

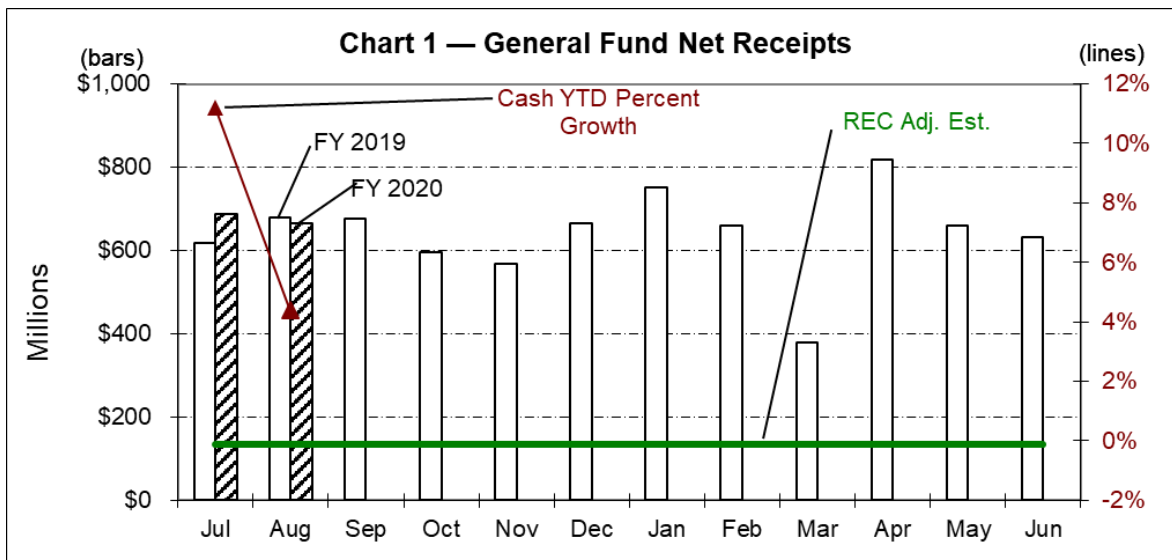
TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives

FROM: Jeff Robinson and Kent Ohms

DATE: September 3, 2019

Monthly General Fund Revenue Receipts Through August 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 a decrease of \$9.3 million (-0.1%) compared to FY 2019 actual receipts (excluding transfers and accrual adjustment). The next REC meeting has not been scheduled.



Overview of Current Situation

August 2019 net General Fund revenue was \$12.7 million (-1.9%) below the August 2018 revenue level. Cash fiscal year-to-date net receipts are \$56.6 million (4.4%) 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 2020 year-to-date revenue change include:

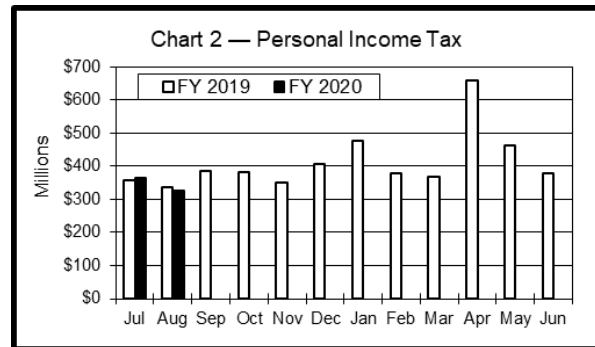
- Personal income tax (negative \$2.9 million, -0.4%).

- Sales/use tax (positive \$49.3 million, 8.6%).
- Corporate tax (positive \$6.0 million, 10.6%).
- Other taxes (positive \$24.0 million, 30.4%).
- Other receipts (positive \$4.5 million, 10.2%).
- Tax refunds not including school infrastructure refunds (negative \$18.2 million).
- School infrastructure sales/use tax refunds (negative \$6.0 million).

