

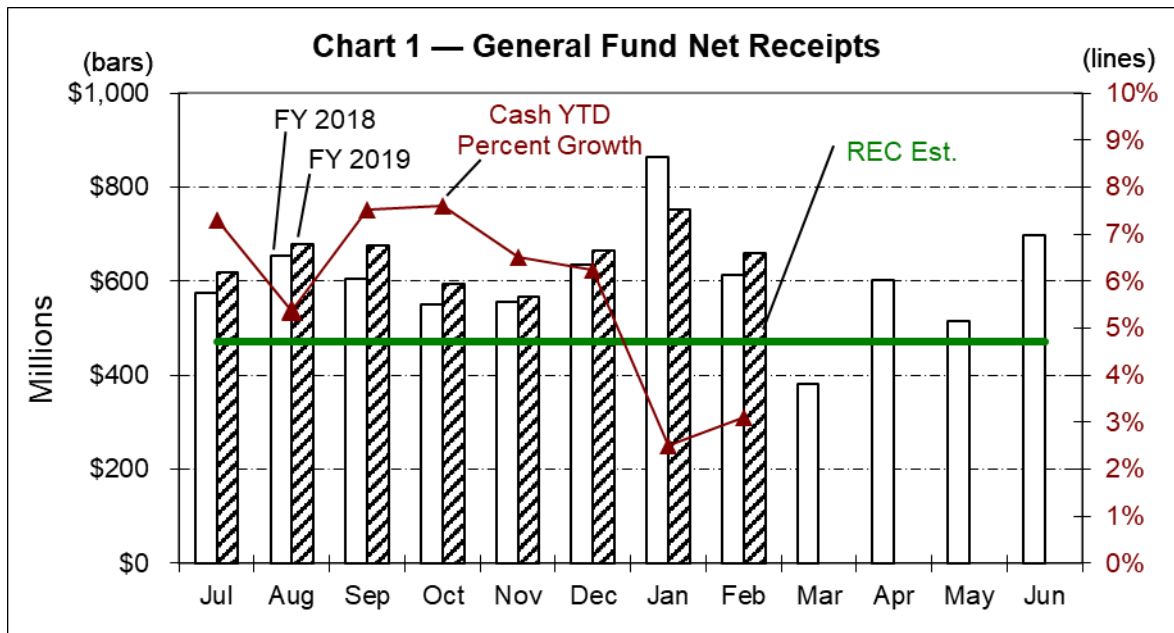
TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives

FROM: Jeff Robinson and Kent Ohms

DATE: March 1, 2019

Monthly General Fund Revenue Receipts Through February 28, 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 is scheduled for March 15, 2019.



Overview of Current Situation

February 2019 net General Fund revenue was \$45.9 million (7.5%) above the February 2018 revenue level. Cash fiscal year-to-date net receipts are \$157.5 million (3.1%) higher than FY 2018. There are some major factors affecting these comparisons:

- A change in the Iowa personal income tax withholding tables that took effect in January 2019 will decrease deposits moving forward.
- The increased sales and use tax base that took effect January 2019 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 \$62.7 million, 2.1%).
- Sales/use tax (positive \$55.6 million, 2.7%).
- Corporate tax (positive \$57.2 million, 19.1%).
- Other taxes (positive \$24.8 million, 15.8%).
- Other receipts (positive \$16.3 million, 8.2%).
- Tax refunds not including school infrastructure refunds (negative \$29.4 million).
- School infrastructure sales/use tax refunds (negative \$29.6 million).

Fiscal Year Growth

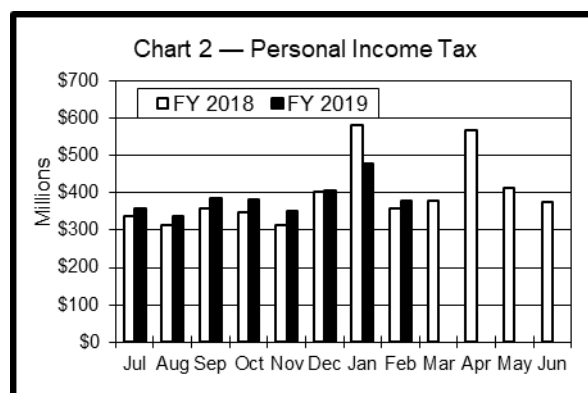
Table 1 converts year-to-date receipts from a cash year basis to a fiscal year basis.

