

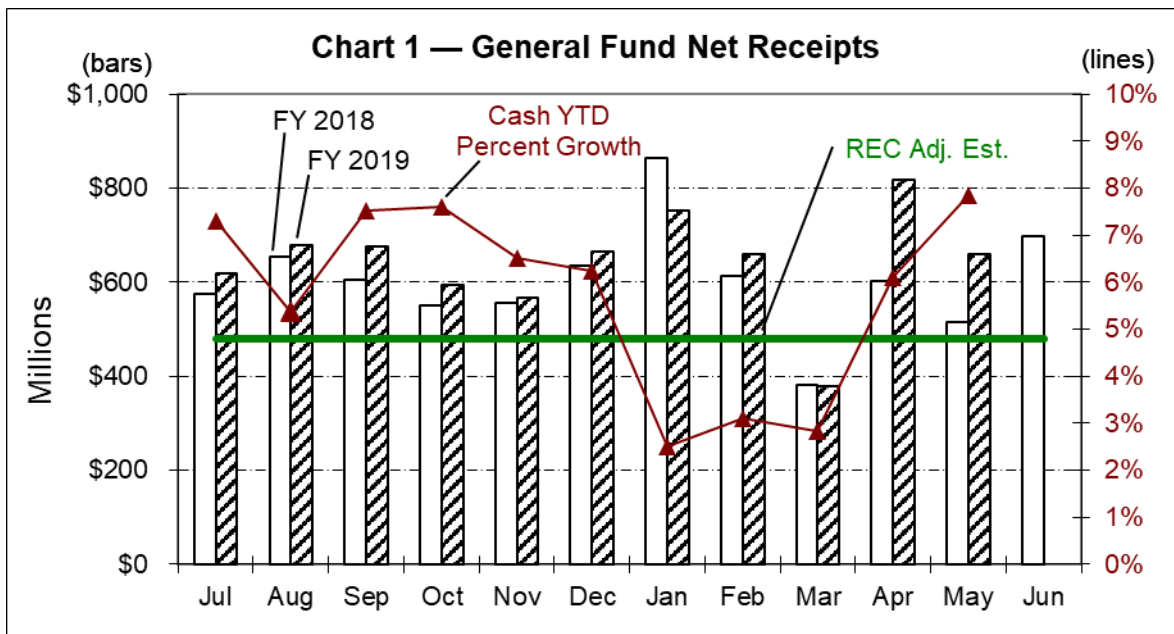
TO: Members of the Iowa Senate and  
 Members of the Iowa House of Representatives

FROM: Jeff Robinson and Kent Ohms

DATE: June 3, 2019

**Monthly General Fund Revenue Receipts Through May 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 \$7.611 billion set by the Revenue Estimating Conference (REC) on March 15, 2019, and adjusted for the enactment of [SF 220](#) (Corporation Section 179 Expensing Act) and [HF 779](#) (Tax Code Changes Act). The FY 2019 estimate is an increase of \$348.0 million (4.8%) compared to FY 2018 actual receipts (excluding transfers). The next REC meeting has not been scheduled.



**Overview of Current Situation**

May 2019 net General Fund revenue was \$145.0 million (28.1%) above the May 2018 revenue level. Cash fiscal year-to-date net receipts are \$514.1 million (7.8%) 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 deposit growth moving forward.
- The sales and use tax base increase that took effect January 2019 will increase deposit growth moving forward.

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

- Personal income tax (positive \$191.4 million, 4.4%).
- Sales/use tax (positive \$102.8 million, 3.8%).
- Corporate tax (positive \$151.6 million, 33.1%).
- Other taxes (positive \$79.4 million, 35.9%).
- Other receipts (positive \$22.8 million, 8.1%).
- Tax refunds not including school infrastructure refunds (positive \$10.1 million).
- School infrastructure sales/use tax refunds (negative \$43.7 million).

## Fiscal Year Growth

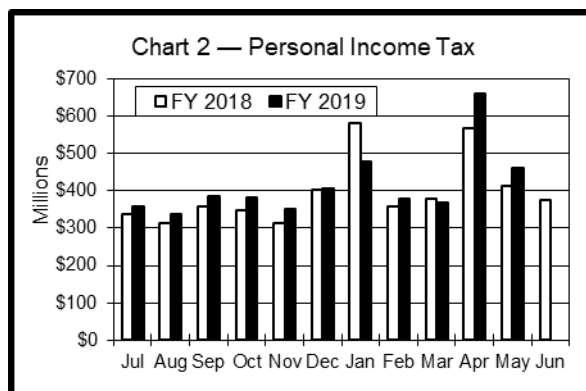
**Table 1** converts year-to-date receipts from a cash year basis to a fiscal year basis.

