

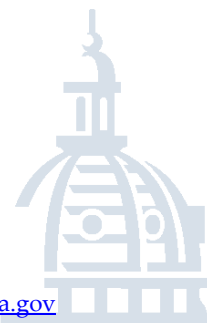


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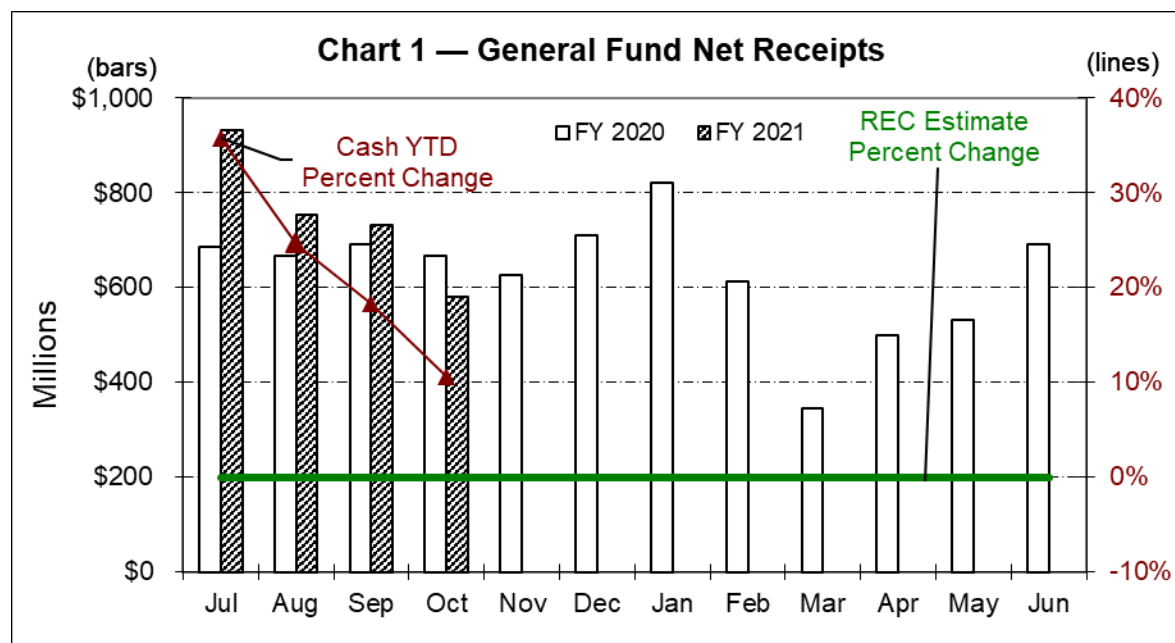
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Lora Vargason and Jeff Robinson

DATE: November 2, 2020

Monthly General Fund Revenue Receipts Through October 31, 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 \$7.805 billion set by the Revenue Estimating Conference (REC) on October 13, 2020. The FY 2021 estimate is a decrease of \$10.6 million (-0.1%) compared to FY 2020 actual receipts (excluding transfers). The next REC meeting will be held in December 2020.



Overview of Current Situation

October 2020 net General Fund revenue was \$86.1 million (12.9%) below the October 2019 revenue level. The decrease over this time frame reflects the result of the quarter end tax payment due dates falling on the weekend, pushing tax payments into November 2020. Gross deposits for October 31, 2019, totaled \$141.0 million. Major sources of revenue and their contributions to the FY 2021 year-to-date revenue change include:

- Personal income tax (positive \$185.9 million, 12.5%).
- Sales/use tax (positive \$28.2 million, 2.5%).

- Corporate tax (positive \$99.2 million, 47.5%).
- Other taxes (negative \$9.5 million, -7.1%).
- Other receipts (negative \$15.1 million, -14.7%).
- Tax refunds not including school infrastructure refunds (negative \$5.1 million).
- School infrastructure sales/use tax refunds (positive \$3.5 million).

Fiscal Year Growth

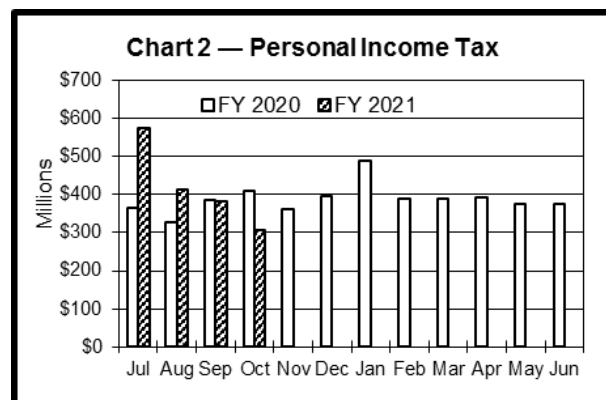
Table 2 converts year-to-date receipts from a cash year basis to a fiscal year basis.

