

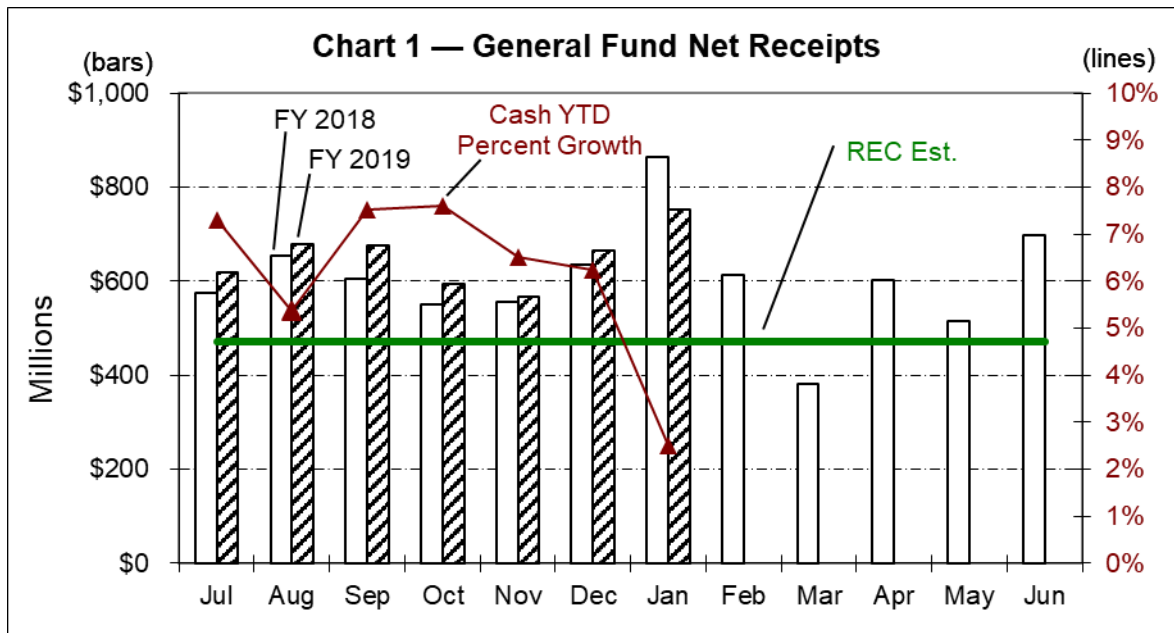
TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives

FROM: Jeff Robinson and Kent Ohms

DATE: February 1, 2019

Monthly General Fund Revenue Receipts Through January 31, 2019

The attached spreadsheet presents FY 2019 General Fund total net receipts with comparable figures for actual FY 2018. The figures can be compared to the FY 2019 estimate of \$7.606 billion set by the Revenue Estimating Conference (REC) on December 13, 2018. The FY 2019 estimate is an increase of \$343.2 million (4.7%) compared to FY 2018 actual receipts (excluding transfers). The next REC meeting has not been scheduled.



Overview of Current Situation

January 2019 net General Fund revenue was \$111.5 million (-12.9%) below the January 2018 revenue level. Cash fiscal year-to-date net receipts are \$111.5 million (2.5%) higher than FY 2018. There are some major factors affecting these comparisons:

- A deposit timing issue that added \$13.0 million to December 2018, and negatively impacted January 2019 by that amount.
- A delay in the receipt of personal income tax estimate payments compared to last year due to the federal cap on deductibility of state and local tax, which removed the incentive to pay these taxes before the January 31 due date.

- A reduction in the Iowa personal income tax withholding tables that took effect this month will decrease deposits moving forward.
- The expanded sales and use tax base that took effect this month will increase deposits moving forward.

