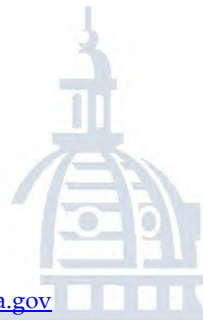




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TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives

FROM: Lora Vargason and Jeff Robinson

DATE: October 1, 2020

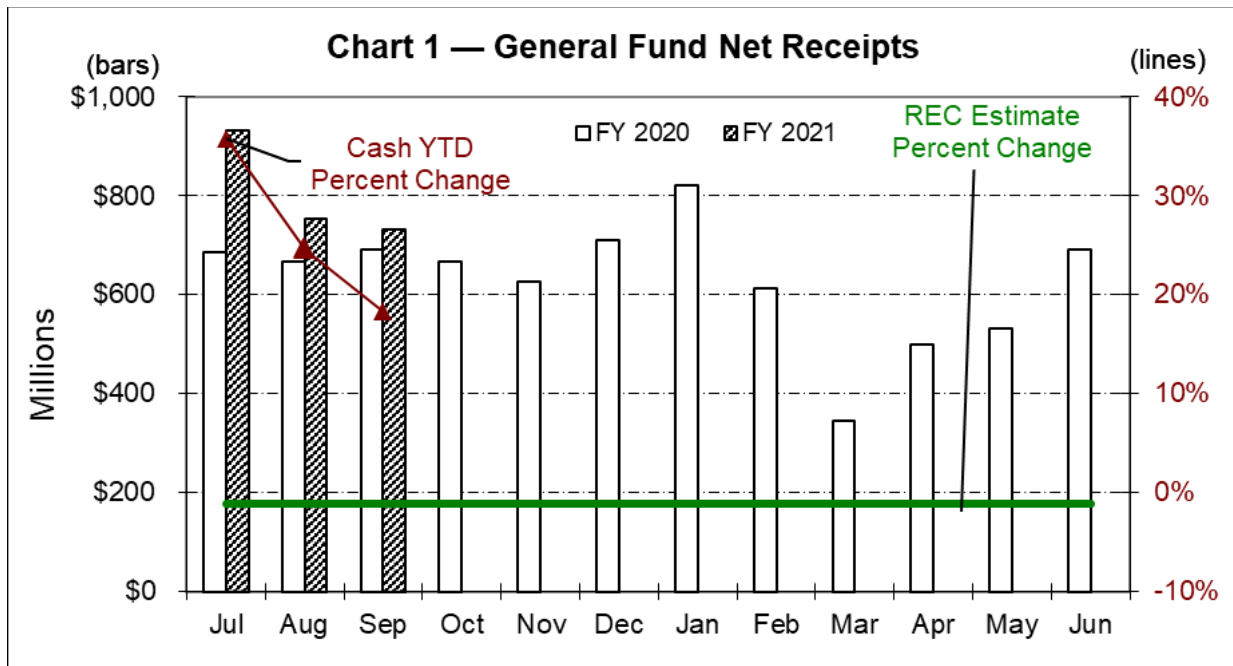
Monthly General Fund Revenue Receipts Through September 30, 2020

The attached spreadsheet presents FY 2021 General Fund total net receipts with comparable figures for actual FY 2020. The figures can be compared to the FY 2021 estimate of \$7.838 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 2021 estimate is a decrease of \$83.4 million (-1.1%) compared to FY 2020 actual receipts (excluding transfers and accrual adjustment). The next REC meeting is scheduled for October 13, 2020.

Final FY 2020 Net Revenue

	Dollars in Millions			
	<u>Actual</u> <u>FY 2019</u>	<u>Actual</u> <u>FY 2020</u>	<u>Change</u>	<u>Percentage</u> <u>Change</u>
Income Tax	\$ 4,944.0	\$ 4,652.0	\$ -292.0	-5.9%
Sales/Use Tax	3,045.5	3,176.1	130.6	4.3%
Corporate Tax	706.3	648.7	-57.6	-8.2%
Other Taxes	321.3	327.6	6.3	2.0%
Total Taxes	\$ 9,017.1	\$ 8,804.4	\$ -212.7	-2.4%
Other Receipts	334.5	331.7	-2.8	-0.8%
Gross Tax & Other Receipts	\$ 9,351.6	\$ 9,136.1	\$ -215.5	-2.3%
Accruals (Net)	19.2	307.7	288.5	1502.6%
Refund (Accrual Basis)	-1,131.9	-1,120.3	11.6	-1.0%
School Infrast. Refunds (Accrual)	-503.1	-507.6	-4.5	0.9%
Total Net Receipts	\$ 7,735.8	\$ 7,815.9	\$ 80.1	1.0%
Transfers (Accrual Basis)	123.0	114.7	-8.3	-6.7%
Net Receipts Plus Transfers	\$ 7,858.8	\$ 7,930.6	\$ 71.8	0.9%

