was deposited in the suspense account. 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 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.
- On November 30, 2023, the Department of Revenue created a new revenue classification for the Pass-Through Entity Tax (PTET), which was enacted in 2023 Iowa Acts, [HF 352](#) (Pass-Through Business Entity Tax and Deduction Act). The PTET creates a voluntary election for a partnership or S corporation to be subject to Iowa income tax at the entity level and was applied retroactively to tax years beginning on or after January 1, 2022. In previous months, the PTET was categorized as Corporate Income Tax. With the creation of the PTET, a negative entry of Corporate Income Tax is reflected in the State accounting system for the month of November, while a corresponding positive entry in Miscellaneous Tax is reflected, creating imbalances for both tax classifications in monthly reporting.

Without adjusting for the above items of impact, April 2024 net General Fund revenue was \$199.3 million (27.9%) above the April 2023 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 April 30, 2024</b>					
Fiscal Year-to-Date, Gross Receipts Net of Refunds. Dollars in Millions.					
	FY 2023	FY 2024	\$ Difference	%	Dif
Net Individual Income	\$ 3,430.9	\$ 2,755.9	\$ -675.0		-19.7%
Net Sales/Use	2,383.6	2,384.7	1.1		0.0%
Net Corporate	647.3	528.9	-118.4		-18.3%
Net Franchise	61.7	74.0	12.3		19.9%
Net Inheritance	56.4	34.5	-21.9		-38.8%
Net Insurance & Other Taxes	189.7	1,050.6	860.9		453.8%
Other Revenue	314.4	375.5	61.1		19.4%
<b>Net Revenue</b>	<b>\$ 7,084.0</b>	<b>\$ 7,204.1</b>	<b>\$ 120.1</b>		<b>1.7%</b>

## Revenue Categories

**Personal Income Tax** receipts received in April 2024 were impacted by the suspense account revenue process and income tax law changes. Personal income tax receipts totaled \$434.6 million, a decrease of \$48.0 million (-9.9%) compared to April 2023.

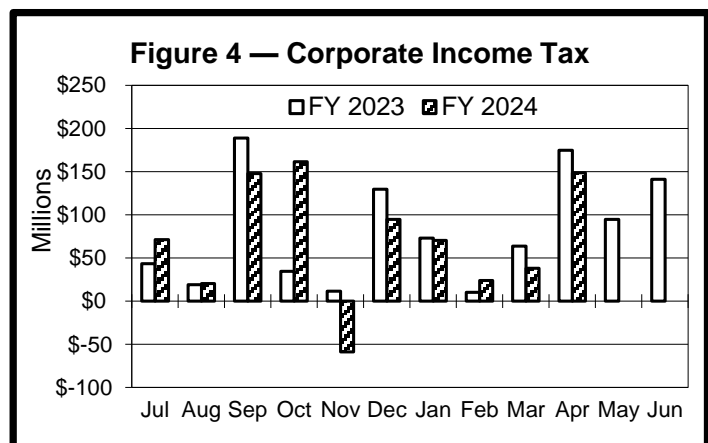
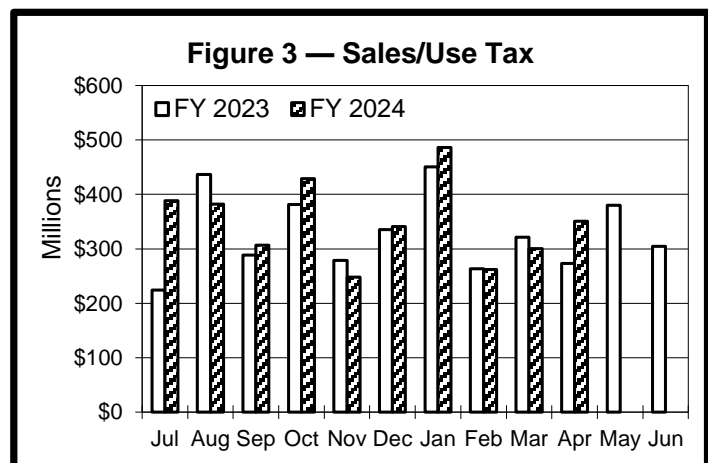
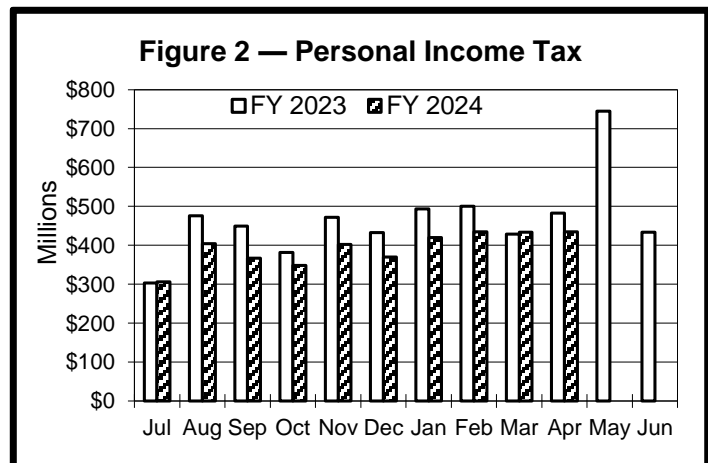
The FY 2024 REC personal income tax estimate of \$5.044 billion represents a projected decrease of 9.9% compared to actual FY 2023. Through April 2024, personal income tax receipts decreased 11.3%. By subcategory, withholding payments decreased \$232.1 million, estimated payments decreased \$327.0 million, and payments with returns increased \$58.9 million. **Figure 2** compares FY 2023 and FY 2024 monthly personal income tax receipts.

