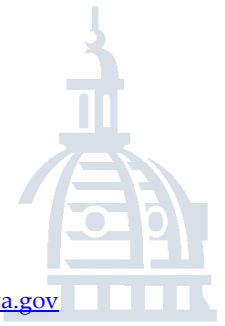




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TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Lora Vargason and Jeff Robinson

DATE: October 1, 2021

Monthly General Fund Revenue Receipts Through September 30, 2021

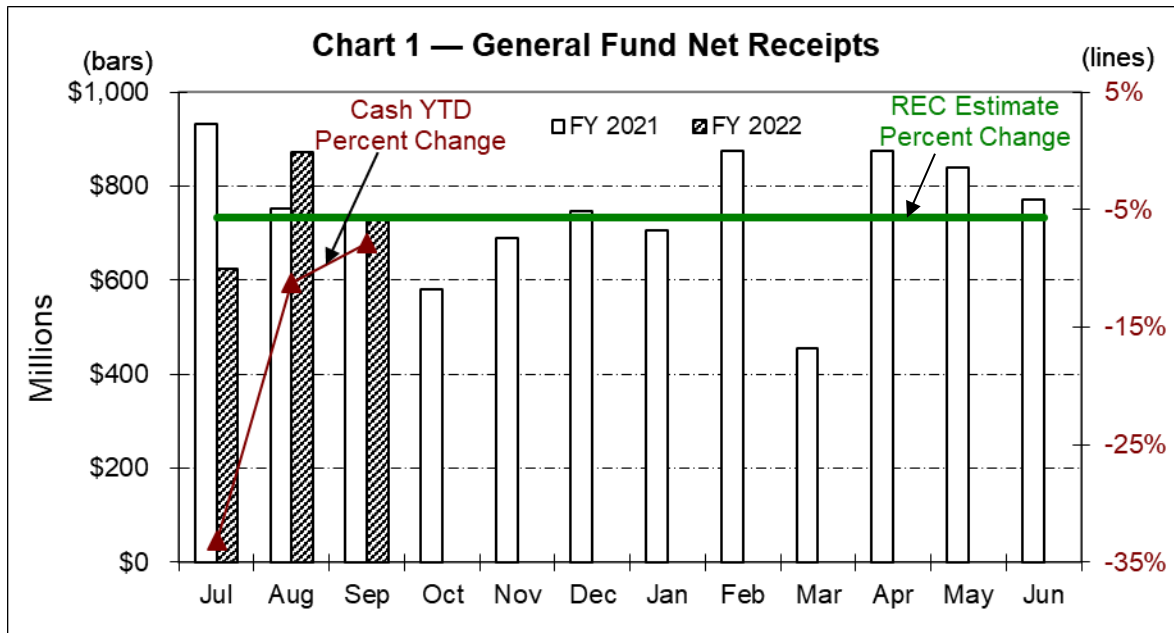
The attached spreadsheet presents FY 2022 General Fund total net receipts with comparable figures for actual FY 2021. The figures can be compared to the FY 2022 estimate of \$8.184 billion set by the Revenue Estimating Conference (REC) on March 19, 2021, adjusted for the enactment of revenue changes 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](#) (FY 2022 Economic Development Appropriations Act). The FY 2022 estimate is a decrease of \$490.8 million (-5.7%) compared to FY 2021 actual receipts (excluding transfers and accrual adjustment). The next REC meeting is scheduled for October 15, 2021.

Final FY 2021 Net Revenue

	Dollars in Millions			
	Actual FY 2020	Actual FY 2021	Change	Percentage Change
Income Tax	\$ 4,652.0	\$ 5,434.5	\$ 782.5	16.8%
Sales/Use Tax	3,176.1	3,512.3	336.2	10.6%
Corporate Tax	648.7	983.8	335.1	51.7%
Other Taxes	327.6	349.0	21.4	6.5%
Total Taxes	\$ 8,804.4	\$ 10,279.6	\$1,475.2	16.8%
Other Receipts	331.7	345.4	13.7	4.1%
Gross Tax & Other Receipts	\$ 9,136.1	\$ 10,625.0	\$1,488.9	16.3%
Accruals (Net)	307.7	-274.9	-582.6	-189.3%
Refund (Accrual Basis)	-1,120.3	-1,114.5	5.8	-0.5%
School Infrast. Refunds (Accrual)	-507.6	-560.4	-52.8	10.4%
Total Net Receipts	\$ 7,815.9	\$ 8,675.2	\$ 859.3	11.0%
Transfers (Accrual Basis)	114.7	125.4	10.7	9.3%
Net Receipts Plus Transfers	\$ 7,930.6	\$ 8,800.6	\$ 870.0	11.0%

Net General Fund revenue for FY 2021, excluding transfers, totaled \$8.675 billion, an increase of \$859.3 million (11.0%) compared to FY 2020. The total for FY 2021 net revenue was

\$732.6 million above the March REC adjusted estimate. General Fund revenue including transfers was \$870.0 million (11.0%) above FY 2020 and \$737.0 million (8.4%) above the FY 2021 REC adjusted estimate.



