



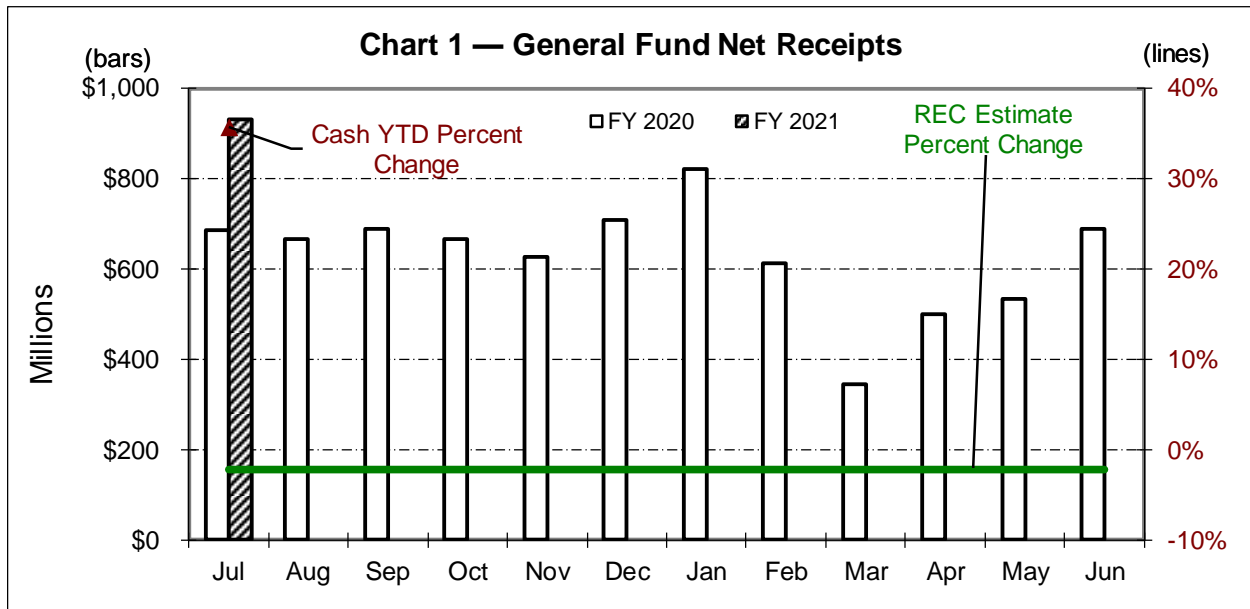
TO: Members of the Iowa Senate and  
 Members of the Iowa House of Representatives

FROM: Kent Ohms and Jeff Robinson

DATE: August 3, 2020

**Monthly General Fund Revenue Receipts Through July 31, 2020**

The attached spreadsheet presents FY 2021 General Fund total net receipts with comparable figures for actual FY 2020 (not yet final). The figures can be compared to the FY 2021 adjusted estimate of \$7.733 billion set by the Revenue Estimating Conference (REC) on May 29, 2020, adjusted for the enactment of revenue changes in [HF 2641](#) (Department of Revenue Omnibus Act). The FY 2020 estimate is a decrease of \$175.5 million (-2.2%) compared to FY 2019 actual receipts (excluding transfers). The next REC meeting has not been scheduled.



**Overview of Current Situation**

July 2020 net General Fund revenue was \$245.6 million (35.8%) above the July 2019 revenue level on a cash year basis. Most of the increase experienced this month is the result of tax due date delays ordered in response to the COVID-19 pandemic, with more details available in this [Fiscal Update Article](#). The fiscal year accrual adjustment that will take place in September will transfer much of this increase back to FY 2020. Therefore, the cash year basis that is presented in daily receipts will remain inflated throughout the cash year.

