

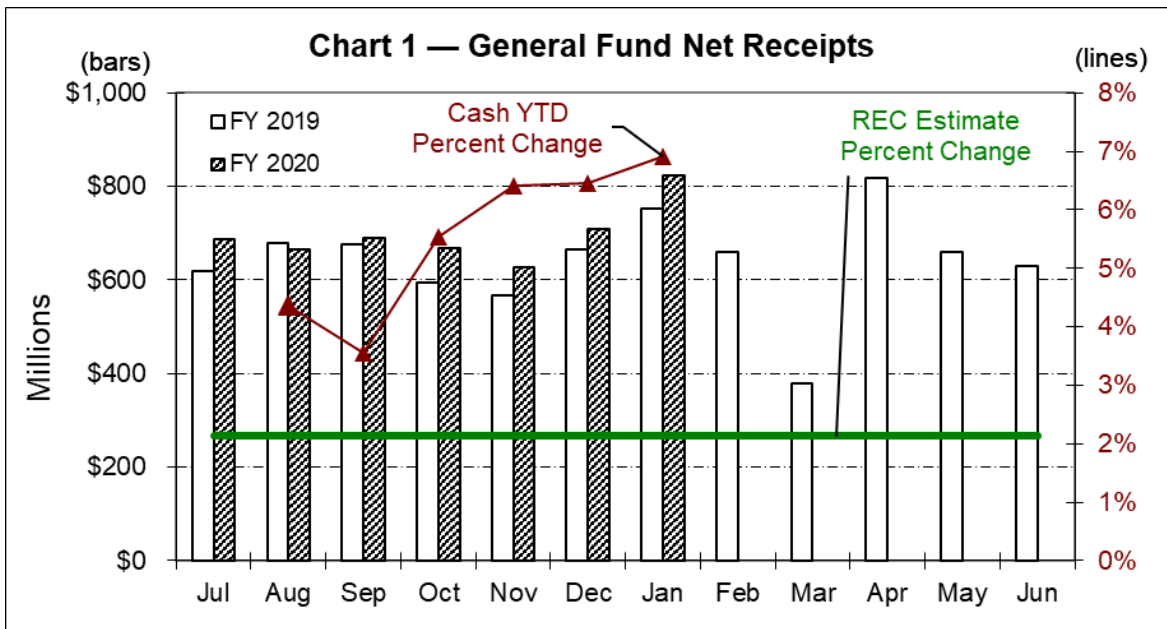
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Kent Ohms

DATE: February 3, 2020

Monthly General Fund Revenue Receipts Through January 31, 2020

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 \$7.902 billion set by the Revenue Estimating Conference (REC) on December 12, 2019. The FY 2020 estimate is an increase of \$165.8 million (2.1%) compared to FY 2019 actual receipts (excluding transfers). The next REC meeting has not been scheduled.



Overview of Current Situation

January 2020 net General Fund revenue was \$69.9 million (9.3%) above the January 2019 revenue level. Of this amount, sales/use tax receipts increased \$45.4 million (16.3%), and corporate income tax receipts increased \$9.6 million (31.5%).

Cash year-to-date net receipts are \$315.0 million (6.9%) higher than FY 2019. Major sources of revenue and their contributions to the FY 2020 year-to-date revenue change include:

- Personal income tax (positive \$34.3 million, 1.3%).

- Sales/use tax (positive \$155.4 million, 8.5%). Growth in this category has been aided by the tax base expansion that took effect in January 2019.
- Corporate tax (positive \$43.4 million, 12.9%).
- Other taxes (positive \$35.1 million, 24.0%).
- Other receipts (positive \$6.4 million, 3.4%).
- Tax refunds not including school infrastructure refunds (positive \$43.5 million). An overall driver of net revenue growth has been the reduced refunds for corporate, sales, use, and franchise taxes. This combination of refunds is behind \$80.8 million compared to this time in the previous two fiscal years.
- School infrastructure sales/use tax refunds (negative \$3.2 million).

Fiscal Year Growth

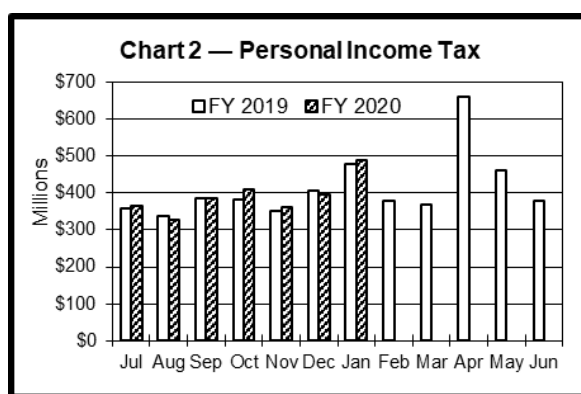
Table 1 converts year-to-date receipts from a cash year basis to a fiscal year basis.