Major sources of revenue and their contributions to the FY 2019 year-to-date revenue change include:

- Personal income tax (positive \$42.7 million, 1.6%).
- Sales/use tax (positive \$61.6 million, 3.5%).
- Corporate tax (positive \$48.1 million, 16.6%).
- Other taxes (negative \$1.3 million, -0.9%).
- Other receipts (positive \$19.0 million, 11.2%).
- Tax refunds not including school infrastructure refunds (negative \$35.5 million).
- School infrastructure sales/use tax refunds (negative \$23.0 million).

Fiscal Year Growth

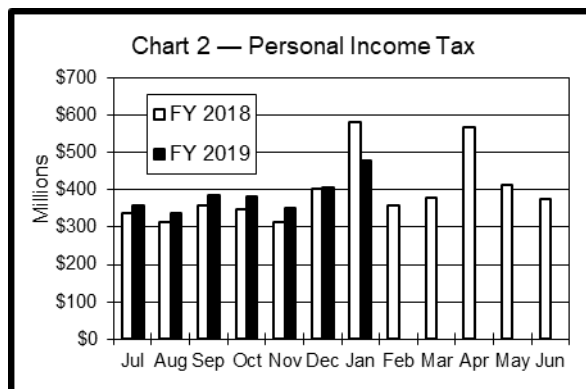
Table 1 converts year-to-date receipts from a cash year basis to a fiscal year basis.

	FY 2018	FY 2019	Difference	
Net Individual Income	\$ 2,254.3	\$ 2,268.9	\$ 14.6	0.6%
Net Sales/Use	1,233.4	1,278.0	44.6	3.6%
Net Corporate	142.8	172.4	29.6	20.7%
Net Franchise	11.2	3.8	-7.4	-66.1%
Net Inheritance	34.8	33.7	-1.1	-3.2%
Net Insurance & Other Taxes	53.1	58.0	4.9	9.2%
Other Revenue	144.7	160.2	15.5	10.7%
Net Revenue	\$ 3,874.3	\$ 3,975.0	\$ 100.7	2.6%

Revenue Categories

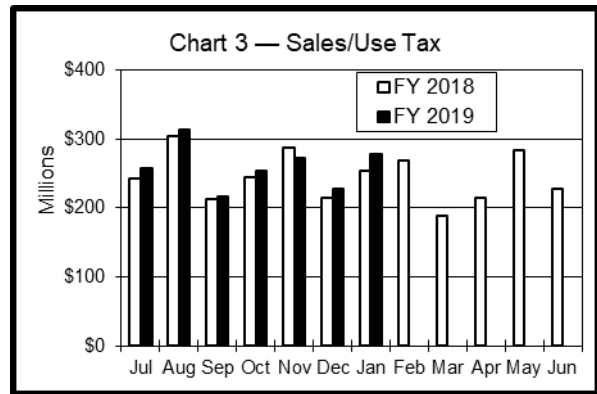
Personal Income Tax receipts received in January 2019 totaled \$477.5 million, a decrease of \$105.2 million (-18.1%) compared to January 2018.

The FY 2019 REC income tax estimate of \$4.911 billion represents a projected increase of 3.5% compared to actual FY 2018. Through January 2019, personal income tax receipts increased 1.6%. By subcategory, withholding payments increased \$162.0 million (7.5%), estimate payments decreased \$126.6 million (-29.3%), and payments with returns increased \$7.3 million (10.0%). **Chart 2** compares FY 2018 and FY 2019 monthly income tax receipts from the three personal income tax subcategories.



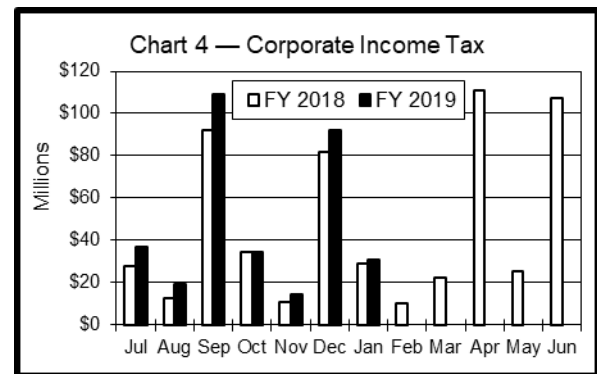
Sales/Use Tax receipts received in January 2019 totaled \$278.5 million, an increase of \$25.1 million (9.9%) compared to January 2018.