	FY 2018	FY 2019	Difference	
Net Individual Income	\$ 3,262.7	\$ 3,477.0	\$ 214.3	6.6%
Net Sales/Use	2,010.5	2,089.3	78.8	3.9%
Net Corporate	290.3	404.2	113.9	39.2%
Net Franchise	19.4	27.6	8.2	42.3%
Net Inheritance	60.8	57.1	-3.7	-6.1%
Net Insurance & Other Taxes	89.1	161.6	72.5	81.4%
Other Revenue	255.8	275.2	19.4	7.6%
<b>Net Revenue</b>	<b>\$ 5,988.6</b>	<b>\$ 6,492.0</b>	<b>\$ 503.4</b>	<b>8.4%</b>

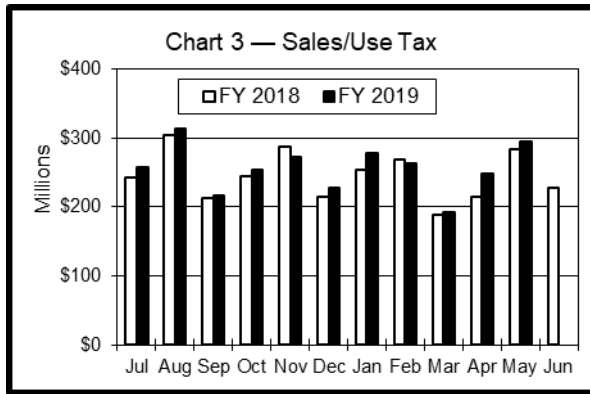
## Revenue Categories

**Personal Income Tax** receipts received in May 2019 totaled \$462.7 million, an increase of \$49.4 million (12.0%) compared to May 2018.

The FY 2019 REC income tax estimate of \$4.875 billion represents a projected increase of 2.7% compared to actual FY 2018. Through May 2019, personal income tax receipts increased 4.4%. By subcategory, withholding payments increased \$115.3 million (3.4%), estimate payments decreased \$99.5 million (-18.9%), and payments with returns increased \$175.6 million (42.8%). **Chart 2** compares FY 2018 and FY 2019 monthly income tax receipts from the three personal income tax subcategories.

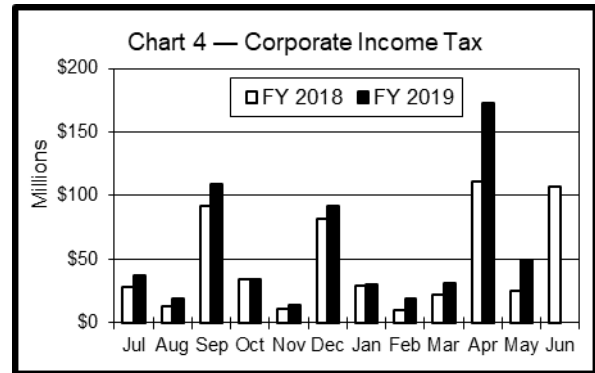


**Sales/Use Tax** receipts received in May 2019 totaled \$294.8 million, an increase of \$10.5 million (3.7%) compared to May 2018.



The REC estimate for FY 2019 sales/use tax receipts is \$3.114 billion, a projected increase of 5.9% compared to actual FY 2018. Through May 2019, sales/use tax receipts increased 3.8%. **Chart 3** compares FY 2018 and FY 2019 monthly sales/use tax receipts.

**Corporate Income Tax** receipts received in May 2019 totaled \$49.3 million, an increase of \$23.9 million (94.1%) compared to May 2018.



The REC estimate for FY 2019 corporate income tax revenue is \$652.0 million, a projected increase of 15.4% compared to actual FY 2018.

Through May 2019, corporate income tax receipts increased 33.1%. **Chart 4** compares FY 2018 and FY 2019 monthly corporate income tax receipts.

**Other Tax** receipts received in May 2019 totaled \$76.9 million, an increase of \$46.8 million (155.5%) compared to May 2018. Insurance premium tax received totaled \$58.9 million, an increase of \$41.6 million (240.5%). Franchise tax received totaled \$7.6 million, an increase of \$5.4 million (245.5%).

The REC estimate for FY 2019 other tax revenue is \$295.5 million, a projected increase of 10.7% compared to actual FY 2018. Through May 2019, other tax receipts increased 35.9%.

**Other Receipts** (nontax receipts) received in May 2019 totaled \$30.1 million, an increase of \$2.1 million (7.5%) compared to May 2018.

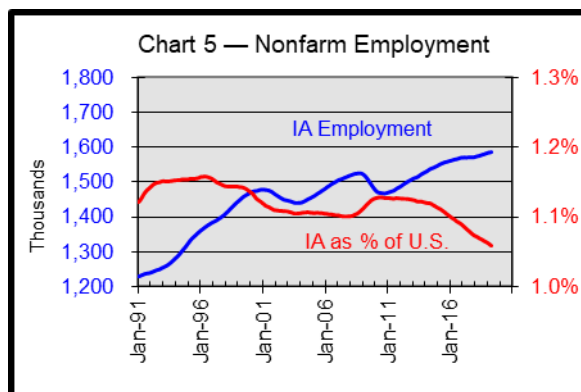
The REC estimate for FY 2019 other receipts revenue is \$317.1 million, a projected increase of 2.1% compared to actual FY 2018. Through May 2019, other receipts increased 8.1%.