Revenue Categories

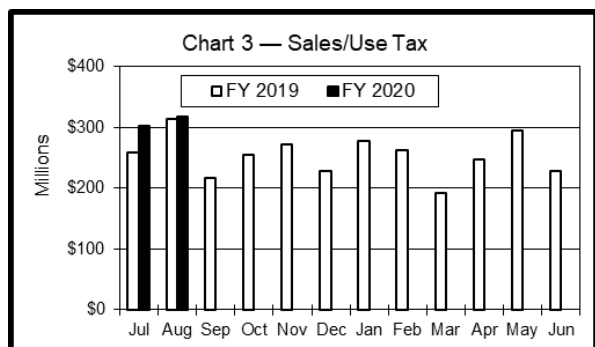
Personal Income Tax receipts received in August 2019 totaled \$327.0 million, a decrease of \$9.7 million (-2.9%) compared to August 2018.

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 August 2019, personal income tax receipts decreased 0.4%. By subcategory, withholding payments decreased \$22.1 million (-3.5%), estimate payments increased \$13.9 million (37.1%), and payments with returns increased \$5.3 million (28.0%). **Chart 2** compares FY 2019 and FY 2020 monthly income tax receipts from the three personal income tax subcategories.



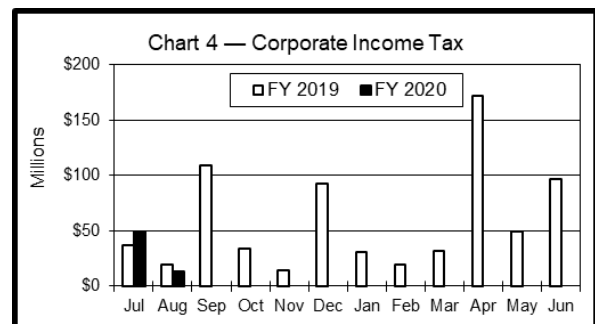
Sales/Use Tax receipts received in August 2019 totaled \$317.1 million, an increase of \$4.1 million (1.3%) compared to August 2018.

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 August 2019, sales/use tax receipts increased 8.6%. **Chart 3** compares FY 2019 and FY 2020 monthly sales/use tax receipts.



Corporate Income Tax receipts received in August 2019 totaled \$13.4 million, a decrease of \$5.9 million (-30.6%) compared to August 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 August 2019, corporate income tax receipts increased 10.6%. **Chart 4** compares FY 2019 and FY 2020 monthly corporate income tax receipts.



Other Tax receipts received in August 2019 totaled \$81.4 million, an increase of \$18.0 million (28.4%) compared to August 2018. Insurance premium tax increased \$10.3 million (19.1%).

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 August 2019, other tax receipts increased 30.4%. The bank franchise tax, insurance premium tax, and new water excise tax have all contributed to growth in this category.

Other Receipts (nontax receipts) received in August 2019 totaled \$23.1 million, an increase of \$6.5 million (39.2%) compared to August 2018.

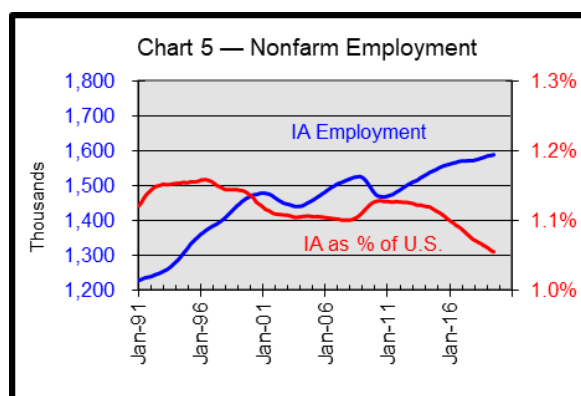
The REC estimate for FY 2020 other receipts revenue is \$313.4 million, a projected decrease of 6.3% compared to actual FY 2019. Through August 2019, other receipts increased 10.2%.

Tax Refunds issued in August 2019 totaled \$50.6 million, an increase of \$20.8 million compared to August 2018. In addition to regular refunds, school infrastructure refunds totaled \$45.1 million, an increase of \$4.6 million compared to August 2018.

