

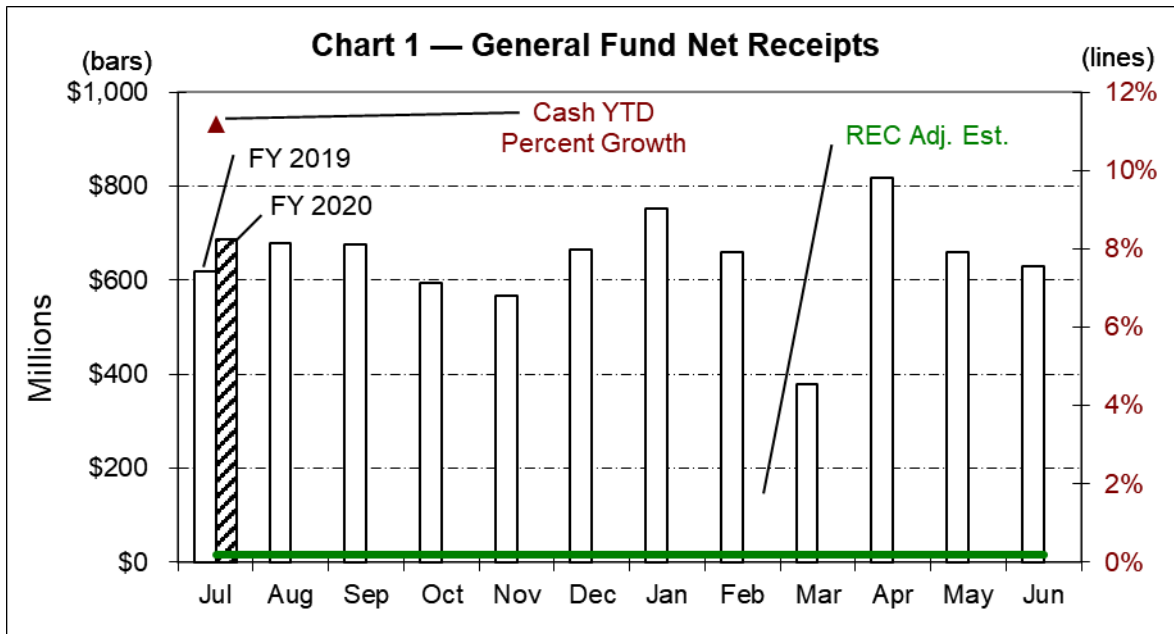
TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives

FROM: Jeff Robinson and Kent Ohms

DATE: August 1, 2019

Monthly General Fund Revenue Receipts Through July 31, 2019

The attached spreadsheet presents FY 2020 General Fund total net receipts with comparable figures for actual FY 2019. The figures can be compared to the FY 2020 estimate of \$7.724 billion set by the Revenue Estimating Conference (REC) on March 15, 2019, and adjusted for changes enacted from the 2019 Legislative Session. The FY 2020 estimate is an increase of \$14.8 million (0.2%) compared to FY 2019 actual receipts (excluding transfers and accrual adjustment). The next REC meeting has not been scheduled.



Overview of Current Situation

July 2019 net General Fund revenue was \$69.3 million (11.2%) above the July 2018 revenue level. 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.

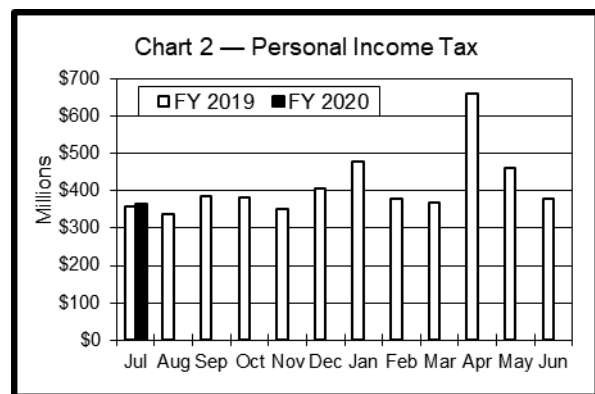
Major sources of revenue and their contributions to the FY 2020 year-to-date revenue change include:

- Personal income tax (positive \$6.8 million, 1.9%).
- Sales/use tax (positive \$45.2 million, 17.5%).
- Corporate tax (positive \$11.9 million, 32.1%).
- Other taxes (positive \$6.0 million, 38.5%).
- Other receipts (negative \$2.0 million, -7.2%).
- Tax refunds not including school infrastructure refunds (positive \$2.6 million).
- School infrastructure sales/use tax refunds (negative \$1.4 million).

