

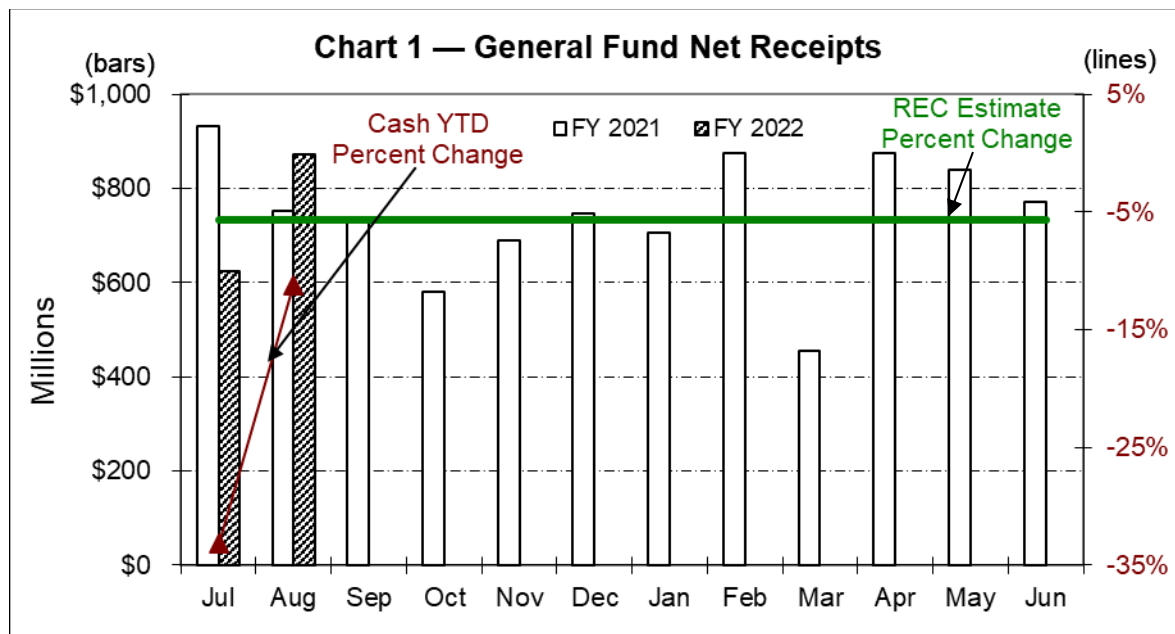
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Lora Vargason and Jeff Robinson

DATE: September 1, 2021

Monthly General Fund Revenue Receipts Through August 31, 2021

The attached spreadsheet presents FY 2022 General Fund total net receipts with comparable figures for actual FY 2021 (not yet final). The figures can be compared to the FY 2022 estimate of \$8.184 billion set by the Revenue Estimating Conference (REC) on March 19, 2021, adjusted for the enactment of revenue changes in [HF 367](#) (Preneed Burial Trusts, Income Tax Exemption Act), [SF 367](#) (Criminal Surcharge, Court Fees Act), [HF 588](#) (Hoover Presidential Library Tax Credit Act), [SF 619](#) (Taxation and Other Provisions Act), [HF 711](#) (Probate Fees Act), [HF 844](#) (Model Business Corporation Act), [HF 847](#) (Education Programs, Tax Credits, and Information Act), and [HF 871](#) (Economic Development Appropriations Act). The FY 2022 estimate is a decrease of \$495.4 million (-5.7%) compared to FY 2021 actual receipts (excluding transfers). The next REC meeting has not been scheduled.



Overview of Current Situation

August 2021 net General Fund revenue was \$119.3 million (15.8%) above the August 2020 revenue level on a cash year basis. The increase over this time reflects the result of the second quarter-end due dates falling on the weekend this year, pushing tax payments into August 2021.

The fiscal year accrual adjustment that will take place in September will transfer some revenue back to FY 2021. Major sources of revenue and their contributions to the FY 2022 year-to-date revenue change include:

- Personal income tax (negative \$251.3 million, -25.5%).
- Sales/use tax (positive \$125.6 million, 19.4%).
- Corporate tax (negative \$110.8 million, -84.5%).
- Other taxes (negative \$0.2 million, -0.2%).
- Other receipts (positive \$12.7 million, 30.1%).
- Tax refunds not including school infrastructure refunds (positive \$40.8 million).
- School infrastructure sales/use tax refunds (negative \$6.2 million).

Revenue Categories

Personal Income Tax receipts received in August 2021 totaled \$452.1 million, an increase of \$39.7 million (9.6%) compared to August 2020.

The FY 2022 REC personal income tax estimate of \$5.101 billion represents a projected decrease of 6.1% compared to actual FY 2021. Through August 2021, personal income tax receipts decreased 25.5%. By subcategory, withholding payments increased \$8.1 million, estimate payments decreased \$26.3 million, and payments with returns decreased \$233.1 million. **Chart 2** compares FY 2021 and FY 2022 monthly personal income tax receipts.