Net General Fund Receipts Through October 31, 2020					
Fiscal Year-to-Date, Gross Receipts Net of Refunds. Dollars in Millions					
	FY 2020	FY 2021	\$ Difference	% Dif	
Net Individual Income	\$ 1,091.4	\$ 1,061.2	\$ -30.2	-2.8%	
Net Sales/Use	729.6	757.7	28.1	3.9%	
Net Corporate	131.2	173.7	42.5	32.4%	
Net Franchise	15.6	9.1	-6.5	-41.7%	
Net Inheritance	8.6	14.5	5.9	68.6%	
Net Insurance & Other Taxes	76.8	65.6	-11.2	-14.6%	
Other Revenue	74.5	64.3	-10.2	-13.7%	
Net Revenue	\$ 2,127.7	\$ 2,146.1	\$ 18.4	0.9%	

Revenue Categories

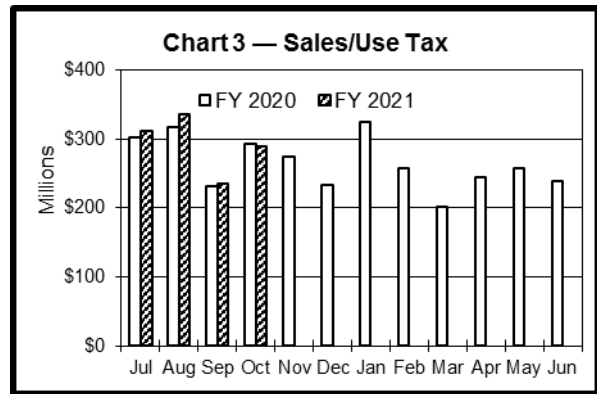
Personal Income Tax receipts received in October 2020 totaled \$306.2 million, a decrease of \$102.8 million (25.1%) compared to October 2019. Gross deposits for October 31, 2019, were \$79.4 million.

The FY 2021 REC personal income tax estimate of \$5.133 billion represents a projected increase of 10.3% compared to actual FY 2020. Through October 2020, personal income tax receipts increased 12.5%. By subcategory, withholding payments decreased \$32.9 million, estimate payments increased \$10.0 million, and payments with returns increased \$208.9 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.



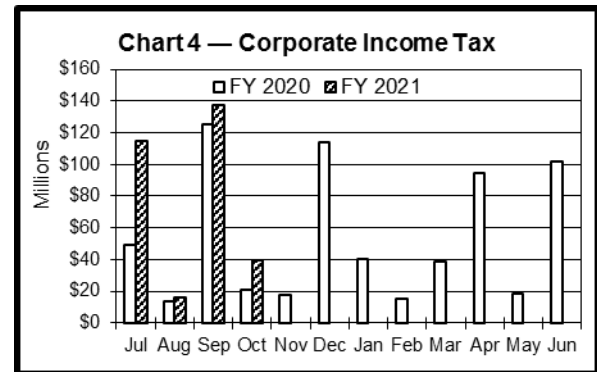
Sales/Use Tax receipts received in October 2020 totaled \$288.3 million, a decrease of \$4.1 million (1.4%) compared to October 2019. Gross deposits for October 31, 2019, were \$60.5 million.

The REC estimate for FY 2021 sales/use tax receipts is \$3.265 billion, a projected increase of 2.8% compared to actual FY 2020. Through October 2020, sales/use tax receipts increased 2.5%. **Chart 3** compares FY 2020 and FY 2021 monthly sales/use tax receipts.



Corporate Income Tax receipts received in October 2020 totaled \$39.4 million, an increase of \$18.4 million (87.6%) compared to October 2019.

The REC estimate for FY 2021 corporate income tax revenue is \$748.4 million, a projected increase of 15.4% compared to actual FY 2020. Through October 2020, corporate income tax receipts increased 47.5%. **Chart 4** compares FY 2020 and FY 2021 monthly corporate income tax receipts.



Other Tax receipts received in October 2020 totaled \$11.6 million, a decrease of \$5.5 million (32.2%) compared to October 2019.

The REC estimate for FY 2021 other tax revenue is \$327.5 million, no change compared to actual FY 2020. Through October 2020, other tax receipts decreased 7.1%.

Other Receipts (nontax receipts) received in October 2020 totaled \$24.5 million, a decrease of \$1.9 million (-7.2%) compared to October 2019.

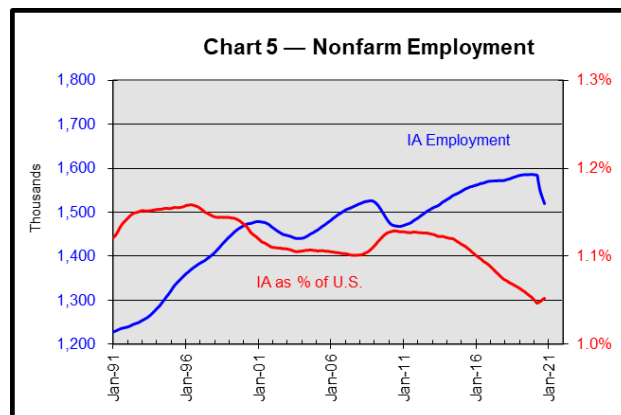
The REC estimate for FY 2021 other receipts revenue is \$304.8 million, a projected decrease of 8.1% compared to actual FY 2020. Through October 2020, other receipts decreased 14.7%.

