

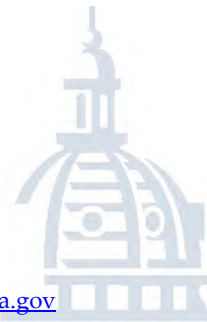


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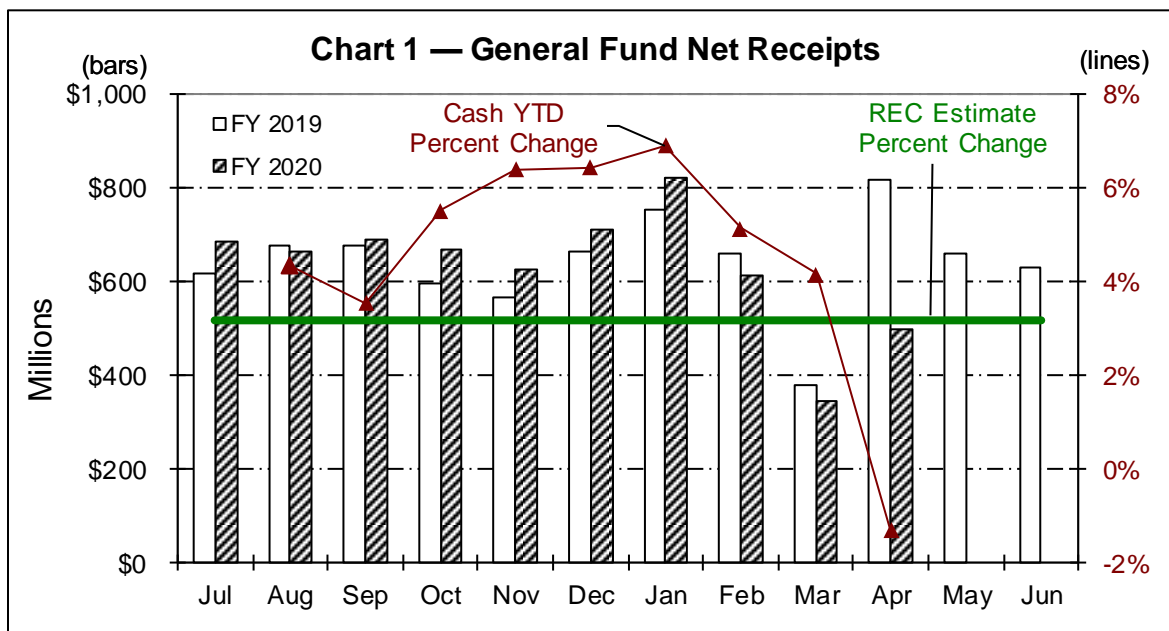
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Jeff Robinson and Kent Ohms

DATE: May 1, 2020

Monthly General Fund Revenue Receipts Through April 30, 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

April 2020 net General Fund revenue was \$318.0 million (-38.9%) below the April 2019 revenue level. Part of the significant decrease experienced over this time frame resulted from tax filing extensions ordered in response to the COVID-19 pandemic, with more details available in this [Fiscal Update Article](#).

Cash year-to-date net receipts are \$84.4 million (-1.3%) lower than FY 2019. A further year-to-date analysis of the tax filing extensions and economic impacts of business closures by tax type is available in this [Fiscal Update Article](#). In coming weeks and months, the tax revenue consequences of the current situation will likely become more severe. Some portion of the

revenue reduction experienced between mid-March and the end of July will be a real reduction in tax collections, while some portion will be the result of tax filing extensions initiated by the State. It will not be until the delayed tax payments have been deposited that the economic impact of recent events can be reasonably estimated. Major sources of revenue and their contributions to the FY 2020 year-to-date revenue change include:

- Personal income tax (negative \$201.1 million, -4.9%).
- Sales/use tax (positive \$157.9 million, 6.3%).
- Corporate tax (negative \$31.5 million, -5.6%).
- Other taxes (positive \$15.7 million, 7.0%).
- Other receipts (positive \$4.4 million, 1.6%).
- Tax refunds not including school infrastructure refunds (negative \$35.1 million).
- School infrastructure sales/use tax refunds (positive \$5.0 million).

Fiscal Year Growth

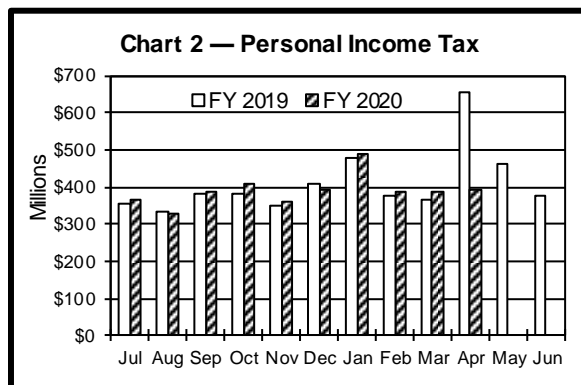
Table 1 converts year-to-date receipts from a cash year basis to a fiscal year basis.