	FY 2019		FY 2020		Difference		
Net Personal Income Tax	\$	2,268.9	\$	2,277.6	\$	8.7	0.4%
Net Sales/Use Tax		1,278.0		1,423.2		145.2	11.4%
Net Corporate Income Tax		172.4		275.0		102.6	59.5%
Net Franchise Tax		3.8		30.1		26.3	692.1%
Net Inheritance Tax		33.7		32.5		-1.2	-3.6%
Net Insurance & Other Taxes		58.0		79.1		21.1	36.4%
Other Receipts		160.2		167.9		7.7	4.8%
Net Revenue	\$	3,975.0	\$	4,285.4	\$	310.4	7.8%

Revenue Categories

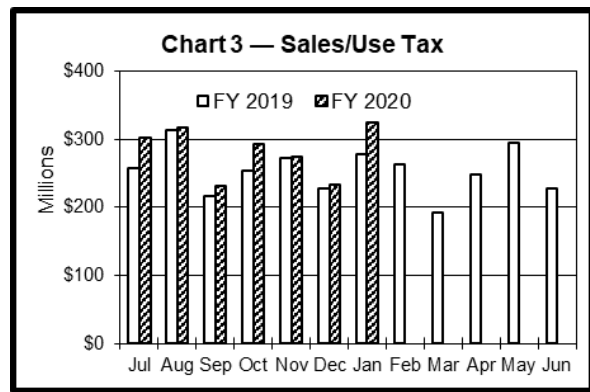
Personal Income Tax receipts received in January 2020 totaled \$487.3 million, an increase of \$9.8 million (2.1%) compared to January 2019.

The FY 2020 REC personal income tax estimate of \$4.949 billion represents a projected increase of 0.1% compared to actual FY 2019. Through January 2020, personal income tax receipts increased 1.3%. By subcategory, withholding payments decreased \$68.4 million (-3.0%), estimate payments increased \$59.8 million (19.6%), and payments with returns increased \$42.9 million (53.7%). **Chart 2** compares FY 2019 and FY 2020 monthly income tax receipts from the three personal income tax subcategories.



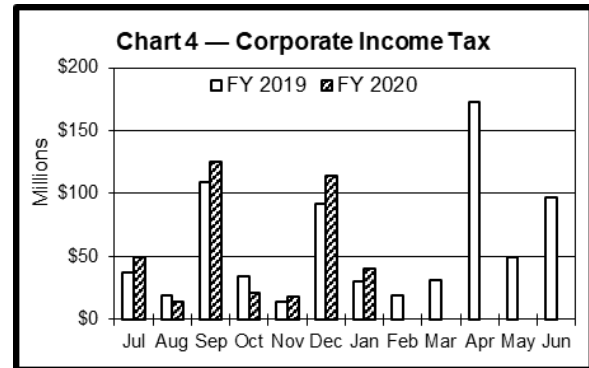
Sales/Use Tax receipts received in January 2020 totaled \$323.9 million, an increase of \$45.4 million (16.3%) compared to January 2019.

The REC estimate for FY 2020 sales/use tax receipts is \$3.224 billion, a projected increase of 5.9% compared to actual FY 2019. Through January 2020, sales/use tax receipts increased 8.5%. **Chart 3** compares FY 2019 and FY 2020 monthly sales/use tax receipts.



Corporate Income Tax receipts received in January 2020 totaled \$40.1 million, an increase of \$9.6 million (31.5%) compared to January 2019.

The REC estimate for FY 2020 corporate income tax revenue is \$728.6 million, a projected increase of 3.2% compared to actual FY 2019. Through January 2020, corporate income tax receipts increased 12.9%. **Chart 4** compares FY 2019 and FY 2020 monthly corporate income tax receipts.



Other Tax receipts received in January 2020 totaled \$13.6 million, an increase of \$3.5 million (34.7%) compared to January 2019.

The REC estimate for FY 2020 other tax revenue is \$315.5 million, a projected decrease of 1.8% compared to actual FY 2019. Through January 2020, other tax receipts increased 24.0%. The bank franchise tax, insurance premium tax, and water service tax all contributed to growth in this category.

Other Receipts (nontax receipts) received in January 2020 totaled \$40.3 million, an increase of \$1.6 million (4.1%) compared to January 2019.

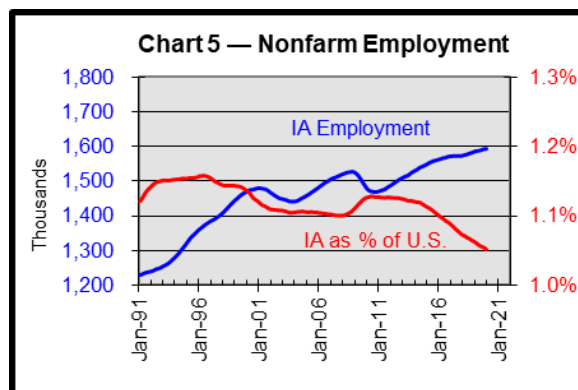
The REC estimate for FY 2020 other receipts revenue is \$326.4 million, a projected decrease of 2.4% compared to actual FY 2019. Through January 2020, other receipts increased 3.4%.

