

Revenue Estimating Conference July 30, 2001

Cynthia Eisenhower called the Revenue Estimating Conference to order at 11:00 a.m. with all members present.

Cynthia gave a summary of the agenda items which included 1) updating the FY2002 general fund estimates in light of law changes and the final results of FY2001 and 2) reaching an agreement on estimates for FY2002 transfers, refunds and gambling revenues transferred to other funds.

David Underwood made motion to accept the minutes of the March 14, 2001 REC meeting, seconded by Dennis Prouty. Motion carried.

Cynthia stated that FY2001 closed with .3% revenue growth which is just short of our official estimate of .7% revenue growth. While Legislative Fiscal Bureau's projections for FY2002 and Department of Management's projections are only \$31M apart, there does seem to be a difference primarily in the area of corporate tax. Overall DOM is projecting 4.5% growth in total tax and other receipts and LFB is projecting 5.2%. It's important to note that while these estimates may seem high in light of economic conditions today, much of this increase is a result of law changes that include the change to transfer interest from the reserves into the general fund.

The primary area of disagreement is in corporate income tax where DOM believes that tax will continue to show weakness. Corporate profits remain depressed with many large corporations showing losses. Further, in Iowa, corporate losses may be carried forward or back to offset tax liabilities from profitable years. Finally, Department of Revenue & Finance has laid off six corporate out of state auditors who would otherwise generate over \$1 million in corporate revenue.

Cynthia said she would support LFB's estimate with some minor downward adjustment in corporate revenue.

Dennis agreed with corporate tax being the area of disagreement. Considering the difficulty in projecting corporate income tax and the lack of information to make estimates, he felt the estimates were very close. Dennis felt we would have better information later in the year and could make adjustments at that time if needed.

David said he didn't see any signs that would indicate an increase from last year's estimate. David felt more comfortable staying with last year's estimate for corporate taxes.

David raised concerns about sales tax and personal tax projections. Following discussion, David made motion to adopt DOM's estimates for FY02 general fund receipts, seconded by Dennis. Motion carried.

With DOM's and LFB's projections for lottery and other transfers for FY02 being the same, David made motion, seconded by Dennis to accept projections as presented. Motion carried.

Dennis made motion, seconded by David to adopt the refunds for FY02 as projected. Motion carried.

Dennis made motion, seconded by David to adopt gambling revenue projections as presented.

With no further business, Dennis made motion to arise. Hearing no objections, meeting was adjourned.