Tax Refunds issued in October 2020 totaled \$46.1 million, a decrease of \$8.8 million compared to October 2019. In addition to regular refunds, school infrastructure refunds totaled \$43.0 million, a decrease of \$1.0 million compared to October 2019.

Status of the Economy

Iowa Nonfarm Employment was reported at 1,502,200 for the month of September 2020 (not seasonally adjusted), 89,000 (-5.6%) lower than September 2019.

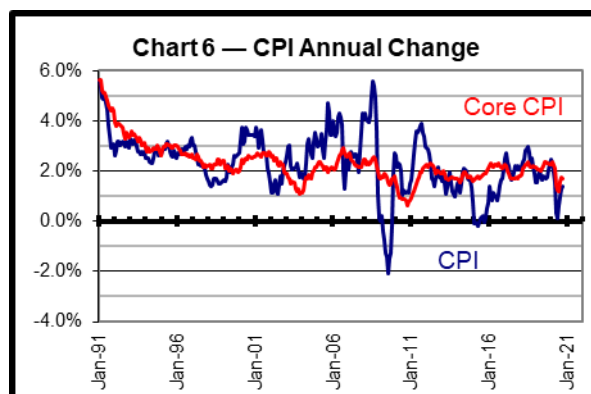
Iowa's 12-month average nonfarm employment is presented as the blue line on **Chart 5**. Iowa's average nonfarm employment peaked in November 2019 at 1,586,200. This figure is 59,900 above the prerecession peak that occurred in October 2008. The current 12-month average reading is 1,519,700, resulting in an annual average Iowa nonfarm employment level that is 66,500 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 September 2020 was 260.3 (1983/84=100). Consumer prices increased 0.1% in September 2020 (not seasonally adjusted), and the annual rate of inflation increased to 1.4%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.1% in September 2020 and increased 1.4% year-over-year. This is the sixth 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 7.7% and food prices are up 3.8% 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 October 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		
	<u>FY 2020</u>	<u>FY 2021</u>	<u>Year-to-Date % Change</u>	<u>October % Change</u>	<u>FY 2020 Actual*</u>	<u>FY 2021 Adj. Estimate</u>	<u>Projected % Change</u>
Personal Income Tax	\$ 1,487.7	\$ 1,673.6	12.5%	-25.1%	\$ 4,652.0	\$ 5,133.1	10.3%
Sales/Use Tax	1,143.6	1,171.8	2.5%	-1.4%	3,176.1	3,264.5	2.8%
Corporate Income Tax	209.0	308.2	47.5%	87.6%	648.7	748.4	15.4%
Inheritance Tax	25.2	27.9	10.7%	9.2%	81.5	87.2	7.0%
Insurance Premium Tax	70.7	66.8	-5.5%	-100.0%	143.5	141.2	-1.6%
Beer/Liquor Tax	5.0	1.9	-62.0%	0.0%	9.8	7.3	-25.5%
Franchise Tax	24.2	20.4	-15.7%	-55.8%	67.9	67.0	-1.3%
Miscellaneous Tax	9.2	7.8	-15.2%	-100.0%	24.9	24.8	-0.4%
Total Gross Taxes	\$ 2,974.7	\$ 3,278.5	10.2%	-12.7%	\$ 8,804.4	\$ 9,473.5	7.6%
Institutional Payments	\$ 4.1	\$ 1.9	-53.7%	0.0%	\$ 12.6	\$ 9.6	-23.8%
Liquor Profits	42.4	49.9	17.7%	22.1%	131.9	134.5	2.0%
Interest	4.3	0.9	-79.1%	-90.9%	15.1	12.9	-14.6%
Fees	9.0	8.3	-7.8%	6.7%	28.4	25.8	-9.2%
Judicial Revenue	23.4	12.6	-46.2%	-14.3%	90.4	73.4	-18.8%
Miscellaneous Receipts	19.2	13.7	-28.6%	-42.5%	53.3	48.6	-8.8%
Total Gross Receipts	\$ 3,077.1	\$ 3,365.8	9.4%	-12.5%	\$ 9,136.1	\$ 9,778.3	7.0%
Accrued Revenue — Net					307.7	-324.2	
Tax Refunds *	-189.9	-195.0	2.7%	-16.0%	-1,120.3	-1,117.0	-0.3%
School Infrast. Refunds *	-177.0	-173.5	-2.0%	-2.3%	-507.6	-531.8	4.8%
TOTAL NET RECEIPTS	\$ 2,710.2	\$ 2,997.4	10.6%	-12.9%	\$ 7,815.9	\$ 7,805.3	-0.1%

* 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.