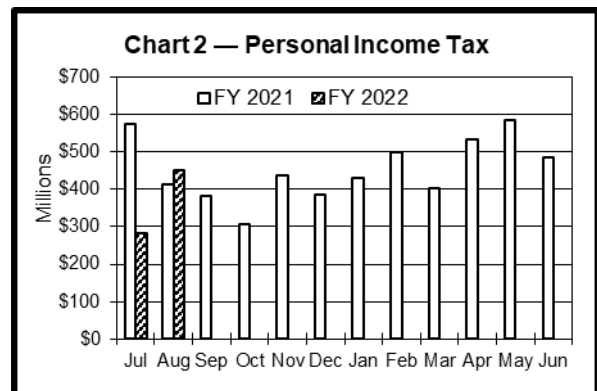
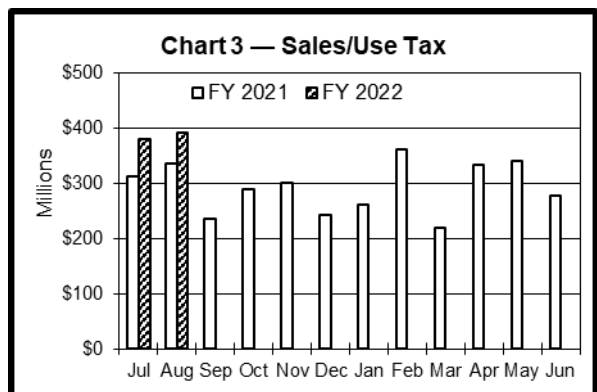


Chart 2 compares FY 2021 and FY 2022 monthly personal income tax receipts.

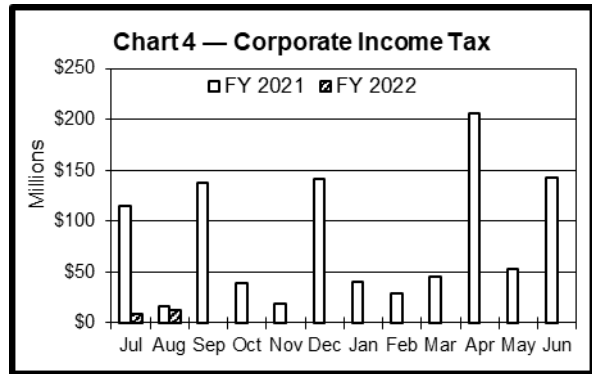
Sales/Use Tax receipts received in August 2021 totaled \$392.8 million, an increase of \$56.8 million (16.9%) compared to August 2020.

The REC estimate for FY 2022 sales/use tax receipts is \$3.399 billion, a projected decrease of 3.2% compared to actual FY 2021. Through August 2021, sales/use tax receipts increased 19.4%. **Chart 3** compares FY 2021 and FY 2022 monthly sales/use tax receipts.



Corporate Income Tax receipts received in August 2021 totaled \$11.9 million, a decrease of \$4.2 million (-26.1%) compared to August 2020.

The REC estimate for FY 2022 corporate income tax revenue is \$707.1 million, a projected decrease of 28.1% compared to actual FY 2021. Through August 2021, corporate income tax receipts decreased 84.5%. **Chart 4** compares FY 2021 and FY 2022 monthly corporate income tax receipts.



Other Tax receipts received in August 2021 totaled \$76.9 million, a decrease of \$0.7 million (-0.9%) compared to August 2020.

The REC estimate for FY 2022 other tax revenue is \$318.4 million, a decrease of \$30.5 million (-8.7%) compared to actual FY 2021. Through August 2021, other tax receipts decreased 0.2%.

Other Receipts (nontax receipts) received in August 2021 totaled \$21.5 million, an increase of \$1.1 million (5.4%) compared to August 2020.

The REC estimate for FY 2022 other receipts revenue is \$299.6 million, a projected decrease of 13.3% compared to actual FY 2021. Through August 2021, other receipts increased 30.1%.

Tax Refunds issued in August 2021 totaled \$31.2 million, a decrease of \$31.6 million compared to August 2020. In addition to regular refunds, school infrastructure refunds totaled \$51.3 million, an increase of \$4.9 million compared to August 2020.

Status of the Economy

Iowa Nonfarm Employment

was reported at 1,534,200 for the month of July 2021 (not seasonally adjusted), 52,300 (3.5%) higher than July 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.