Tax Refunds issued in January 2020 totaled \$35.0 million, a decrease of \$3.8 million compared to January 2019. In addition to regular refunds, school infrastructure refunds totaled \$48.1 million, an increase of \$3.8 million compared to January 2019.

Status of the Economy

Iowa Nonfarm Employment was reported at 1,596,000 for the month of December 2019 (not seasonally adjusted), 1,800 (-0.1%) lower than December 2018.

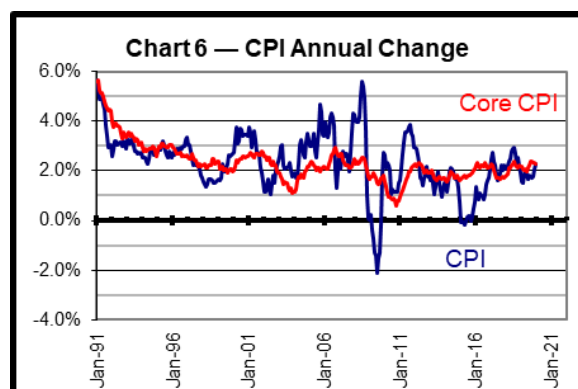
Iowa's 12-month average nonfarm employment is presented as the blue line on **Chart 5**. Iowa's average nonfarm employment last peaked in October 2008 at 1,526,300, which was 47,600 above the peak reached prior to the previous recession (January 2001). The current 12-month average reading is now 1,592,200, resulting in an annual average Iowa nonfarm employment level that is 65,900 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 December 2019 was 257.0 (1983/84=100). Consumer prices decreased 0.1% in December 2019 (not seasonally adjusted), and the annual rate of inflation increased to 2.3%.

Core CPI, an inflation measure excluding food and energy expenditures, decreased 0.1% in December 2019 and increased 2.3% year-over-year. This is the 22nd 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 0.8% 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](#).

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 2019 Actual Compared to FY 2020 REC Estimate		
	FY 2019	FY 2020	Year-to-Date % Change	January % Change	FY 2019 Actual	FY 2020 Estimate	Projected % Change
Personal Income Tax	\$ 2,697.1	\$ 2,731.4	1.3%	2.1%	\$ 4,944.0	\$ 4,949.0	0.1%
Sales/Use Tax	1,820.3	1,975.7	8.5%	16.3%	3,045.5	3,224.3	5.9%
Corporate Income Tax	337.2	380.6	12.9%	31.5%	706.3	728.6	3.2%
Inheritance Tax	52.4	49.8	-5.0%	62.7%	80.7	75.3	-6.7%
Insurance Premium Tax	56.7	71.1	25.4%	-66.7%	153.4	149.7	-2.4%
Beer/Liquor Tax	8.3	8.3	0.0%	0.0%	13.5	13.5	0.0%
Franchise Tax	28.3	39.4	39.2%	30.0%	59.6	54.3	-8.9%
Miscellaneous Tax	0.6	12.8	2,033.3%	0.0%	14.1	22.7	61.0%
Total Gross Taxes	\$ 5,000.9	\$ 5,269.1	5.4%	8.6%	\$ 9,017.1	\$ 9,217.4	2.2%
Institutional Payments	\$ 6.5	\$ 7.1	9.2%	-15.4%	\$ 11.2	\$ 10.6	-5.4%
Liquor Profits	74.2	78.3	5.5%	15.0%	125.6	127.6	1.6%
Interest	4.8	9.4	95.8%	62.5%	9.0	13.2	46.7%
Fees	15.8	16.1	1.9%	12.5%	28.9	26.1	-9.7%
Judicial Revenue	45.0	45.5	1.1%	2.0%	95.4	95.4	0.0%
Miscellaneous Receipts	43.1	39.4	-8.6%	-5.3%	64.4	53.5	-16.9%
Total Gross Receipts	\$ 5,190.2	\$ 5,464.9	5.3%	8.4%	\$ 9,351.6	\$ 9,543.8	2.1%
Refunds (Accrual Basis)					19.2	6.8	
Tax Refunds *	-337.2	-293.7	-12.9%	-9.8%	-1,131.9	-1,127.0	-0.4%
School Infrast. Refunds *	-300.2	-303.4	1.1%	8.6%	-503.1	-522.0	3.8%
TOTAL NET RECEIPTS	\$ 4,552.8	\$ 4,867.8	6.9%	9.3%	\$ 7,735.8	\$ 7,901.6	2.1%

* For the Year-to-Date section, refunds are presented on a cash year basis.
For FY 2019 and FY 2020 Estimate, refunds are presented on a fiscal year basis.
The FY 2019 Actual column is final.