Overview of Current Situation

September 2021 net General Fund revenue was \$0.8 million (0.1%) above the September 2020 revenue level on a cash year basis. Cash year-to-date receipts are \$188.8 million (-7.8%) lower than FY 2021. Major sources of revenue and their contributions to the FY 2022 year-to-date revenue change include:

- Personal income tax (negative \$248.2 million, -18.2%).
- Sales/use tax (positive \$161.0 million, 18.2%).
- Corporate income tax (negative \$79.9 million, -29.7%).
- Other taxes (positive \$0.6 million, 0.5%).
- Other receipts (positive \$15.4 million, 24.5%).
- Tax refunds not including school infrastructure refunds (positive \$15.4 million).
- School infrastructure sales/use tax refunds (negative \$52.9 million).

Fiscal Year Growth

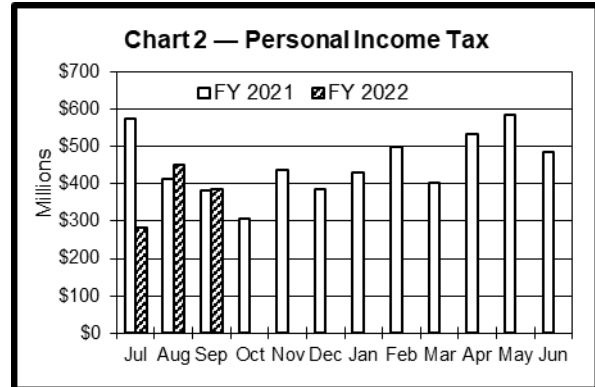
Table 2 converts year-to-date receipts from a cash year basis to a fiscal year basis.

Net General Fund Receipts Through September 30, 2021					
Fiscal Year-to-Date, Gross Receipts Net of Refunds. Dollars in Millions.					
	FY 2021	FY 2022	\$ Difference	%	Dif
Net Individual Income	\$ 783.8	\$ 755.3	\$ -28.5		-3.6%
Net Sales/Use	516.3	603.0	86.7		16.8%
Net Corporate	139.6	167.0	27.4		19.6%
Net Franchise	10.1	10.0	-0.1		-1.0%
Net Inheritance	6.3	5.5	-0.8		-12.7%
Net Insurance & Other Taxes	69.2	66.8	-2.4		-3.5%
Other Revenue	39.9	47.2	7.3		18.3%
Net Revenue	\$ 1,565.2	\$ 1,654.8	\$ 89.6		5.7%

Revenue Categories

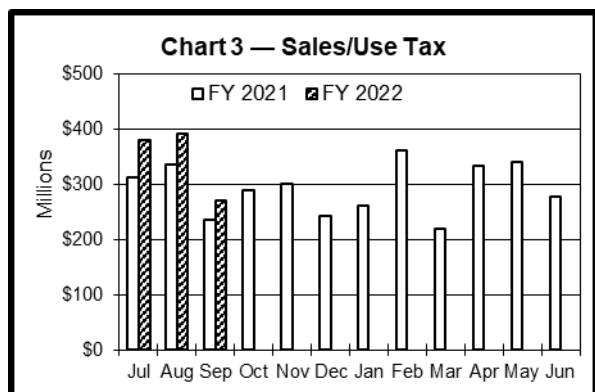
Personal Income Tax receipts received in September 2021 totaled \$384.1 million, an increase of \$3.1 million (0.8%) compared to September 2020.

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 September 2021, personal income tax receipts decreased 18.2%. By subcategory, withholding payments increased \$11.3 million, estimate payments decreased \$17.7 million, and payments with returns decreased \$241.8 million. **Chart 2** compares FY 2021 and FY 2022 monthly personal income tax receipts.



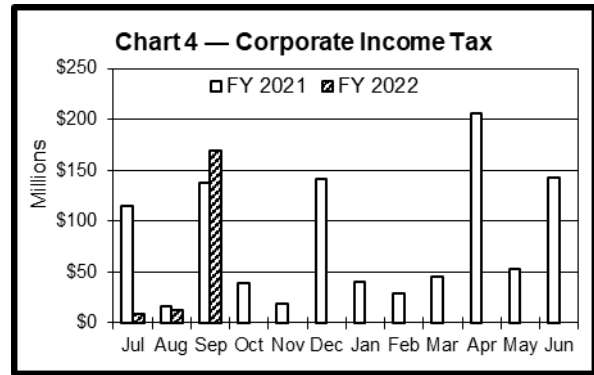
Sales/Use Tax receipts received in September 2021 totaled \$270.7 million, an increase of \$35.4 million (15.0%) compared to September 2020.

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 September 2021, sales/use tax receipts increased 18.2%. **Chart 3** compares FY 2021 and FY 2022 monthly sales/use tax receipts.



Corporate Income Tax receipts received in September 2021 totaled \$168.6 million, an increase of \$30.9 million (22.4%) compared to September 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 September 2021, corporate income tax receipts decreased 29.7%. **Chart 4** compares FY 2021 and FY 2022 monthly corporate income tax receipts.



Other Tax receipts received in September 2021 totaled \$17.9 million, an increase of \$0.8 million (4.7%) compared to September 2020.