**Sales/Use Tax** receipts received in April 2024 were impacted by the suspense account revenue process. Sales/use tax receipts totaled \$350.6 million, an increase of \$77.6 million (28.4%) compared to April 2023.

The REC estimate for FY 2024 sales/use tax receipts is \$4.180 billion, a projected increase of 6.2% compared to actual FY 2023. Through April 2024, sales/use tax receipts increased 7.4%. **Figure 3** compares FY 2023 and FY 2024 monthly sales/use tax receipts.

**Corporate Income Tax** receipts received in April 2024 totaled \$148.6 million, a decrease of \$26.0 million compared to April 2023.

The REC estimate for FY 2024 corporate income tax revenue is \$982.7 million, a projected decrease of 0.1% compared to actual FY 2023. Through April 2024, corporate income tax receipts decreased 4.1%. **Figure 4** compares FY 2023 and FY 2024 monthly corporate income tax receipts.



**Other Tax** receipts received in April 2024, including suspense account revenue transfers completed in April and any pending suspense account revenue transfers, totaled \$315.8 million, an increase of \$276.0 million compared to April 2023.

The REC estimate for FY 2024 other tax revenue is \$932.8 million, an increase of \$369.0 million (65.4%) compared to actual FY 2023. Through April 2024, other tax receipts increased 249.3%. This is due to reclassification of the PTET from Corporate Income Tax to Miscellaneous Tax.

**Other Receipts** (nontax receipts) received in April 2024 totaled \$35.9 million, an increase of \$3.7 million (11.5%) compared to April 2023.

The REC estimate for FY 2024 other receipts revenue is \$439.0 million, a projected increase of 2.4% compared to actual FY 2023. Through April 2024, other receipts increased 19.9%.

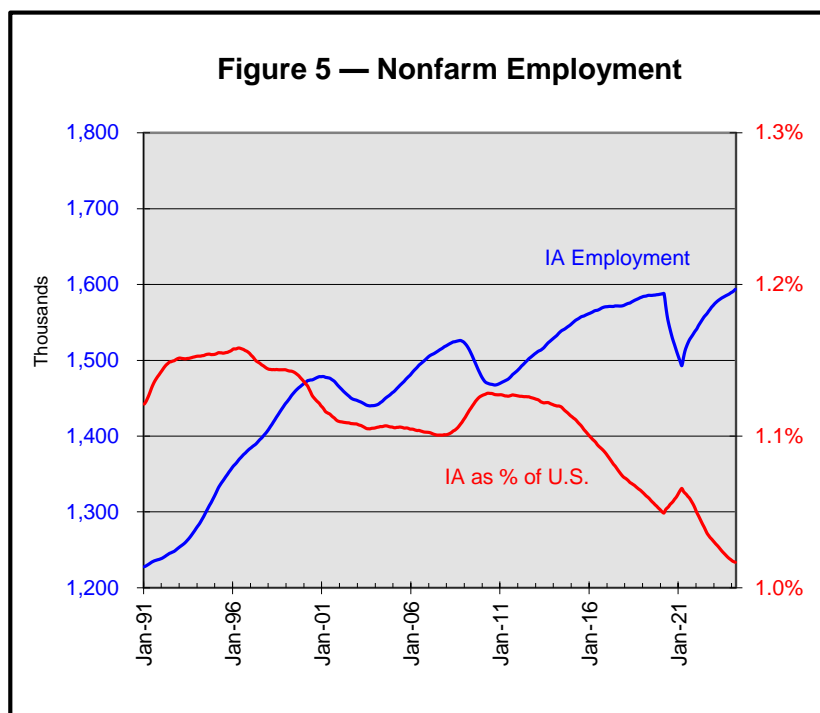
**Tax Refunds** issued in April 2024 totaled \$322.7 million, an increase of \$73.0 million compared to April 2023. In addition to regular refunds, school infrastructure refunds totaled \$49.3 million, an increase of \$10.8 million compared to April 2023.

## Status of the Economy

### Iowa Nonfarm Employment

was reported at 1,597,100 for the month of March 2024 (not seasonally adjusted), 23,700 (1.5%) higher than March 2023.