Revenue Categories

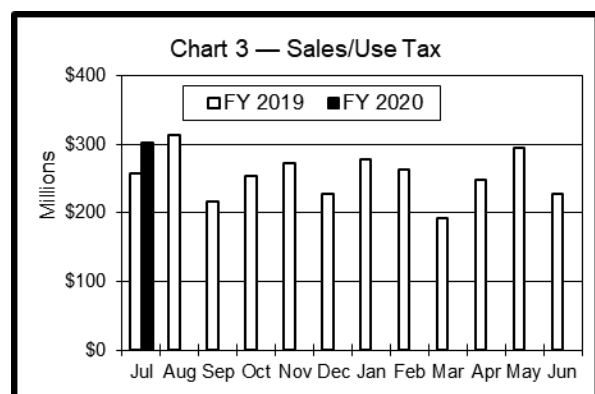
Personal Income Tax receipts received in July 2019 totaled \$364.7 million, an increase of \$6.8 million (1.9%) compared to July 2018.

The FY 2020 REC personal income tax estimate of \$4.826 billion represents a projected decrease of -2.4% compared to actual FY 2019. Through July 2019, personal income tax receipts increased 1.9%. By subcategory, withholding payments decreased \$9.8 million (-3.1%), estimate payments increased \$12.5 million (42.5%), and payments with returns increased \$4.1 million (36.5%). **Chart 2** compares FY 2019 and FY 2020 monthly income tax receipts from the three personal income tax subcategories.



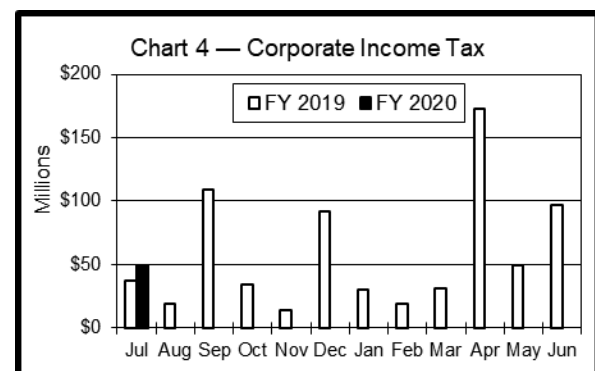
Sales/Use Tax receipts received in July 2019 totaled \$302.9 million, an increase of \$45.2 million (17.5%) compared to July 2018.

The REC estimate for FY 2020 sales/use tax receipts is \$3.311 billion, a projected increase of 8.7% compared to actual FY 2019. Through July 2019, sales/use tax receipts increased 17.5%. **Chart 3** compares FY 2019 and FY 2020 monthly sales/use tax receipts.



Corporate Income Tax receipts received in July 2019 totaled \$49.0 million, an increase of \$11.9 million (32.1%) compared to July 2018.

The REC estimate for FY 2020 corporate income tax revenue is \$652.6 million, a projected decrease of 7.6% compared to actual FY 2019.



Through July 2019, corporate income tax receipts increased 32.1%. **Chart 4** compares FY 2019 and FY 2020 monthly corporate income tax receipts.

Other Tax receipts received in July 2019 totaled \$21.6 million, an increase of \$6.0 million (38.5%) compared to July 2018.

The REC estimate for FY 2020 other tax revenue is \$308.8 million, a projected decrease of 3.9% compared to actual FY 2019. Through July 2019, other tax receipts increased 38.5%.

Other Receipts (nontax receipts) received in July 2019 totaled \$25.6 million, a decrease of \$2.0 million (-7.2%) compared to July 2018.

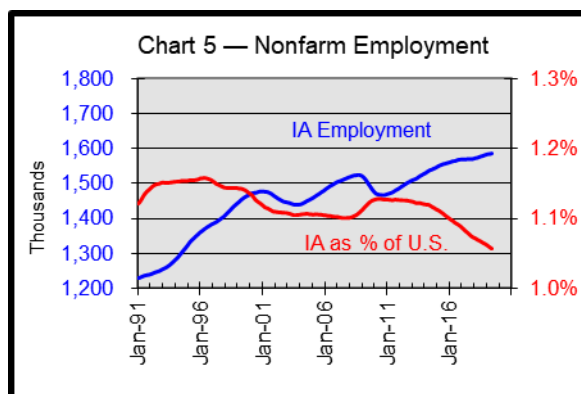
The REC estimate for FY 2020 other receipts revenue is \$313.4 million, a projected decrease of 6.3% compared to actual FY 2019. Through July 2019, other receipts decreased 7.2%.