	FY 2018	FY 2019	Difference	
Net Individual Income	\$ 2,603.7	\$ 2,640.3	\$ 36.6	1.4%
Net Sales/Use	1,453.3	1,494.8	41.5	2.9%
Net Corporate	151.1	184.8	33.7	22.3%
Net Franchise	11.4	4.1	-7.3	-64.0%
Net Inheritance	39.3	39.5	0.2	0.5%
Net Insurance & Other Taxes	56.8	86.1	29.3	51.6%
Other Revenue	173.0	185.8	12.8	7.4%
Net Revenue	\$ 4,488.6	\$ 4,635.4	\$ 146.8	3.3%

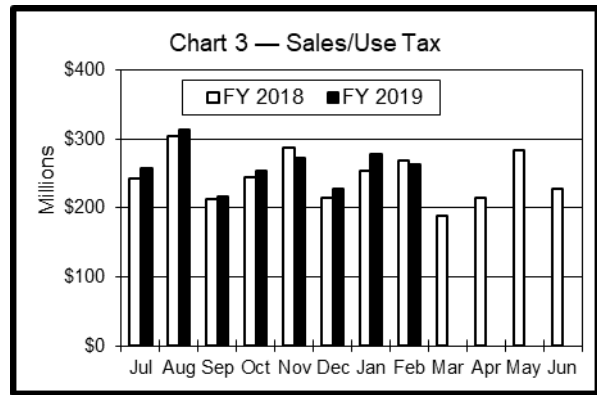
Revenue Categories

Personal Income Tax receipts received in February 2019 totaled \$378.8 million, an increase of \$20.0 million (5.6%) compared to February 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 February 2019, personal income tax receipts increased 2.1%. By subcategory, withholding payments increased \$166.4 million (6.7%), estimate payments decreased \$111.3 million (-25.0%), and payments with returns increased \$7.7 million (8.5%). **Chart 2** compares FY 2018 and FY 2019 monthly income tax receipts from the three personal income tax subcategories.

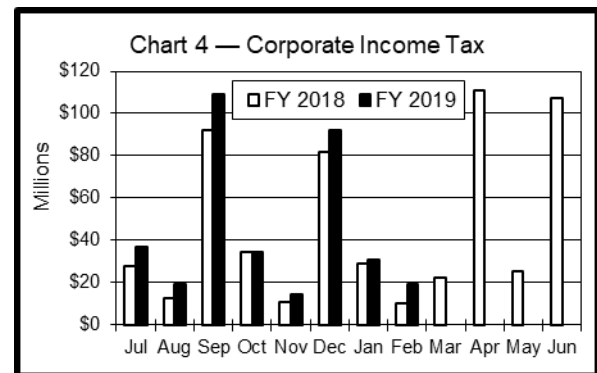


Sales/Use Tax receipts received in February 2019 totaled \$262.4 million, a decrease of \$6.0 million (-2.2%) compared to February 2018. For the months of January and February combined, receipts in 2019 are up \$19.1 million (3.7%).



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 February 2019, sales/use tax receipts increased 2.7%. **Chart 3** compares FY 2018 and FY 2019 monthly sales/use tax receipts.

Corporate Income Tax receipts received in February 2019 totaled \$19.0 million, an increase of \$9.1 million (91.9%) compared to February 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 February 2019, corporate income tax receipts increased 19.1%. **Chart 4** compares FY 2018 and FY 2019 monthly corporate income tax receipts.

Other Tax receipts received in February 2019 totaled \$35.2 million, an increase of \$26.1 million (286.8%) compared to February 2018. Insurance tax increased \$17.8 million (556.2%) compared to February 2018 due to a processing change that resulted in March revenues being deposited in February. Pursuant to 2018 Iowa Acts, chapter [1001](#) (Water Quality Act), the Water Excise Tax was deposited under Miscellaneous Tax, increasing those deposits and decreasing sales tax receipts.

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 February 2019, other tax receipts increased 15.8%.

Other Receipts (nontax receipts) received in February 2019 totaled \$25.6 million, a decrease of \$2.7 million (-9.5%) compared to February 2018.