	FY 2019	FY 2020	Difference	
Net Personal Income Tax	\$ 3,205.2	\$ 2,916.5	\$ -288.7	-9.0%
Net Sales/Use Tax	1,842.1	1,991.8	149.7	8.1%
Net Corporate Income Tax	369.2	386.7	17.5	4.7%
Net Franchise Tax	20.0	43.0	23.0	115.0%
Net Inheritance Tax	48.2	50.5	2.3	4.8%
Net Insurance & Other Taxes	101.5	103.0	1.5	1.5%
Other Receipts	245.1	250.8	5.7	2.3%
Net Revenue	\$ 5,831.3	\$ 5,742.3	\$ -89.0	-1.5%

Revenue Categories

Personal Income Tax receipts received in April 2020 totaled \$391.7 million, a decrease of \$266.9 million (-40.5%) compared to April 2019.

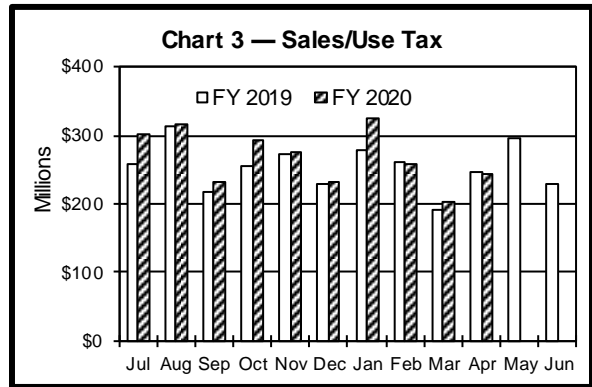
The FY 2020 REC personal income tax estimate of \$4.995 billion represents a projected increase of 1.0% compared to actual FY 2019. Through April 2020, personal income tax receipts decreased 4.9%. By subcategory, withholding payments decreased \$49.5 million (-1.5%), estimate payments increased \$40.7 million (10.2%), and payments with returns decreased



\$192.3 million (42.5%). **Chart 2** compares FY 2019 and FY 2020 monthly income tax receipts from the three personal income tax subcategories.

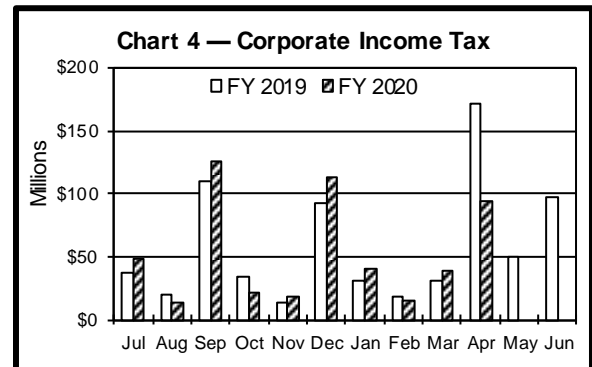
Sales/Use Tax receipts received in April 2020 totaled \$245.0 million, a decrease of \$2.3 million (-0.9%) compared to April 2019.

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 April 2020, sales/use tax receipts increased 6.3%. **Chart 3** compares FY 2019 and FY 2020 monthly sales/use tax receipts.



Corporate Income Tax receipts received in April 2020 totaled \$94.1 million, a decrease of \$78.3 million (-45.4%) compared to April 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 April 2020, corporate income tax receipts decreased 5.6%. **Chart 4** compares FY 2019 and FY 2020 monthly corporate income tax receipts.



Other Tax receipts received in April 2020 totaled \$17.8 million, a decrease of \$4.0 million (-18.3%) compared to April 2019.

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 April 2020, other tax receipts increased 7.0%. The bank franchise tax and water excise tax are responsible for growth in this category.

Other Receipts (nontax receipts) received in April 2020 totaled \$26.3 million, a decrease of \$6.3 million (-19.3%) compared to April 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 April 2020, other receipts increased 1.6%.

