

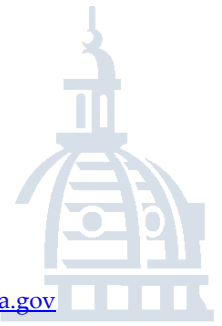


LEGISLATIVE SERVICES AGENCY

Serving the Iowa Legislature
Tim McDermott, Interim Director

Jeff Robinson
Sr. Legislative Analyst
State Capitol
Des Moines, IA 50319

Phone: 515.281.5279
E-mail: jeff.robinson@legis.iowa.gov



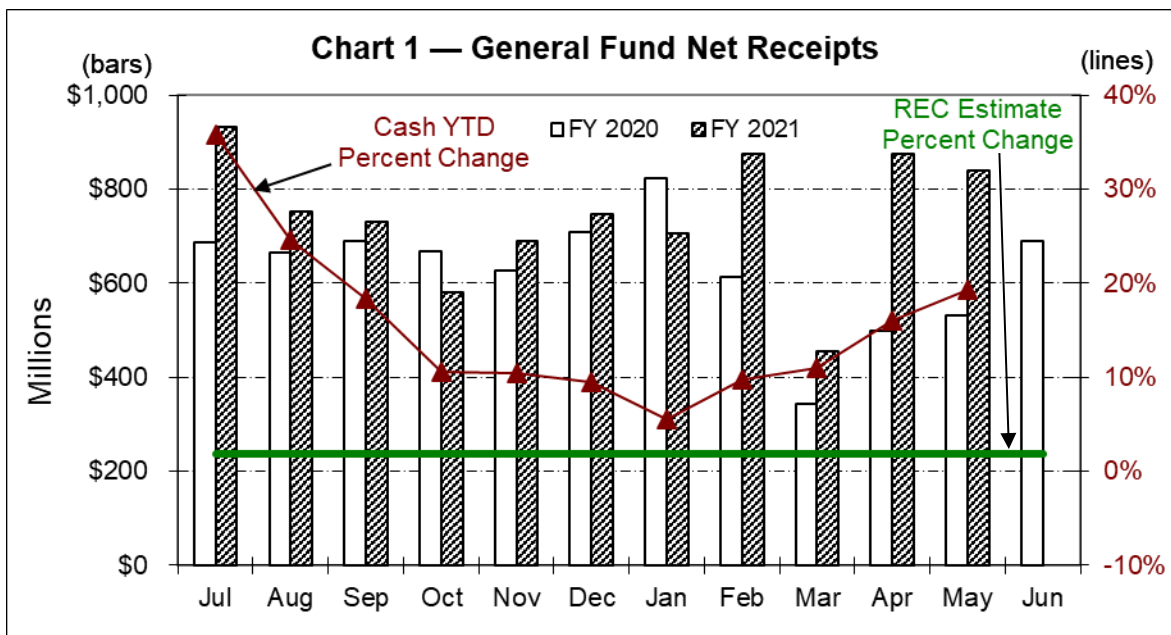
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Lora Vargason and Jeff Robinson

DATE: June 1, 2021

Monthly General Fund Revenue Receipts Through May 31, 2021

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 \$7.958 billion set by the Revenue Estimating Conference (REC) on March 19, 2021. The FY 2021 estimate is an increase of \$142.0 million (1.8%) compared to FY 2020 actual receipts (excluding transfers). The next REC meeting has not been scheduled.



Overview of Current Situation

May 2021 net General Fund revenue was \$307.9 million (57.8%) above the May 2020 revenue level. Cash year-to-date receipts are \$1.326 billion (19.3%) higher than FY 2020. Major sources of revenue and their contributions to the FY 2021 year-to-date revenue change include:

- Personal income tax (positive \$673.9 million, 15.8%).
- Sales/use tax (positive \$297.6 million, 10.1%).
- Corporate tax (positive \$293.9 million, 53.7%).

- Other taxes (positive \$34.9 million, 12.3%).
- Other receipts (negative \$1.9 million, -0.6%).
- Tax refunds not including school infrastructure refunds (positive \$35.0 million).
- School infrastructure sales/use tax refunds (negative \$7.3 million).