Status of the Economy

Iowa Nonfarm Employment was reported at 1,594,500 for the month of July 2019 (not seasonally adjusted), 15,800 (1.0%) higher than July 2018.

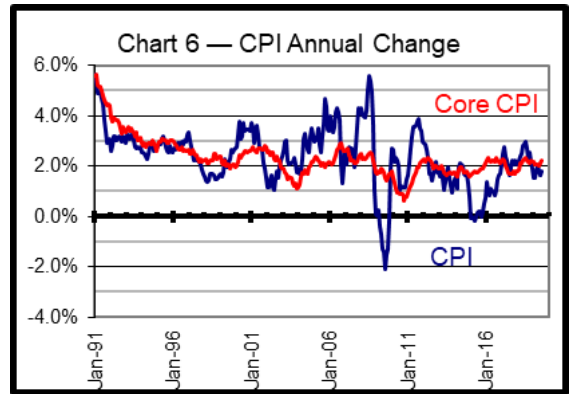
Iowa's 12-month average nonfarm employment is presented as the blue line on **Chart 5**. Iowa's average nonfarm employment last peaked in October 2008 at 1,526,300, which was 47,600 above the peak reached prior to the previous recession (January 2001). The current 12-month average reading is now 1,589,200, 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 and continues to fall.

The Consumer Price Index (CPI) through July 2019 was 256.6 (1983/84=100). Consumer prices increased in July by 0.2% (not seasonally adjusted), and the annual rate of inflation increased to 1.8%, an increase of 0.1% from the previous month's level.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.1% in July 2019 and increased 2.2% year-over-year. This is the 17th 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 2.0% year-over-year and food prices are up 1.8%.



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 August 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	August % Change	FY 2019 Actual*	FY 2020 Adj. Estimate	Projected % Change
Personal Income Tax	\$ 694.6	\$ 691.7	-0.4%	-2.9%	\$ 4,944.0	\$ 4,825.8	-2.4%
Sales/Use Tax	570.7	620.0	8.6%	1.3%	3,045.5	3,311.4	8.7%
Corporate Income Tax	56.4	62.4	10.6%	-30.6%	706.3	652.6	-7.6%
Inheritance Tax	17.4	16.2	-6.9%	19.8%	80.7	89.0	10.3%
Insurance Premium Tax	55.7	67.1	20.5%	19.1%	153.4	129.4	-15.6%
Beer/Liquor Tax	2.6	2.6	0.0%	8.3%	13.5	13.7	1.5%
Franchise Tax	3.3	8.3	151.5%	50.0%	59.6	50.1	-15.9%
Miscellaneous Tax	0.0	8.8	0.0%	0.0%	14.1	26.6	88.7%
Total Gross Taxes	\$ 1,400.8	\$ 1,477.0	5.4%	0.8%	\$ 9,017.1	\$ 9,098.6	0.9%
Institutional Payments	\$ 2.1	\$ 2.7	28.6%	50.0%	\$ 11.2	\$ 10.0	-10.7%
Liquor Profits	19.1	21.3	11.5%	3.2%	125.6	119.1	-5.2%
Interest	0.8	1.8	125.0%	200.0%	9.0	8.9	-1.1%
Fees	4.1	5.8	41.5%	47.4%	28.9	27.2	-5.9%
Judicial Revenue	5.6	5.3	-5.4%	9.1%	95.3	97.4	2.2%
Miscellaneous Receipts	12.5	11.8	-5.6%	142.3%	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	\$ 1,445.0	\$ 1,525.7	5.6%	1.7%	\$ 9,351.5	\$ 9,412.0	0.6%
Refunds (Accrual Basis)					26.0	14.5	
Tax Refunds *	-65.2	-83.4	27.9%	69.8%	-1,131.9	-1,153.0	1.9%
School Infrast. Refunds *	-83.3	-89.3	7.2%	11.4%	-512.3	-549.5	7.3%
TOTAL NET RECEIPTS	\$ 1,296.5	\$ 1,353.1	4.4%	-1.9%	\$ 7,733.3	\$ 7,724.0	-0.1%

* 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.