Net General Fund revenue for FY 2020, excluding transfers, totaled \$7.816 billion, an increase of \$80.1 million (1.0%) compared to FY 2019. The total for FY 2020 net revenue was \$17.8 million below the May 2020 REC adjusted estimate. General Fund revenue including transfers was \$71.8 million (0.9%) above FY 2019 and \$6.1 million (-0.1%) below the FY 2020 REC adjusted estimate.



Overview of Current Situation

September 2020 net General Fund revenue was \$40.4 million (5.9%) above the September 2019 revenue level on a cash year basis. Major sources of revenue and their contributions to the FY 2021 year-to-date revenue change include:

- Personal income tax (positive \$288.7 million, 26.8%).
- Sales/use tax (positive \$32.3 million, 3.8%).
- Corporate tax (positive \$80.8 million, 43.0%).
- Other taxes (negative \$4.0 million, -3.4%).
- Other receipts (negative \$13.2 million, -17.4%).
- Tax refunds not including school infrastructure refunds (negative \$13.9 million).
- School infrastructure sales/use tax refunds (positive \$2.5 million).

Fiscal Year Growth

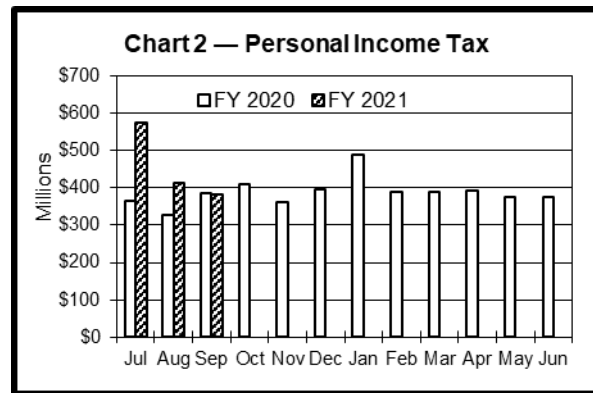
Table 2 converts year-to-date receipts from a cash year basis to a fiscal year basis.

	FY 2020	FY 2021	\$ Difference	% Dif
Net Individual Income	\$ 724.4	\$ 783.8	\$ 59.4	8.2%
Net Sales/Use	486.8	516.3	29.5	6.1%
Net Corporate	116.9	139.6	22.7	19.4%
Net Franchise	10.8	10.1	-0.7	-6.5%
Net Inheritance	1.1	6.3	5.2	472.7%
Net Insurance & Other Taxes	72.7	69.2	-3.5	-4.8%
Other Revenue	48.1	39.9	-8.2	-17.0%
Net Revenue	\$ 1,460.8	\$ 1,565.2	\$ 104.4	7.1%

Revenue Categories

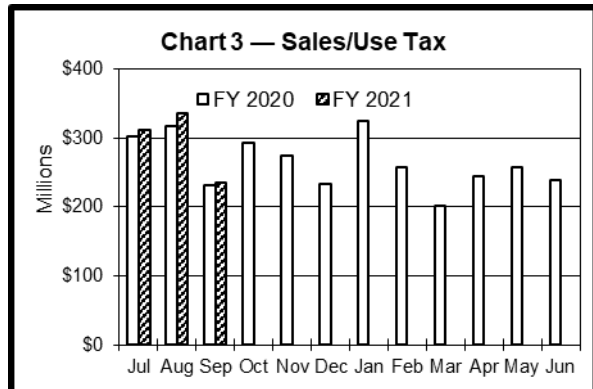
Personal Income Tax receipts received in September 2020 totaled \$381.0 million, a decrease of \$6.0 million (1.6%) compared to September 2019.