**Tax Refunds** issued in May 2019 totaled \$211.5 million, a decrease of \$13.7 million compared to May 2018. In addition to regular refunds, school infrastructure refunds totaled \$41.6 million, an increase of \$1.3 million compared to May 2018.

## Status of the Economy

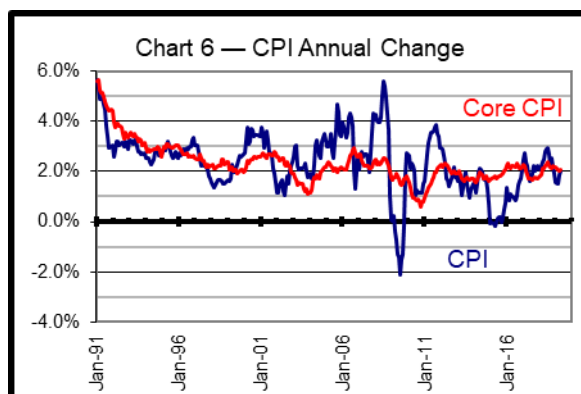
**Iowa Nonfarm Employment** was reported at 1,591,900 for the month of April 2019 (not seasonally adjusted), 8,600 (0.5%) higher than April 2018.

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 1,526,300, which was 47,600 above the peak reached prior to the previous recession (January 2001). The current 12-month average reading is now 1,587,000, resulting in an annual average Iowa nonfarm employment level that is 60,700 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 and continues to fall.

**The Consumer Price Index (CPI)** through April 2019 was 255.5 (1983/84=100). Consumer prices increased 0.5% in April (not seasonally adjusted), and the annual rate of inflation increased to 2.0%, an increase of 0.1% from the previous month's level.



Core CPI, an inflation measure excluding food and energy expenditures, increased 0.2% in April 2019 and increased 2.1% year-over-year. This is the 14th 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 up 1.7% year-over-year and food prices are up 1.7%.

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 May 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 Adjusted Estimate		
	FY 2018	FY 2019	Year-to-Date % Change	May % Change	FY 2018 Actual	FY 2019 Adj. Estimate	Projected % Change
Personal Income Tax	\$ 4,373.1	\$ 4,564.5	4.4%	12.0%	\$ 4,746.7	\$ 4,874.5	2.7%
Sales/Use Tax	2,714.6	2,817.4	3.8%	3.7%	2,941.5	3,114.1	5.9%
Corporate Income Tax	457.9	609.5	33.1%	94.1%	565.0	652.0	15.4%
Inheritance Tax	78.1	76.6	-1.9%	-5.3%	83.1	85.6	3.0%
Insurance Premium Tax	87.8	150.8	71.8%	240.5%	121.8	139.4	14.4%
Beer/Liquor Tax	12.2	12.2	0.0%	10.0%	13.7	13.7	0.0%
Franchise Tax	41.1	52.4	27.5%	245.5%	46.7	41.3	-11.6%
Miscellaneous Tax	1.7	8.3	388.2%	200.0%	1.7	15.5	811.8%
<b>Total Gross Taxes</b>	<b>\$ 7,766.5</b>	<b>\$ 8,291.5</b>	<b>6.8%</b>	<b>17.3%</b>	<b>\$ 8,520.2</b>	<b>\$ 8,936.1</b>	<b>4.9%</b>
Institutional Payments	\$ 10.9	\$ 10.4	-4.6%	100.0%	\$ 12.0	\$ 10.0	-16.7%
Liquor Profits	106.5	113.9	6.9%	-9.6%	118.1	119.1	0.8%
Interest	4.1	8.3	102.4%	37.5%	4.7	8.2	74.5%
Fees	24.3	25.7	5.8%	700.0%	26.1	26.5	1.5%
Judicial Revenue	86.4	85.1	-1.5%	3.9%	97.4	97.4	0.0%
Miscellaneous Receipts	49.3	58.6	18.9%	-5.9%	52.3	55.9	6.9%
Racing and Gaming Receipts	0.0	2.3	N.A.	N.A.	0.0	0.0	N.A.
<b>Total Gross Receipts</b>	<b>\$ 8,048.0</b>	<b>\$ 8,595.8</b>	<b>6.8%</b>	<b>17.0%</b>	<b>\$ 8,830.8</b>	<b>\$ 9,253.2</b>	<b>4.8%</b>
Refunds (Accrual Basis)					48.0	26.0	
Tax Refunds *	-1,068.9	-1,058.8	-0.9%	-6.1%	-1,135.1	-1,156.0	1.8%
School Infrast. Refunds *	-423.5	-467.2	10.3%	3.2%	-480.8	-512.3	6.6%
<b>TOTAL NET RECEIPTS</b>	<b>\$ 6,555.7</b>	<b>\$ 7,069.8</b>	<b>7.8%</b>	<b>28.1%</b>	<b>\$ 7,262.9</b>	<b>\$ 7,610.9</b>	<b>4.8%</b>

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