



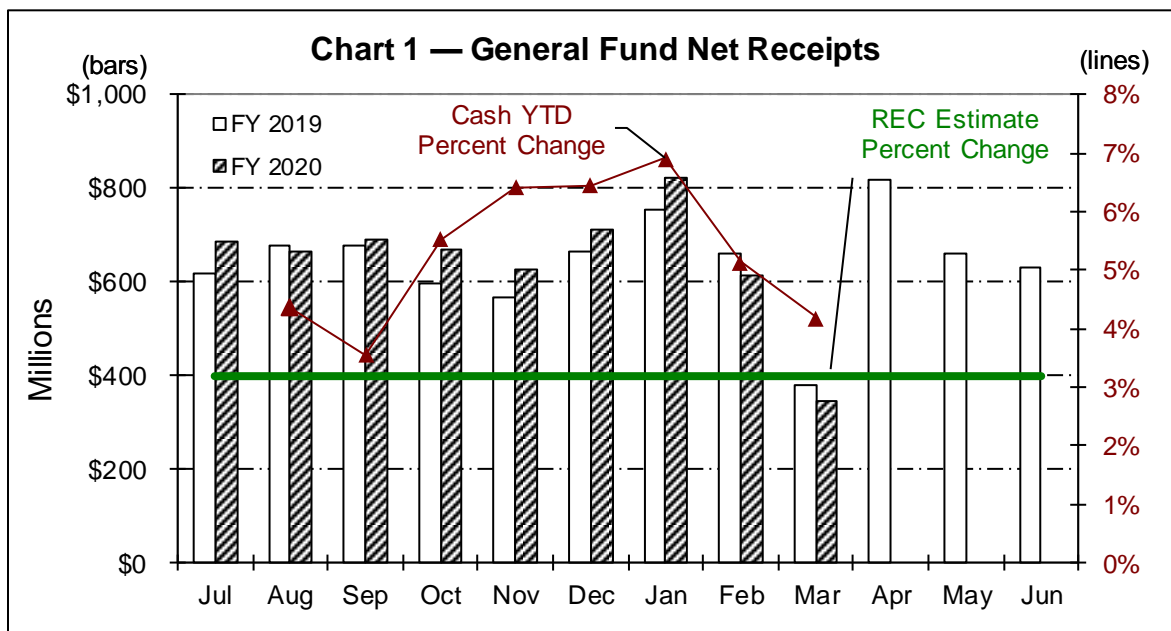
TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives

FROM: Kent Ohms and Jeff Robinson

DATE: April 1, 2020

Monthly General Fund Revenue Receipts Through March 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 \$7.982 billion set by the Revenue Estimating Conference (REC) on March 12, 2020. The FY 2020 estimate is an increase of \$245.9 million (3.2%) compared to FY 2019 actual receipts (excluding transfers). The next REC meeting has not been scheduled.



Overview of Current Situation

March 2020 net General Fund revenue was \$34.3 million (-9.1%) below the March 2019 revenue level. Of this decrease, \$70.0 million is attributable to the increase in tax refunds. Gross deposits for personal income, sales/use, and corporate income taxes were up \$37.3 million.

Receipts deposited in March are primarily associated with economic activity during February and the first half of March, prior to the COVID-19 Proclamation of Disaster Emergency and mitigation measures. In addition to the impact from the change in economic activity, many tax

filing due dates were extended, with more details available in this [Fiscal Update Article](#). This will impact revenues and comparisons to FY 2019 in the coming months.

Cash year-to-date net receipts are \$233.6 million (4.2%) 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 \$65.8 million, 1.9%). The withholding tables were adjusted again in January 2020.
- Sales/use tax (positive \$160.2 million, 7.0%). Growth in this category has been aided by the tax base expansion that took effect in January 2019.
- Corporate income tax (positive \$46.8 million, 12.1%).
- Other taxes (positive \$19.7 million, 9.8%).
- Other receipts (positive \$10.7 million, 4.4%).
- Tax refunds not including school infrastructure refunds (negative \$72.0 million). An overall driver of net revenue growth this fiscal year has been the reduced refunds for corporate, sales, use, and franchise taxes, which have added \$65.3 million. However, personal income tax refunds are ahead of last year's pace by \$138.0 million.
- School infrastructure sales/use tax refunds (positive \$2.5 million).

Fiscal Year Growth

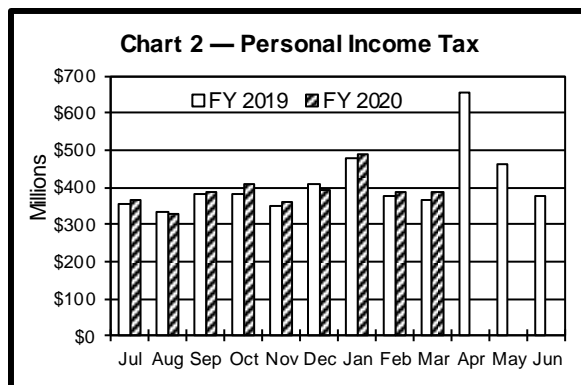
Table 1 converts year-to-date receipts from a cash year basis to a fiscal year basis.