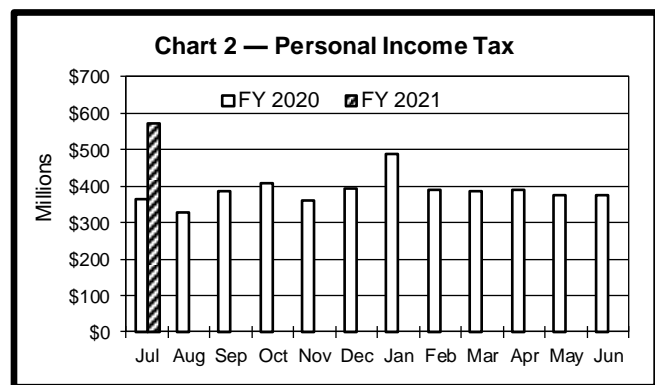
A further year-over-year analysis of the tax due date delays and economic impacts of business closures by tax type is available in this [Fiscal Update Article](#). Major sources of revenue and their contributions to the FY 2021 year-to-date revenue change include:

- Personal income tax (positive \$209.3 million, 57.4%).
- Sales/use tax (positive \$9.3 million, 3.1%).
- Corporate tax (positive \$66.0 million, 134.7%).
- Other taxes (negative \$3.1 million, -14.4%).
- Other receipts (negative \$3.8 million, -14.8%).
- Tax refunds not including school infrastructure refunds (negative \$28.7 million).
- School infrastructure sales/use tax refunds (negative \$3.3 million).

### Revenue Categories

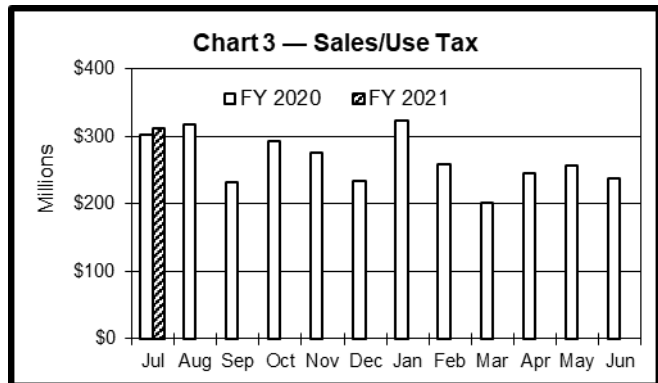
**Personal Income Tax** receipts received in July 2020 totaled \$574.0 million, an increase of \$209.3 million (57.4%) compared to July 2019.

The FY 2021 REC personal income tax estimate of \$5.135 billion represents a projected increase of 10.4% compared to actual FY 2020. Through July 2020, personal income tax receipts increased 57.4%. By subcategory, withholding payments increased \$16.7 million (5.4%), estimate payments increased \$15.2 million (36.2%), and payments with returns increased \$177.4 million (1,154.0%). The large increase in payments with returns is due to the extended deadline previously mentioned. **Chart 2** compares FY 2020 and FY 2021 monthly income tax receipts from the three personal income tax subcategories.



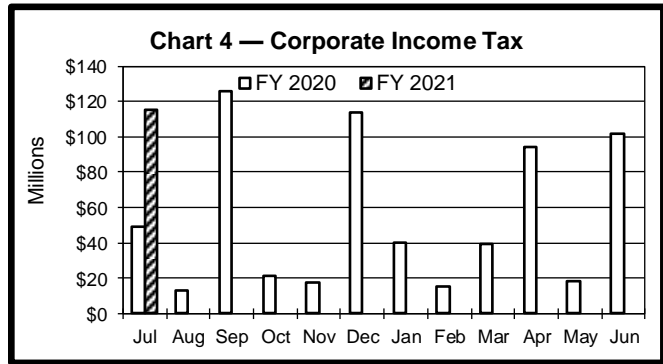
**Sales/Use Tax** receipts received in July 2020 totaled \$312.2 million, an increase of \$9.3 million (3.1%) compared to July 2019.

The REC estimate for FY 2021 sales/use tax receipts is \$3.170 billion, a projected decrease of 0.2% compared to actual FY 2020. Through July 2020, sales/use tax receipts increased 3.1%. **Chart 3** compares FY 2020 and FY 2021 monthly sales/use tax receipts.



**Corporate Income Tax** receipts received in July 2020 totaled \$115.0 million, an increase of \$66.0 million (134.7%) compared to July 2019.