The FY 2021 REC personal income tax estimate of \$5.134 billion represents a projected increase of 10.4% compared to actual FY 2020. Through September 2020, personal income tax receipts increased 26.8%. By subcategory, withholding payments increased \$32.9 million, estimate payments increased \$21.5 million, and payments with returns increased \$234.3 million. **Chart 2** compares FY 2020 and FY 2021 monthly personal income tax receipts. The large increase in July and August can be attributed to the delayed tax filing deadlines as a result of the COVID-19 pandemic.



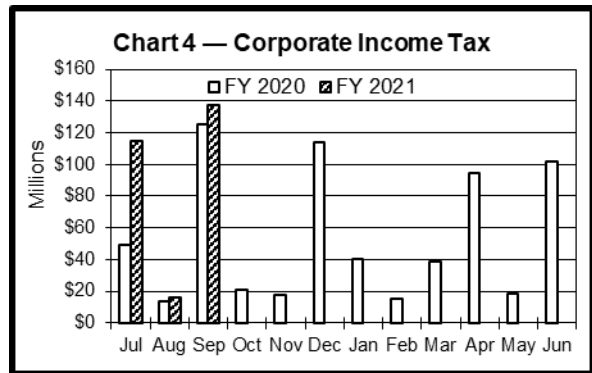
Sales/Use Tax receipts received in September 2020 totaled \$235.3 million, an increase of \$4.1 million (1.8%) compared to September 2019.

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 September 2020, sales/use tax receipts increased 3.8%. **Chart 3** compares FY 2020 and FY 2021 monthly sales/use tax receipts.



Corporate Income Tax receipts received in September 2020 totaled \$137.7 million, an increase of \$12.1 million (9.6%) compared to September 2019.

The REC estimate for FY 2021 corporate income tax revenue is \$721.1 million, a projected increase of 11.2% compared to actual FY 2020. Through September 2020, corporate income tax receipts increased 43.0%. **Chart 4** compares FY 2020 and FY 2021 monthly corporate income tax receipts.



Other Tax receipts received in September 2020 totaled \$17.1 million, an increase of \$2.9 million (20.4%) compared to September 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 September 2020, other tax receipts decreased 3.4%.

Other Receipts (nontax receipts) received in September 2020 totaled \$20.6 million, a decrease of \$6.7 million (-24.5%) compared to September 2019.

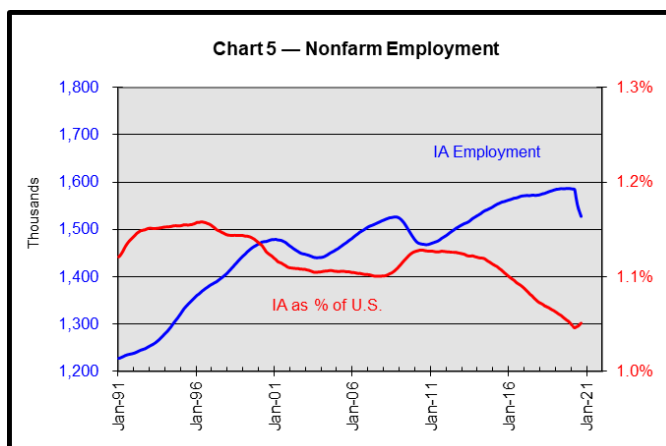
The REC estimate for FY 2021 other receipts revenue is \$336.3 million, a projected increase of 1.4% compared to actual FY 2020. Through September 2020, other receipts decreased 17.4%.

Tax Refunds issued in September 2020 totaled \$24.6 million, a decrease of \$27.0 million compared to September 2019. In addition to regular refunds, school infrastructure refunds totaled \$36.6 million, a decrease of \$7.1 million compared to September 2019.

Status of the Economy

Iowa Nonfarm Employment was reported at 1,488,900 for the month of August 2020 (not seasonally adjusted), 91,200 (-5.8%) lower than August 2019.