Fiscal Year Growth

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

	FY 2020	FY 2021	\$ Difference	% Dif
Net Individual Income	\$ 3,158.7	\$ 3,650.0	\$ 491.3	15.6%
Net Sales/Use	2,196.0	2,493.8	297.8	13.6%
Net Corporate	402.0	642.9	240.9	59.9%
Net Franchise	47.0	32.0	-15.0	-31.9%
Net Inheritance	57.6	72.1	14.5	25.2%
Net Insurance & Other Taxes	136.2	160.7	24.5	18.0%
Other Revenue	277.4	280.3	2.9	1.0%
Net Revenue	\$ 6,274.9	\$ 7,331.8	\$ 1,056.9	16.8%

Revenue Categories

Personal Income Tax receipts received in May 2021 totaled \$585.4 million, an increase of \$210.9 million (56.3%) compared to May 2020.

The FY 2021 REC personal income tax estimate of \$5.265 billion represents a projected increase of 13.2% compared to actual FY 2020. Through May 2021, personal income tax receipts increased 15.8%. By subcategory, withholding payments increased \$126.4 million, estimate payments increased \$62.3 million, and payments with returns increased \$485.2 million.

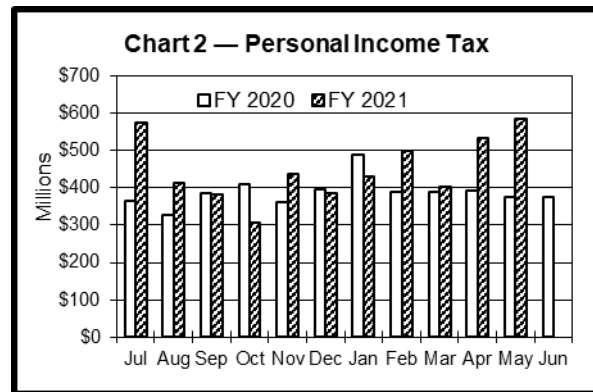
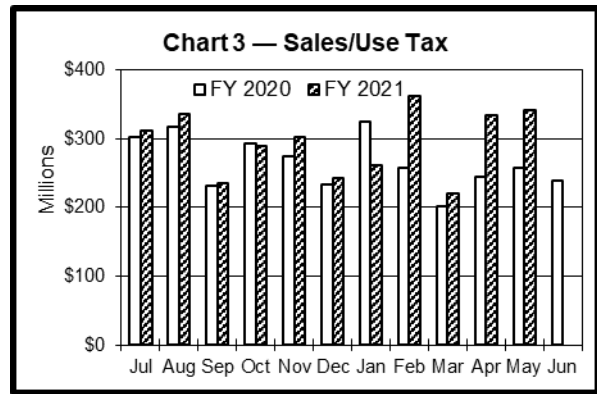


Chart 2 compares FY 2020 and FY 2021 monthly personal income tax receipts. The large increases in July and August FY 2021 can be attributed to the delayed tax year 2019 tax filing deadlines. The large increase in April and May can be attributed to a return to more typical filing due dates as compared to the 2019 tax filing deadlines.

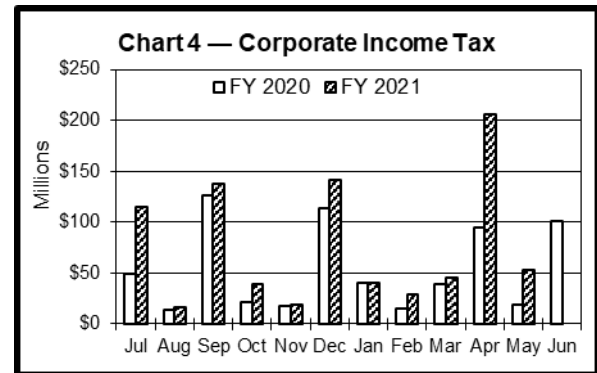
Sales/Use Tax receipts received in May 2021 totaled \$341.3 million, an increase of \$84.0 million (32.6%) compared to May 2020.