	FY 2019	FY 2020	Difference	
Net Personal Income Tax	\$ 2,804.5	\$ 2,745.0	\$ -59.5	-2.1%
Net Sales/Use Tax	1,642.6	1,797.5	154.9	9.4%
Net Corporate Income Tax	205.2	296.1	90.9	44.3%
Net Franchise Tax	6.2	32.8	26.6	429.0%
Net Inheritance Tax	44.4	44.1	-0.3	-0.7%
Net Insurance & Other Taxes	98.5	103.0	4.5	4.6%
Other Receipts	212.4	224.3	11.9	5.6%
Net Revenue	\$ 5,013.8	\$ 5,242.8	\$ 229.0	4.6%

Revenue Categories

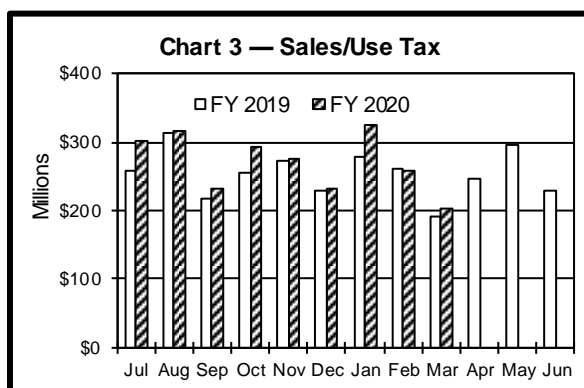
Personal Income Tax receipts received in March 2020 totaled \$387.9 million, an increase of \$20.6 million (5.6%) compared to March 2019.

The FY 2020 REC personal income tax estimate of \$4.995 billion represents a projected increase of 1.0% compared to actual FY 2019. Through March 2020, personal income tax receipts increased 1.9%. By subcategory, withholding payments decreased \$43.3 million (-1.5%), estimate payments increased \$53.0 million (15.6%), and payments with returns increased \$56.0 million (33.7%). **Chart 2** compares FY 2019 and FY 2020 monthly income tax receipts from the three personal income tax subcategories.



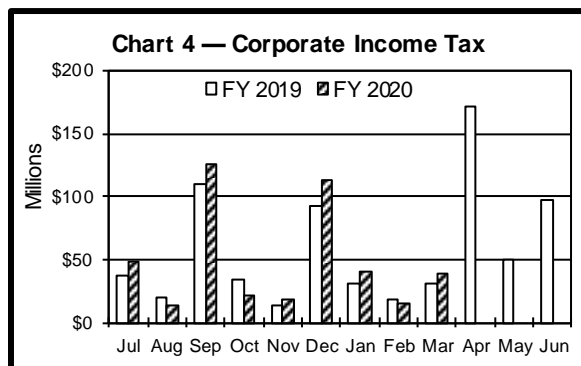
Sales/Use Tax receipts received in March 2020 totaled \$201.9 million, an increase of \$9.3 million (4.8%) compared to March 2019.

The REC estimate for FY 2020 sales/use tax receipts is \$3.233 billion, a projected increase of 6.2% compared to actual FY 2019. Through March 2020, sales/use tax receipts increased 7.0%. **Chart 3** compares FY 2019 and FY 2020 monthly sales/use tax receipts.



Corporate Income Tax receipts received in March 2020 totaled \$39.0 million, an increase of \$7.4 million (23.4%) compared to March 2019.

The REC estimate for FY 2020 corporate income tax revenue is \$726.5 million, a projected increase of 2.9% compared to actual FY 2019. Through March 2020, corporate income tax receipts increased 12.1%. **Chart 4** compares FY 2019 and FY 2020 monthly corporate income tax receipts.



Other Tax receipts received in March 2020 totaled \$14.7 million, a decrease of \$5.4 million (-26.9%) compared to March 2019. This is due to a decrease of \$5.5 million in insurance premium tax.

The REC estimate for FY 2020 other tax revenue is \$306.6 million, a projected decrease of 4.6% compared to actual FY 2019. Through March 2020, other tax receipts increased 9.8%. The bank franchise tax and water excise tax are responsible for growth in this category.

Other Receipts (nontax receipts) received in March 2020 totaled \$27.9 million, an increase of \$1.3 million (4.9%) compared to March 2019.

The REC estimate for FY 2020 other receipts revenue is \$330.3 million, a projected decrease of 1.3% compared to actual FY 2019. Through March 2020, other receipts increased 4.4%.