The REC estimate for FY 2019 sales/use tax receipts is \$3.147 billion, a projected increase of 7.0% compared to actual FY 2018. Through January 2019, sales/use tax receipts increased 3.5%. **Chart 3** compares FY 2018 and FY 2019 monthly sales/use tax receipts.



Corporate Income Tax receipts received in January 2019 totaled \$30.5 million, an increase of \$1.3 million (4.5%) compared to January 2018.

The REC estimate for FY 2019 corporate tax revenue is \$624.9 million, a projected increase of 10.6% compared to actual FY 2018. Through January 2019, corporate income tax receipts increased 16.6%. **Chart 4** compares FY 2018 and FY 2019 monthly corporate income tax receipts.



Other Tax receipts received in January 2019 totaled \$10.1 million, a decrease of \$7.9 million (-43.9%) compared to January 2018. Inheritance tax, insurance tax, and franchise tax all decreased by at least 40.0% compared to January 2018.

The REC estimate for FY 2019 other tax revenue is \$266.8 million, a projected decrease of 0.1% compared to actual FY 2018. Through January 2019, other tax receipts decreased 0.9%.

Other Receipts (nontax receipts) received in January 2019 totaled \$38.7 million, an increase of \$2.0 million (5.4%) compared to January 2018.

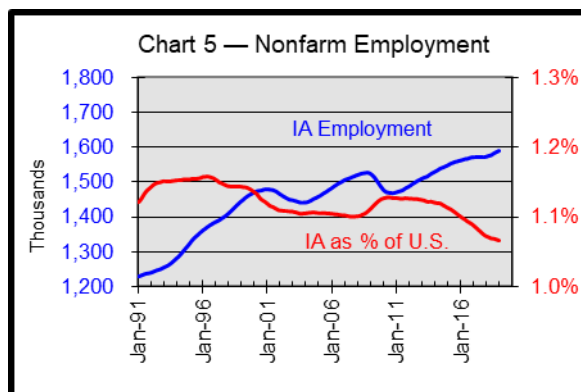
The REC estimate for FY 2019 other receipts revenue is \$311.3 million, a projected increase of 0.2% compared to actual FY 2018. Through January 2019, other receipts increased 11.2%.

Tax Refunds issued in January 2019 totaled \$38.8 million, an increase of \$26.0 million compared to January 2018. In addition to regular refunds, school infrastructure refunds totaled \$44.3 million, an increase of \$1.0 million compared to January 2018.

Status of the Economy

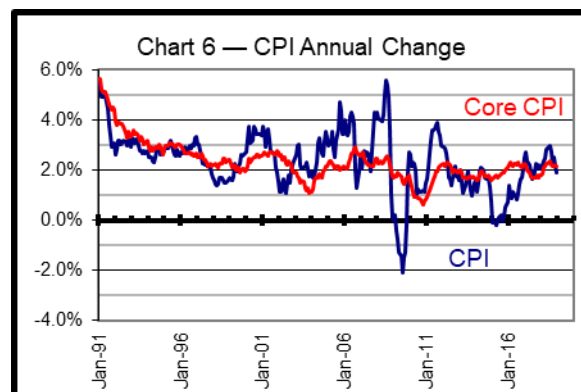
Iowa Nonfarm Employment was reported at 1,602,100 for the month of December 2018 (not seasonally adjusted), 16,100 (1.0%) higher than December 2017.

Iowa's 12-month average nonfarm employment is presented as the blue line on **Chart 5**. Iowa's average nonfarm employment last peaked in October 2008 at 1,526,400, which was 47,700 above the peak reached prior to the previous recession (January 2001). The current 12-month average reading is now 1,589,300, resulting in an annual average Iowa nonfarm employment level that is 62,900 above the 2008 peak.