Tax Refunds issued in July 2019 totaled \$32.8 million, a decrease of \$2.6 million compared to July 2018. In addition to regular refunds, school infrastructure refunds totaled \$44.2 million, an increase of \$1.4 million compared to July 2018.

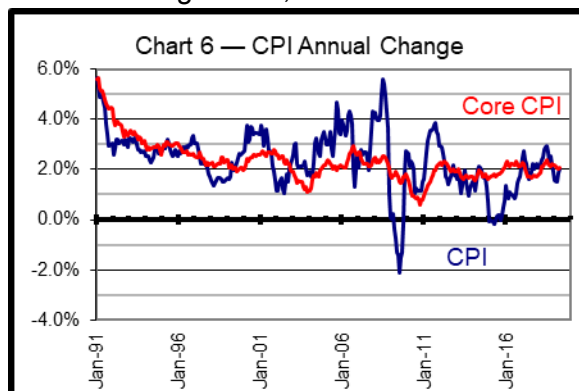
Status of the Economy

Iowa Nonfarm Employment was reported at 1,613,000 for the month of June 2019 (not seasonally adjusted), 10,200 (0.6%) higher than June 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 1,588,100, resulting in an annual average Iowa nonfarm employment level that is 61,800 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 June 2019 was 256.1 (1983/84=100). Consumer prices were essentially unchanged in June (not seasonally adjusted), and the annual rate of inflation decreased to 1.7%, a decrease of 0.1% from the previous month's level.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.2% in June 2019 and increased 2.1% year-over-year. This is the 16th month the core inflation rate has been above 2.0% since March 2017. For the two components excluded from the core rate, energy prices were down 3.4% year-over-year and food prices were up 1.9%.

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 July 31 (in millions of dollars)					(in millions of dollars)		
Dollars may not add due to rounding. Percentages calculated using rounded numbers.					FY 2019 Actual Compared to FY 2020 REC Adjusted Estimate		
	FY 2019	FY 2020	Year-to-Date % Change	July % Change	FY 2019 Actual*	FY 2020 Adj. Estimate	Projected % Change
Personal Income Tax	\$ 357.9	\$ 364.7	1.9%	1.9%	\$ 4,944.0	\$ 4,825.8	-2.4%
Sales/Use Tax	257.7	302.9	17.5%	17.5%	3,045.5	3,311.4	8.7%
Corporate Income Tax	37.1	49.0	32.1%	32.1%	706.3	652.6	-7.6%
Inheritance Tax	9.3	6.5	-30.1%	-30.1%	80.7	89.0	10.3%
Insurance Premium Tax	1.8	2.9	61.1%	61.1%	153.4	129.4	-15.6%
Beer/Liquor Tax	1.4	1.3	-7.1%	-7.1%	13.5	13.7	1.5%
Franchise Tax	3.1	8.0	158.1%	158.1%	59.6	50.1	-15.9%
Miscellaneous Tax	0.0	2.9	0.0%	0.0%	14.1	26.6	88.7%
Total Gross Taxes	\$ 668.2	\$ 738.2	10.5%	10.5%	\$ 9,017.1	\$ 9,098.6	0.9%
Institutional Payments	\$ 1.1	\$ 1.2	9.1%	9.1%	\$ 11.2	\$ 10.0	-10.7%
Liquor Profits	9.6	11.5	19.8%	19.8%	125.6	119.1	-5.2%
Interest	0.3	0.3	0.0%	0.0%	9.0	8.9	-1.1%
Fees	2.2	3.0	36.4%	36.4%	28.9	27.2	-5.9%
Judicial Revenue	4.5	4.1	-8.9%	-8.9%	95.3	97.4	2.2%
Miscellaneous Receipts	9.9	5.5	-44.4%	-44.4%	64.4	50.8	-21.1%
Racing and Gaming Receipts	0.0	0.0	N.A.	N.A.	0.0	0.0	N.A.
Total Gross Receipts	\$ 695.8	\$ 763.9	9.8%	9.8%	\$ 9,351.5	\$ 9,412.0	0.6%
Refunds (Accrual Basis)					26.0	14.5	
Tax Refunds *	-35.4	-32.8	-7.3%	-7.3%	-1,156.0	-1,153.0	-0.3%
School Infrast. Refunds *	-42.8	-44.2	3.3%	3.3%	-512.3	-549.5	7.3%
TOTAL NET RECEIPTS	\$ 617.6	\$ 686.9	11.2%	11.2%	\$ 7,709.2	\$ 7,724.0	0.2%

* For the Year-to-Date section, refunds are presented on a cash year basis.
For FY 2019 and FY 2020 Adj. Estimate, refunds are presented on a fiscal year basis.
The FY 2019 Actual column is not final.