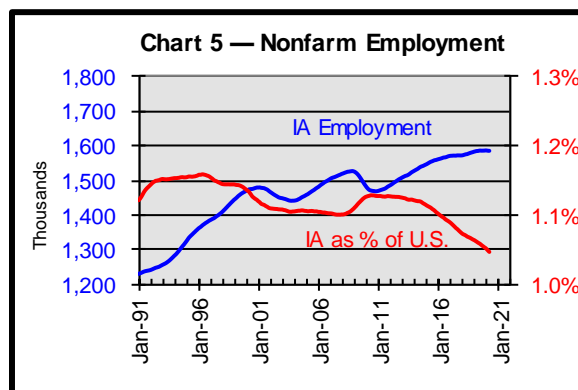
Tax Refunds issued in March 2020 totaled \$289.0 million, an increase of \$70.0 million compared to March 2019. In addition to regular refunds, school infrastructure refunds totaled \$38.1 million, a decrease of \$2.8 million compared to March 2019.

Status of the Economy

Both of these economic indicators predate many of the recent significant economic changes related to the COVID-19 outbreak.

Iowa Nonfarm Employment was reported at 1,560,000 for the month of February 2020 (not seasonally adjusted), 1,800 (-0.1%) lower than February 2019.

Iowa's 12-month average nonfarm employment is presented as the blue line on **Chart 5**. After benchmarking and recent data releases, the data now indicate that Iowa's average nonfarm employment peaked in November 2019 at 1,586,200. This figure is 59,900 above the prior peak that occurred in October 2008. The 2008 peak was 47,600 above the peak reached prior to the previous recession (January 2001).

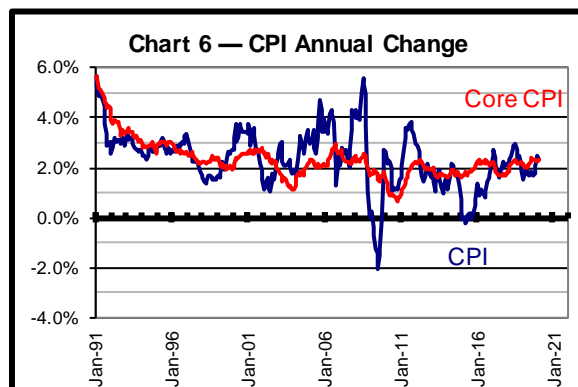


The current 12-month average reading is 1,585,200, resulting in an annual average Iowa nonfarm employment level that is 1,000 below the 2019 peak.

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 February 2020 was 258.7 (1983/84=100). Consumer prices increased 0.3% in February 2020 (not seasonally adjusted), and the annual rate of inflation increased to 2.3%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.5% in February 2020 and increased 2.4% year-over-year. This is the 24th 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 2.8% 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 March 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	March % Change	FY 2019 Actual	FY 2020 Estimate	Projected % Change
Personal Income Tax	\$ 3,443.2	\$ 3,509.0	1.9%	5.6%	\$ 4,944.0	\$ 4,995.1	1.0%
Sales/Use Tax	2,275.3	2,435.5	7.0%	4.8%	3,045.5	3,233.4	6.2%
Corporate Income Tax	387.8	434.6	12.1%	23.4%	706.3	726.5	2.9%
Inheritance Tax	63.7	61.8	-3.0%	7.8%	80.7	77.5	-4.0%
Insurance Premium Tax	89.3	88.4	-1.0%	-47.4%	153.4	135.2	-11.9%
Beer/Liquor Tax	10.1	9.3	-7.9%	-100.0%	13.5	13.5	0.0%
Franchise Tax	30.9	42.3	36.9%	4.5%	59.6	56.4	-5.4%
Miscellaneous Tax	7.6	19.5	156.6%	166.7%	14.1	24.0	70.2%
Total Gross Taxes	\$ 6,308.0	\$ 6,600.3	4.6%	5.2%	\$ 9,017.1	\$ 9,261.6	2.7%
Institutional Payments	\$ 8.6	\$ 9.7	12.8%	7.1%	\$ 11.2	\$ 10.6	-5.4%
Liquor Profits	93.6	97.9	4.6%	-3.1%	125.6	129.1	2.8%
Interest	6.7	11.9	77.6%	45.5%	9.0	13.7	52.2%
Fees	23.0	24.1	4.8%	-2.5%	28.9	27.6	-4.5%
Judicial Revenue	62.1	64.1	3.2%	10.8%	95.4	95.4	0.0%
Miscellaneous Receipts	47.6	44.6	-6.3%	9.1%	64.4	53.9	-16.3%
Total Gross Receipts	\$ 6,549.5	\$ 6,852.5	4.6%	5.2%	\$ 9,351.6	\$ 9,591.9	2.6%
Refunds (Accrual Basis)					19.2	16.8	
Tax Refunds *	-575.8	-647.8	12.5%	32.0%	-1,131.9	-1,093.0	-3.4%
School Infrast. Refunds *	-382.1	-379.6	-0.7%	-6.8%	-503.1	-534.0	6.1%
TOTAL NET RECEIPTS	\$ 5,591.5	\$ 5,825.1	4.2%	-9.1%	\$ 7,735.8	\$ 7,981.7	3.2%

* 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.