The REC estimate for FY 2021 corporate income tax revenue is \$719.3 million, a projected increase of 10.9% compared to actual FY 2020. Through July 2020, corporate income tax receipts increased 134.7%. **Chart 4** compares FY 2020 and FY 2021 monthly corporate income tax receipts.



**Other Tax** receipts received in July 2020 totaled \$18.5 million, a decrease of \$3.1 million (-14.4%) compared to July 2019.

The REC estimate for FY 2021 other tax revenue is \$345.9 million, a projected increase of 5.6% compared to actual FY 2020. Through July 2020, other tax receipts decreased 14.4%.

**Other Receipts** (nontax receipts) received in July 2020 totaled \$21.8 million, a decrease of \$3.8 million (-14.8%) compared to July 2019.

The REC estimate for FY 2021 other receipts revenue is \$336.3 million, a projected increase of 1.4% compared to actual FY 2020. Through July 2020, other receipts decreased 14.8%.

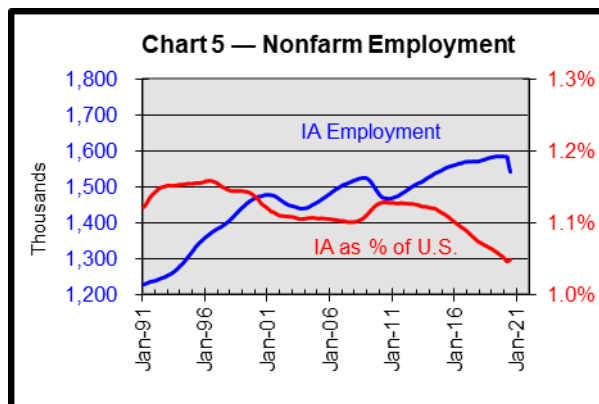
**Tax Refunds** issued in July 2020 totaled \$61.5 million, an increase of \$28.7 million compared to July 2019. In addition to regular refunds, school infrastructure refunds totaled \$47.5 million, an increase of \$3.3 million compared to July 2019.

## Status of the Economy

**Iowa Nonfarm Employment** was reported at 1,480,000 for the month of June 2020 (not seasonally adjusted), 119,600 (-7.5%) lower than June 2019.

Iowa's 12-month average nonfarm employment is presented as the blue line on **Chart 5**.

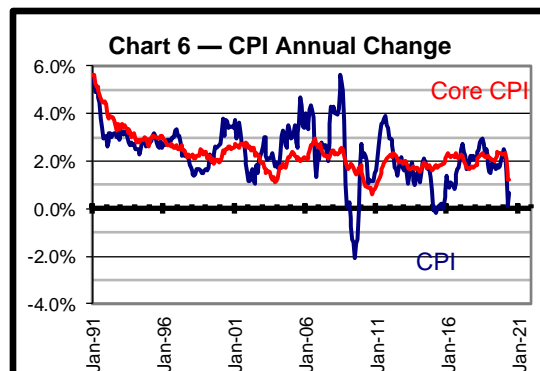
Iowa's average nonfarm employment peaked in November 2019 at 1,586,200. This figure is 59,900 above the prior peak that occurred in October 2008. The current 12-month average reading is 1,543,100, resulting in an annual average Iowa nonfarm employment level that is 43,000 below the 2019 peak.



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 has increased slightly from its lowest level in March 2020 as U.S. employment fell more in the wake of the COVID-19 pandemic response.

The **Consumer Price Index (CPI)** through June 2020 was 257.8 (1983/84=100). Consumer prices increased 0.5% in June 2020 (not seasonally adjusted), and the annual rate of inflation increased to 0.7%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.2% in June 2020 and increased 1.2% year-over-year. This is the third month where the core inflation rate was below 2.0% year-over-year. For the two components excluded from the core inflation rate, energy prices are down 12.6% year-over-year and food prices are up 4.4% year-over-year.