The REC estimate for FY 2021 sales/use tax receipts is \$3.293 billion, a projected increase of 3.7% compared to actual FY 2020. Through May 2021, sales/use tax receipts increased 10.1%. **Chart 3** compares FY 2020 and FY 2021 monthly sales/use tax receipts.



Corporate Income Tax receipts received in May 2021 totaled \$53.3 million, an increase of \$34.7 million (186.6%) compared to May 2020.

The REC estimate for FY 2021 corporate income tax revenue is \$834.4 million, a projected increase of 28.6% compared to actual FY 2020. Through May 2021, corporate income tax receipts increased 53.7%. **Chart 4** compares FY 2020 and FY 2021 monthly corporate income tax receipts.



Other Tax receipts received in May 2021 totaled \$66.4 million, an increase of \$21.1 million (46.6%) compared to May 2020.

The REC estimate for FY 2021 other tax revenue is \$326.4 million, a decrease of \$1.2 million (0.4%) compared to actual FY 2020. Through May 2021, other tax receipts increased 12.3%.

Other Receipts (nontax receipts) received in May 2021 totaled \$28.3 million, an increase of \$1.7 million (6.4%) compared to May 2020.

The REC estimate for FY 2021 other receipts revenue is \$301.6 million, a projected decrease of 9.1% compared to actual FY 2020. Through May 2021, other receipts decreased 0.6%.

Tax Refunds issued in May 2021 totaled \$190.9 million, an increase of \$46.0 million compared to May 2020. The increase can be attributed to the extension of the individual income tax filing date to June 1 versus the typical deadline of April 30. In addition to regular refunds, school infrastructure refunds totaled \$43.1 million, a decrease of \$1.8 million compared to May 2020.

Status of the Economy

Iowa Nonfarm Employment

was reported at 1,519,000 for the month of April 2021 (not seasonally adjusted), 102,100 (7.2%) higher than April 2020.

Iowa's 12-month average nonfarm employment is presented as the blue line on **Chart 5**. Iowa's average nonfarm employment peaked in February 2020 at 1,588,000. This figure is 61,700 above the prerecession peak that occurred in October 2008.

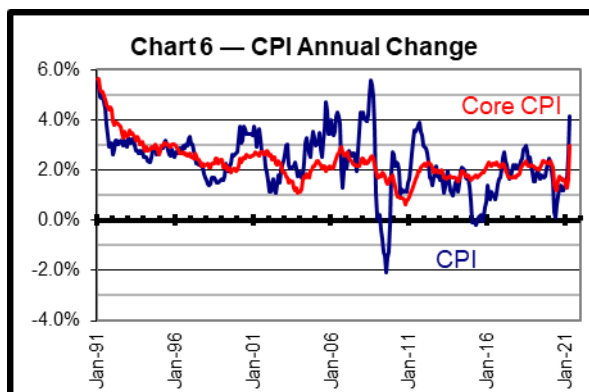
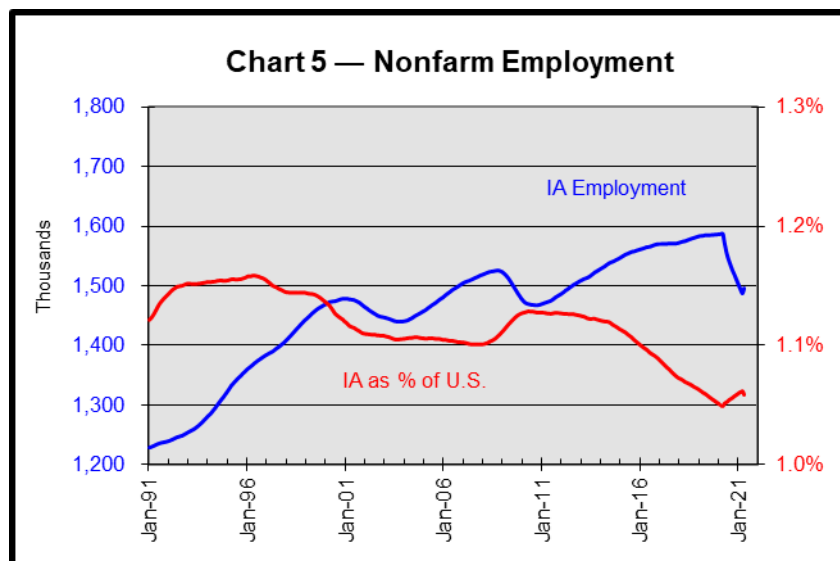
The current 12-month average reading is 1,496,000, resulting in an annual average Iowa nonfarm employment level that is 91,600 below the February 2020 peak.