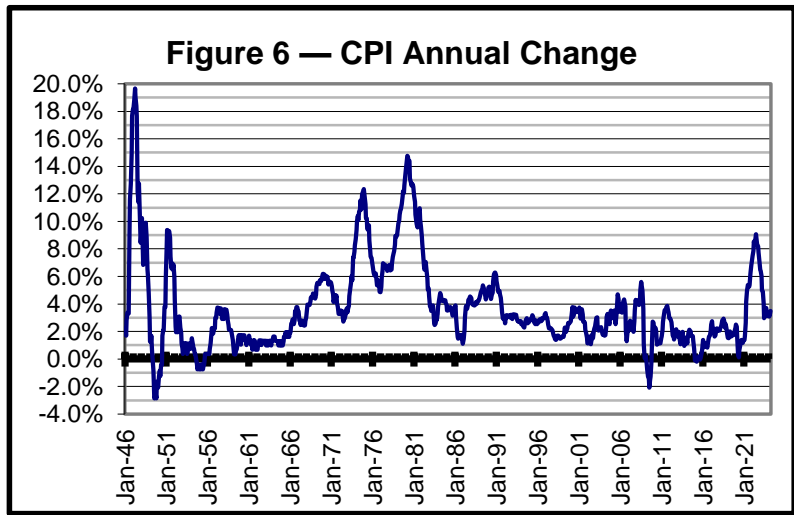
Iowa's 12-month average nonfarm employment is presented as the blue line in **Figure 5**. Iowa's average nonfarm employment previously peaked in February 2020 at 1,588,000. This figure is 61,700 above the previous prerecession peak that occurred in October 2008. The current 12-month average reading is 1,593,900, resulting in an annual average Iowa nonfarm employment level that is 5,900 above 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 36 months and is currently at its lowest level in the history of the indicator.

The **Consumer Price Index (CPI)** through March 2024 was 312.3 (1983/84=100). Consumer prices increased in March 2024 (not seasonally adjusted), and the annual rate of inflation increased to 3.5%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.5% in March 2024 and increased 3.8% year over year. This is the 36th 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 increased 2.1% and food prices increased 2.2% 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 April 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		
	FY 2023	FY 2024	Year-to-Date % Change	April % Change	FY 2023 Actual	FY 2024 Estimate	Projected % Change
Personal Income Tax	\$ 4,421.0	\$ 3,920.8	-11.3%	-9.9%	\$ 5,599.3	\$ 5,044.0	-9.9%
Sales/Use Tax	3,253.0	3,494.0	7.4%	28.4%	3,937.1	4,180.1	6.2%
Corporate Income Tax	748.4	717.7	-4.1%	-14.9%	984.1	982.7	-0.1%
Inheritance Tax	75.5	49.2	-34.8%	-57.4%	93.6	69.7	-25.5%
Insurance Premium Tax	98.7	114.0	15.5%	1,266.7%	174.4	182.7	4.8%
Beer/Liquor Tax	10.9	10.5	-3.7%	0.0%	13.3	13.1	-1.5%
Franchise Tax	66.8	82.2	23.1%	123.9%	92.5	87.0	-5.9%
Miscellaneous Tax	57.8	826.0	1,329.1%	1,159.6%	190.0	580.3	205.4%
<b>Total Gross Taxes</b>	<b>\$ 8,732.2</b>	<b>\$ 9,214.4</b>	<b>5.5%</b>	<b>28.8%</b>	<b>\$ 11,084.3</b>	<b>\$ 11,139.6</b>	<b>0.5%</b>
Institutional Payments	\$ 10.4	\$ 10.4	0.0%	57.1%	\$ 13.3	\$ 9.1	-31.6%
Liquor Profits	125.2	123.0	-1.8%	-5.8%	150.5	151.5	0.7%
Interest	57.3	112.4	96.2%	36.6%	70.3	105.0	49.4%
Fees	25.0	22.9	-8.4%	-16.7%	29.7	27.1	-8.8%
Judicial Revenue	67.9	69.3	2.1%	12.9%	89.1	85.0	-4.6%
Miscellaneous Receipts	53.3	68.7	28.9%	19.2%	75.9	61.3	-19.2%
<b>Total Gross Receipts</b>	<b>\$ 9,071.3</b>	<b>\$ 9,620.9</b>	<b>6.1%</b>	<b>28.2%</b>	<b>\$ 11,513.1</b>	<b>\$ 11,578.6</b>	<b>0.6%</b>
Accrued Revenue — Net					146.6	134.7	
Tax Refunds	-825.0	-1,177.3	42.7%	29.2%	-1,230.3	-1,534.5	24.7%
School Infrast. Refunds	-586.4	-569.9	-2.8%	28.1%	-708.1	-694.5	-1.9%
<b>TOTAL NET RECEIPTS</b>	<b>\$ 7,660.0</b>	<b>\$ 7,873.7</b>	<b>2.8%</b>	<b>27.9%</b>	<b>\$ 9,721.3</b>	<b>\$ 9,484.3</b>	<b>-2.4%</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 amounts on this table exclude transfer revenue.