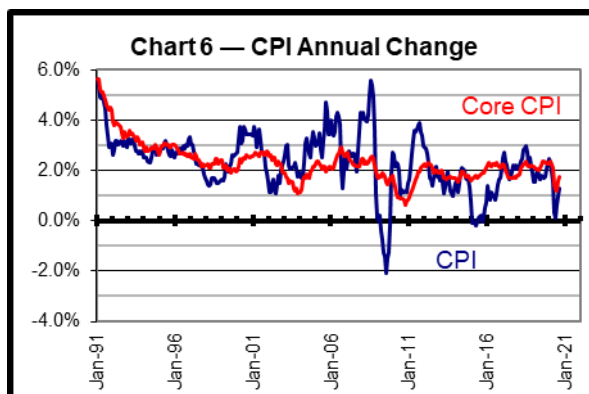
Iowa's 12-month average nonfarm employment is presented as the blue line on **Chart 5**. Iowa's average nonfarm employment peaked in November 2019 at 1,586,200. This figure is 59,900 above the pre-recession peak that occurred in October 2008. The current 12-month average reading is 1,527,200, resulting in an annual average Iowa nonfarm employment level that is 59,000 below the November 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. Iowa's percentage of U.S. employment is declining 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 (March 2020) as U.S. employment fell more in the wake of the COVID-19 pandemic response.

The **Consumer Price Index (CPI)** through August 2020 was 259.9 (1983/84=100). Consumer prices increased 0.3% in August 2020 (not seasonally adjusted), and the annual rate of inflation increased to 1.3%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.4% in August 2020 and increased 1.7% year-over-year. This is the fifth consecutive month in which 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 9.0% year-over-year and food prices are up 4.0% 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](#).

GENERAL FUND RECEIPTS					ESTIMATED GENERAL FUND RECEIPTS		
July 1 through September 30 (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 % Change	September % Change	FY 2020 Actual*	FY 2021 Adj. Estimate	Projected % Change
Personal Income Tax	\$ 1,078.7	\$ 1,367.4	26.8%	-1.6%	\$ 4,652.0	\$ 5,133.6	10.4%
Sales/Use Tax	851.2	883.5	3.8%	1.8%	3,176.1	3,170.3	-0.2%
Corporate Income Tax	188.0	268.8	43.0%	9.6%	648.7	721.1	11.2%
Inheritance Tax	17.6	19.6	11.4%	378.6%	81.5	87.0	6.7%
Insurance Premium Tax	67.6	66.8	-1.2%	-120.0%	143.5	152.3	6.1%
Beer/Liquor Tax	4.0	0.9	-77.5%	-85.7%	9.8	12.9	31.6%
Franchise Tax	19.0	18.1	-4.7%	-5.6%	67.9	73.3	8.0%
Miscellaneous Tax	9.0	7.8	-13.3%	0.0%	24.9	20.4	-18.1%
Total Gross Taxes	\$ 2,235.2	\$ 2,633.0	17.8%	1.7%	\$ 8,804.4	\$ 9,370.9	6.4%
Institutional Payments	\$ 3.6	\$ 1.4	-61.1%	-44.4%	\$ 12.6	\$ 11.2	-11.1%
Liquor Profits	32.9	38.3	16.4%	18.1%	131.9	129.1	-2.1%
Interest	3.2	0.8	-75.0%	-78.6%	15.1	15.3	1.3%
Fees	7.5	6.7	-10.7%	35.3%	28.4	30.8	8.5%
Judicial Revenue	13.6	4.2	-69.1%	-92.8%	90.4	95.7	5.9%
Miscellaneous Receipts	15.2	11.4	-25.0%	-5.9%	51.1	52.0	1.8%
Racing and Gaming Receipts			N.A.	N.A.	2.2	2.2	0.0%
Total Gross Receipts	\$ 2,311.1	\$ 2,695.9	16.7%	0.8%	\$ 9,136.1	\$ 9,707.2	6.3%
Accrued Revenue — Net					307.7	-350.9	
Tax Refunds *	-135.0	-148.9	10.3%	-52.3%	-1,120.3	-1,104.0	-1.5%
School Infrast. Refunds *	-133.0	-130.5	-1.9%	-16.2%	-507.6	-519.8	2.4%
TOTAL NET RECEIPTS	\$ 2,043.1	\$ 2,416.5	18.3%	5.9%	\$ 7,815.9	\$ 7,732.5	-1.1%

* 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 final.