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. Since 2010, Iowa's percentage of U.S. employment has declined as the percentage growth in U.S. employment exceeded the percentage growth in Iowa employment. 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 April 2021 was 267.1 (1983/84=100). Consumer prices increased 0.8% in April 2021 (not seasonally adjusted), and the annual rate of inflation increased to 4.2%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.8% in April 2021 and increased 3.0% year-over-year. This is the first month since March 2020 in which the core inflation rate has been above 2.0% year-over-year. For the two components excluded from the core inflation rate, energy prices are up 25.1% and food prices are up 2.3% 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 May 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 FY 2021 REC Estimate		
	FY 2020	FY 2021	Year-to-Date % Change	May % Change	FY 2020 Actual*	FY 2021 Estimate	Projected % Change
Personal Income Tax	\$ 4,275.2	\$ 4,949.1	15.8%	56.3%	\$ 4,652.0	\$ 5,265.4	13.2%
Sales/Use Tax	2,937.8	3,235.4	10.1%	32.6%	3,176.1	3,293.1	3.7%
Corporate Income Tax	547.3	841.2	53.7%	186.6%	648.7	834.4	28.6%
Inheritance Tax	75.6	86.7	14.7%	16.7%	81.5	88.0	8.0%
Insurance Premium Tax	117.4	135.6	15.5%	75.4%	143.5	140.3	-2.2%
Beer/Liquor Tax	9.8	16.4	67.3%	140.0%	9.8	11.5	17.3%
Franchise Tax	56.7	57.7	1.8%	-30.0%	67.9	63.8	-6.0%
Miscellaneous Tax	24.9	22.9	-8.0%	-21.6%	24.9	22.8	-8.4%
Total Gross Taxes	\$ 8,044.8	\$ 9,344.9	16.2%	50.4%	\$ 8,804.4	\$ 9,719.3	10.4%
Institutional Payments	\$ 11.1	\$ 6.3	-43.2%	-42.9%	\$ 12.6	\$ 9.3	-26.2%
Liquor Profits	119.1	131.5	10.4%	17.0%	131.9	141.1	7.0%
Interest	14.4	2.4	-83.3%	-84.6%	15.1	2.5	-83.4%
Fees	28.0	28.7	2.5%	7.1%	28.4	25.6	-9.9%
Judicial Revenue	82.2	75.5	-8.2%	7.1%	90.4	63.4	-29.9%
Miscellaneous Receipts	50.4	58.9	16.9%	17.6%	53.3	59.7	12.0%
Total Gross Receipts	\$ 8,350.0	\$ 9,648.2	15.5%	48.7%	\$ 9,136.1	\$ 10,020.9	9.7%
Accrued Revenue — Net					307.7	-299.2	
Tax Refunds *	-1,027.3	-992.3	-3.4%	31.7%	-1,120.3	-1,232.3	10.0%
School Infrast. Refunds *	-465.5	-472.8	1.6%	-4.0%	-507.6	-531.5	4.7%
TOTAL NET RECEIPTS	\$ 6,857.2	\$ 8,183.1	19.3%	57.8%	\$ 7,815.9	\$ 7,957.9	1.8%

* For the Year-to-Date section, refunds are presented on a cash year basis.
For FY 2020 Actual and FY 2021 Estimate, refunds are presented on a fiscal year basis.
The FY 2020 Actual column is final.
The numbers on this table exclude transfers.