The red line on **Chart 5** presents Iowa nonfarm employment as a percent 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. However, Iowa's percentage of U.S. employment has declined as the percentage growth in U.S. employment has exceeded the percentage growth in Iowa employment since June 2010. Iowa's percentage of U.S. employment is currently at its lowest level in the history of the indicator.

The Consumer Price Index (CPI) through December 2018 was 251.2 (1983/84=100). Consumer prices decreased 0.3% in December (not seasonally adjusted), and the annual rate of inflation increased to 1.9%, a decrease of 0.3% from the previous month's level.



Core CPI, an inflation measure excluding food and energy expenditures, did not change in December 2018 and increased 2.2% year-over-year. This is the tenth month the core inflation rate has been above 2.0% since March 2017. For the two components excluded from the core rate, energy prices are down 0.3% year-over-year and food prices are up 1.6%.

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

GENERAL FUND RECEIPTS					ESTIMATED GENERAL FUND RECEIPTS		
July 1 through January 31 (in millions of dollars)					(in millions of dollars)		
Dollars may not add due to rounding. Percentages calculated using rounded numbers.					FY 2018 Actual Compared to FY 2019 REC Estimate		
	FY 2018	FY 2019	Year-to-Date % Change	January % Change	FY 2018 Actual	FY 2019 Estimate	Projected % Change
Personal Income Tax	\$ 2,654.4	\$ 2,697.1	1.6%	-18.1%	\$ 4,746.7	\$ 4,911.4	3.5%
Sales/Use Tax	1,758.7	1,820.3	3.5%	9.9%	2,941.5	3,146.5	7.0%
Corporate Income Tax	289.1	337.2	16.6%	4.5%	565.0	624.9	10.6%
Inheritance Tax	51.3	52.4	2.1%	-40.7%	83.1	85.6	3.0%
Insurance Premium Tax	54.9	56.7	3.3%	-40.0%	121.8	122.5	0.6%
Beer/Liquor Tax	8.4	8.3	-1.2%	0.0%	13.7	13.7	0.0%
Franchise Tax	32.4	28.3	-12.7%	-55.9%	46.7	43.4	-7.1%
Miscellaneous Tax	0.6	0.6	0.0%	0.0%	1.7	1.6	-5.9%
Total Gross Taxes	\$ 4,849.8	\$ 5,000.9	3.1%	-9.8%	\$ 8,520.2	\$ 8,949.6	5.0%
Institutional Payments	\$ 6.6	\$ 6.5	-1.5%	18.2%	\$ 12.0	\$ 10.1	-15.8%
Liquor Profits	68.1	74.2	9.0%	0.9%	118.1	119.1	0.8%
Interest	1.8	4.8	166.7%	100.0%	4.7	6.0	27.7%
Fees	13.0	15.8	21.5%	-13.5%	26.1	26.0	-0.4%
Judicial Revenue	44.7	45.0	0.7%	-44.6%	97.4	97.4	0.0%
Miscellaneous Receipts	36.2	40.8	12.7%	32.4%	52.3	52.7	0.8%
Racing and Gaming Receipts	0.0	2.3	N.A.	N.A.	0.0	0.0	N.A.
Total Gross Receipts	\$ 5,020.2	\$ 5,190.2	3.4%	-9.2%	\$ 8,830.8	\$ 9,260.9	4.9%
Accrued Revenue — Net					48.0	19.0	
Tax Refunds *	-301.7	-337.2	11.8%	203.1%	-1,135.1	-1,163.0	2.5%
School Infrast. Refunds *	-277.2	-300.2	8.3%	2.3%	-480.8	-510.8	6.2%
TOTAL NET RECEIPTS	\$ 4,441.3	\$ 4,552.8	2.5%	-12.9%	\$ 7,262.9	\$ 7,606.1	4.7%

* For the Year-to-Date section, refunds are presented on a cash year basis.
For FY 2018 and FY 2019 Estimate, refunds are presented on a fiscal year basis.
The FY 2018 Actual column is final.