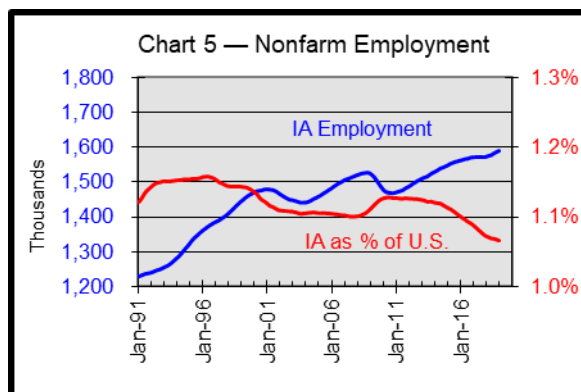
The REC estimate for FY 2019 other receipts revenue is \$311.3 million, a projected increase of 0.2% compared to actual FY 2018. Through February 2019, other receipts increased 8.2%.

Tax Refunds issued in February 2019 totaled \$19.6 million, a decrease of \$6.1 million compared to February 2018. In addition to regular refunds, school infrastructure refunds totaled \$41.0 million, an increase of \$6.6 million compared to February 2018.

Status of the Economy

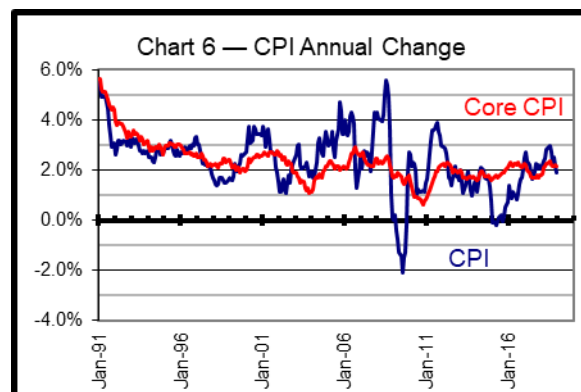
Iowa Nonfarm Employment was reported at 1,602,100 for the month of December 2018 (not seasonally adjusted), 16,100 (1.0%) higher than December 2017.

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 January 2019 was 251.7 (1983/84=100). Consumer prices increased 0.2% in January (not seasonally adjusted), and the annual rate of inflation decreased to 1.6%, a decrease of 0.4% from the previous month's level.



Core CPI, an inflation measure excluding food and energy expenditures, increased 0.4% in January 2019 and increased 2.2% year-over-year. This is the eleventh 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 4.8% 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 February 28 (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	February % Change	FY 2018 Actual	FY 2019 Estimate	Projected % Change
Personal Income Tax	\$ 3,013.2	\$ 3,075.9	2.1%	5.6%	\$ 4,746.7	\$ 4,911.4	3.5%
Sales/Use Tax	2,027.1	2,082.7	2.7%	-2.2%	2,941.5	3,146.5	7.0%
Corporate Income Tax	299.0	356.2	19.1%	91.9%	565.0	624.9	10.6%
Inheritance Tax	56.0	58.6	4.6%	31.9%	83.1	85.6	3.0%
Insurance Premium Tax	58.1	77.7	33.7%	556.2%	121.8	122.5	0.6%
Beer/Liquor Tax	9.3	9.2	-1.1%	0.0%	13.7	13.7	0.0%
Franchise Tax	32.7	28.7	-12.2%	33.3%	46.7	43.4	-7.1%
Miscellaneous Tax	0.6	7.3	1,116.7%	0.0%	1.7	1.6	-5.9%
Total Gross Taxes	\$ 5,496.0	\$ 5,696.2	3.6%	7.6%	\$ 8,520.2	\$ 8,949.6	5.0%
Institutional Payments	\$ 8.3	\$ 7.2	-13.3%	-58.8%	\$ 12.0	\$ 10.1	-15.8%
Liquor Profits	77.4	84.0	8.5%	5.4%	118.1	119.1	0.8%
Interest	2.2	5.6	154.5%	100.0%	4.7	6.0	27.7%
Fees	18.3	19.0	3.8%	-39.6%	26.1	26.0	-0.4%
Judicial Revenue	54.1	53.8	-0.6%	-6.4%	97.4	97.4	0.0%
Miscellaneous Receipts	38.4	43.1	12.2%	4.5%	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	\$ 5,694.6	\$ 5,911.1	3.8%	6.9%	\$ 8,830.8	\$ 9,260.9	4.9%
Refunds (Accrual Basis)					48.0	19.0	
Tax Refunds *	-327.4	-356.8	9.0%	-23.7%	-1,135.1	-1,163.0	2.5%
School Infrast. Refunds *	-311.6	-341.2	9.5%	19.2%	-480.8	-510.8	6.2%
TOTAL NET RECEIPTS	\$ 5,055.6	\$ 5,213.1	3.1%	7.5%	\$ 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.