Further information can be found on the Fiscal Services Division webpages related to [State General Fund Daily Receipts](#) and other [Iowa Economic Trends](#).

| <b>GENERAL FUND RECEIPTS</b>   |                 |                   |                          |                  | <b>ESTIMATED GENERAL FUND RECEIPTS</b>                   |                          |                       |
|--|-----------------|-------------------|--------------------------|------------------|--|--------------------------|-----------------------|
| 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 2020 Actual Compared to Adjusted FY 2021 REC Estimate |                          |                       |
|  | FY 2020         | FY 2021           | Year-to-Date<br>% Change | July<br>% Change | FY 2020<br>Actual*                                       | FY 2021<br>Adj. Estimate | Projected<br>% Change |
| Personal Income Tax  | \$ 364.7        | \$ 574.0          | 57.4%                    | 57.4%            | \$ 4,652.0   | \$ 5,135.4               | 10.4%                 |
| Sales/Use Tax  | 302.9           | 312.2             | 3.1%                     | 3.1%             | 3,176.1  | 3,170.3                  | -0.2%                 |
| Corporate Income Tax   | 49.0            | 115.0             | 134.7%                   | 134.7%           | 648.7  | 719.3                    | 10.9%                 |
| Inheritance Tax  | 6.5             | 5.1               | -21.5%                   | -21.5%           | 81.5   | 87.0                     | 6.7%                  |
| Insurance Premium Tax  | 2.9             | 2.7               | -6.9%                    | -6.9%            | 143.4  | 152.3                    | 6.2%                  |
| Beer/Liquor Tax  | 1.3             | 0.5               | -61.5%                   | -61.5%           | 9.8  | 12.9                     | 31.6%                 |
| Franchise Tax  | 8.0             | 7.4               | -7.5%                    | -7.5%            | 67.9   | 73.3                     | 8.0%                  |
| Miscellaneous Tax  | 2.9             | 2.8               | -3.4%                    | -3.4%            | 24.9   | 20.4                     | -18.1%                |
| <b>Total Gross Taxes</b>   | <b>\$ 738.2</b> | <b>\$ 1,019.6</b> | <b>38.1%</b>             | <b>38.1%</b>     | <b>\$ 8,804.3</b>  | <b>\$ 9,370.9</b>        | <b>6.4%</b>           |
| Institutional Payments   | \$ 1.2          | \$ 0.5            | -58.3%                   | -58.3%           | \$ 12.6  | \$ 11.2                  | -11.1%                |
| Liquor Profits   | 11.5            | 13.1              | 13.9%                    | 13.9%            | 131.9  | 129.1                    | -2.1%                 |
| Interest   | 0.3             | 0.3               | 0.0%                     | 0.0%             | 15.1   | 15.3                     | 1.3%                  |
| Fees   | 3.0             | 2.1               | -30.0%                   | -30.0%           | 28.4   | 30.8                     | 8.5%                  |
| Judicial Revenue   | 4.1             | 2.5               | -39.0%                   | -39.0%           | 90.4   | 95.7                     | 5.9%                  |
| Miscellaneous Receipts   | 5.5             | 3.3               | -40.0%                   | -40.0%           | 53.4   | 54.2                     | 1.5%                  |
| <b>Total Gross Receipts</b>  | <b>\$ 763.9</b> | <b>\$ 1,041.5</b> | <b>36.3%</b>             | <b>36.3%</b>     | <b>\$ 9,136.1</b>  | <b>\$ 9,707.2</b>        | <b>6.3%</b>           |
| Refunds (Accrual Basis)  |                 |                   |                          |                  | 361.1  | -350.9                   |                       |
| Tax Refunds *  | -32.8           | -61.5             | 87.5%                    | 87.5%            | -1,078.9   | -1,104.0                 | 2.3%                  |
| School Infrast. Refunds *  | -44.2           | -47.5             | 7.5%                     | 7.5%             | -510.3   | -519.8                   | 1.9%                  |
| <b>TOTAL NET RECEIPTS</b>  | <b>\$ 686.9</b> | <b>\$ 932.5</b>   | <b>35.8%</b>             | <b>35.8%</b>     | <b>\$ 7,908.0</b>  | <b>\$ 7,732.5</b>        | <b>-2.2%</b>          |

\* For the Year-to-Date section, refunds are presented on a cash year basis.  
For FY 2020 and FY 2021 Estimate, refunds are presented on a fiscal year basis.  
The FY 2020 Actual column is not final.