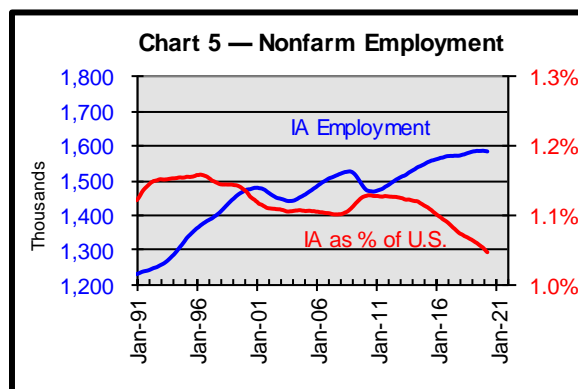
Tax Refunds issued in April 2020 totaled \$234.6 million, a decrease of \$36.9 million compared to April 2019. In addition to regular refunds, school infrastructure refunds totaled \$41.0 million, a decrease of \$2.5 million compared to April 2019.

Status of the Economy

Both economic indicators discussed below predate many of the recent significant economic changes related to the COVID-19 pandemic.

Iowa Nonfarm Employment was reported at 1,558,100 for the month of March 2020 (not seasonally adjusted), 9,300 (-0.6%) lower than March 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 indicates 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).

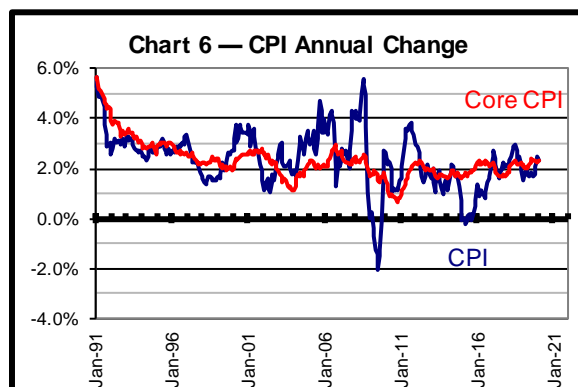


The current 12-month average reading is 1,584,200, resulting in an annual average Iowa nonfarm employment level that is 2,000 below the 2019 peak.

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 March 2020 was 258.1 (1983/84=100). Consumer prices decreased 0.2% in March 2020 (not seasonally adjusted), and the annual rate of inflation decreased to 1.5%.

Core CPI, an inflation measure excluding food and energy expenditures, did not change in March 2020 and increased 2.1% year-over-year. This is the 25th 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 5.7% year-over-year and food prices are 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 April 30 (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	April % Change	FY 2019 Actual	FY 2020 Estimate	Projected % Change
Personal Income Tax	\$ 4,101.8	\$ 3,900.7	-4.9%	-40.5%	\$ 4,944.0	\$ 4,995.1	1.0%
Sales/Use Tax	2,522.6	2,680.5	6.3%	-0.9%	3,045.5	3,233.4	6.2%
Corporate Income Tax	560.2	528.7	-5.6%	-45.4%	706.3	726.5	2.9%
Inheritance Tax	67.6	68.4	1.2%	69.2%	80.7	77.5	-4.0%
Insurance Premium Tax	91.9	88.9	-3.3%	-80.8%	153.4	135.2	-11.9%
Beer/Liquor Tax	11.1	9.3	-16.2%	-100.0%	13.5	13.5	0.0%
Franchise Tax	44.8	52.7	17.6%	-25.2%	59.6	56.4	-5.4%
Miscellaneous Tax	8.0	19.8	147.5%	-25.0%	14.1	24.0	70.2%
Total Gross Taxes	\$ 7,407.8	\$ 7,349.0	-0.8%	-31.9%	\$ 9,017.1	\$ 9,261.6	2.7%
Institutional Payments	\$ 9.6	\$ 10.4	8.3%	-30.0%	\$ 11.2	\$ 10.6	-5.4%
Liquor Profits	104.5	109.1	4.4%	2.8%	125.6	129.1	2.8%
Interest	7.2	13.1	81.9%	140.0%	9.0	13.7	52.2%
Fees	23.3	26.6	14.2%	733.3%	28.9	27.6	-4.5%
Judicial Revenue	71.9	72.4	0.7%	-15.3%	95.4	95.4	0.0%
Miscellaneous Receipts	57.7	47.0	-18.5%	-76.2%	64.4	53.9	-16.3%
Total Gross Receipts	\$ 7,682.0	\$ 7,627.7	-0.7%	-31.6%	\$ 9,351.6	\$ 9,591.9	2.6%
Refunds (Accrual Basis)					19.2	16.8	
Tax Refunds *	-847.3	-882.4	4.1%	-13.6%	-1,131.9	-1,093.0	-3.4%
School Infrast. Refunds *	-425.6	-420.6	-1.2%	-5.7%	-503.1	-534.0	6.1%
TOTAL NET RECEIPTS	\$ 6,409.1	\$ 6,324.7	-1.3%	-38.9%	\$ 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.