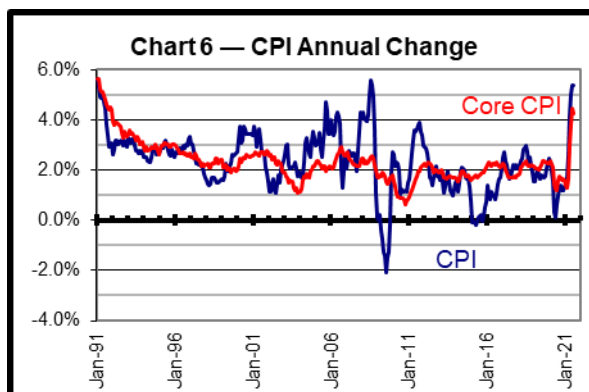
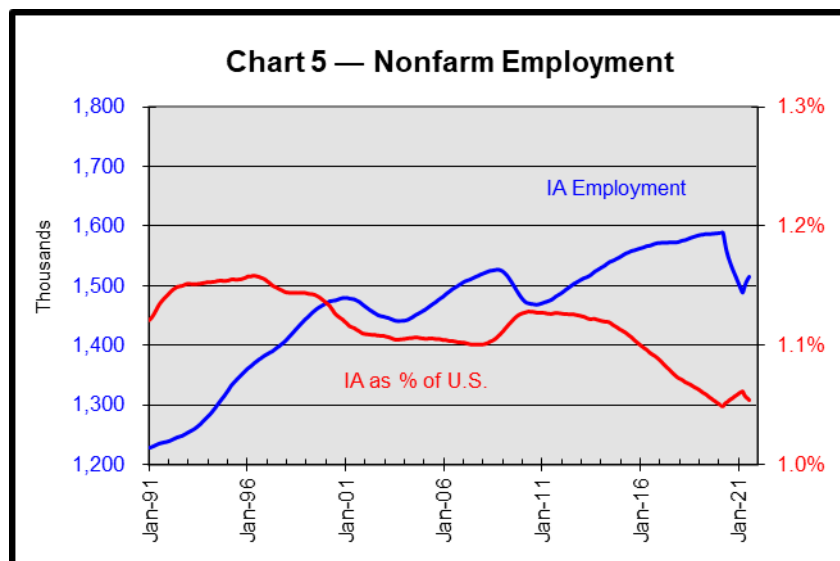
The current 12-month average reading is 1,514,300, resulting in an annual average Iowa nonfarm employment level that is 73,700 below the February 2020 peak.

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 decreased the last four months but is still above 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 July 2021 was 273.0 (1983/84=100). Consumer prices decreased slightly in July 2021 (not seasonally adjusted), and the annual rate of inflation remained at 5.4%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.3% in July 2021 and increased 4.3% year-over-year. This is the fourth consecutive month 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 23.8% and food prices are up 3.4% 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](#).



GENERAL FUND RECEIPTS					ESTIMATED GENERAL FUND RECEIPTS		
July 1 through August 31 (in millions of dollars)					(in millions of dollars)		
Dollars may not add due to rounding. Percentages calculated using rounded numbers.					FY 2021 Actual Compared to Adjusted FY 2022 REC Estimate		
	FY 2021	FY 2022	Year-to-Date % Change	August % Change	FY 2021 Actual*	FY 2022 Adj. Estimate	Projected % Change
Personal Income Tax	\$ 986.4	\$ 735.1	-25.5%	9.6%	\$ 5,434.5	\$ 5,100.8	-6.1%
Sales/Use Tax	648.2	773.8	19.4%	16.9%	3,512.3	3,398.6	-3.2%
Corporate Income Tax	131.1	20.3	-84.5%	-26.1%	983.8	707.1	-28.1%
Inheritance Tax	12.9	20.4	58.1%	55.1%	94.6	76.2	-19.5%
Insurance Premium Tax	66.9	64.4	-3.7%	-6.5%	144.0	145.9	1.3%
Beer/Liquor Tax	0.7	2.7	285.7%	550.0%	17.6	9.9	-43.8%
Franchise Tax	8.0	4.9	-38.8%	-100.0%	69.8	67.6	-3.2%
Miscellaneous Tax	7.6	3.5	-53.9%	-27.1%	22.9	18.8	-17.9%
Total Gross Taxes	\$ 1,861.8	\$ 1,625.0	-12.7%	10.9%	\$ 10,279.5	\$ 9,524.9	-7.3%
Institutional Payments	\$ 0.9	\$ 1.6	77.8%	150.0%	\$ 7.1	\$ 11.2	57.7%
Liquor Profits	24.6	30.4	23.6%	17.4%	146.4	141.1	-3.6%
Interest	0.5	0.2	-60.0%	-50.0%	2.5	2.5	0.0%
Fees	4.4	4.7	6.8%	0.0%	29.9	23.1	-22.7%
Judicial Revenue	3.6	3.8	5.6%	-18.2%	86.5	66.6	-23.0%
Miscellaneous Receipts	8.2	14.2	73.2%	-24.5%	73.1	55.1	-24.6%
Total Gross Receipts	\$ 1,904.1	\$ 1,679.9	-11.8%	10.7%	\$ 10,625.0	\$ 9,824.5	-7.5%
Accrued Revenue — Net					-299.2	23.0	
Tax Refunds *	-124.3	-83.5	-32.8%	-50.3%	-1,114.5	-1,110.3	-0.4%
School Infrast. Refunds *	-93.9	-100.1	6.6%	10.6%	-531.5	-552.8	4.0%
TOTAL NET RECEIPTS	\$ 1,685.9	\$ 1,496.4	-11.2%	15.8%	\$ 8,679.8	\$ 8,184.4	-5.7%

* For the Year-to-Date section, refunds are presented on a cash year basis.
For FY 2021 Actual and FY 2022 Estimate, refunds are presented on a fiscal year basis.
The FY 2021 Actual column is not final.
The amounts on this table exclude transfer revenue.