The REC estimate for FY 2022 other tax revenue is \$318.4 million, a decrease of \$30.6 million (-8.8%) compared to actual FY 2021. Through September 2021, other tax receipts increased 0.5%.

Other Receipts (nontax receipts) received in September 2021 totaled \$23.3 million, an increase of \$2.7 million (13.1%) compared to September 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 September 2021, other receipts increased 24.5%.

Tax Refunds issued in September 2021 totaled \$50.0 million, an increase of \$25.4 million compared to September 2020. In addition to regular refunds, school infrastructure refunds totaled \$83.3 million, an increase of \$46.7 million compared to September 2020.

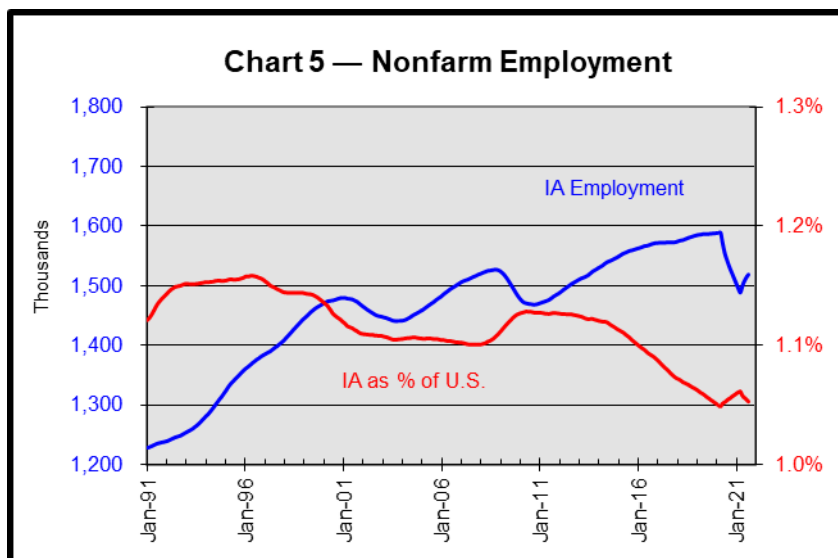
Status of the Economy

Iowa Nonfarm Employment

was reported at 1,527,500 for the month of August 2021 (not seasonally adjusted), 40,200 (2.7%) higher than August 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.

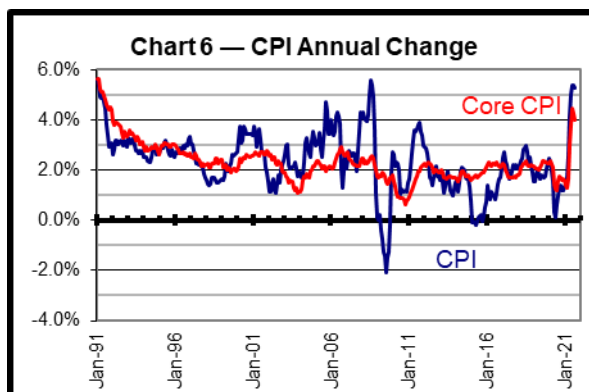
The current 12-month average reading is 1,517,900, resulting in an annual average Iowa nonfarm employment level that is 70,100 below the February 2020 peak.



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 five 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 August 2021 was 273.6 (1983/84=100). Consumer prices decreased 0.1% in August 2021 (not seasonally adjusted), and the annual rate of inflation decreased to 5.3%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.1% in August 2021 and increased 4.0% year-over-year. This is the fifth 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 25.0% and food prices are up 3.7% 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 2021 Actual Compared to Adjusted FY 2022 REC Estimate		
	<u>FY 2021</u>	<u>FY 2022</u>	<u>Year-to-Date % Change</u>	<u>September % Change</u>	<u>FY 2021 Actual*</u>	<u>FY 2022 Adj. Estimate</u>	<u>Projected % Change</u>
Personal Income Tax	\$ 1,367.4	\$ 1,119.2	-18.2%	0.8%	\$ 5,434.5	\$ 5,100.8	-6.1%
Sales/Use Tax	883.5	1,044.5	18.2%	15.0%	3,512.3	3,398.6	-3.2%
Corporate Income Tax	268.8	188.9	-29.7%	22.4%	983.8	707.1	-28.1%
Inheritance Tax	19.6	26.5	35.2%	-9.0%	94.5	76.2	-19.4%
Insurance Premium Tax	66.8	64.7	-3.1%	400.0%	144.0	145.9	1.3%
Beer/Liquor Tax	0.9	4.0	344.4%	550.0%	17.7	9.9	-44.1%
Franchise Tax	18.1	15.1	-16.6%	1.0%	69.9	67.6	-3.3%
Miscellaneous Tax	7.8	3.5	-55.1%	-100.0%	22.9	18.8	-17.9%
Total Gross Taxes	<u>\$ 2,633.0</u>	<u>\$ 2,466.4</u>	<u>-6.3%</u>	<u>9.1%</u>	<u>\$ 10,279.6</u>	<u>\$ 9,524.9</u>	<u>-7.3%</u>
Institutional Payments	\$ 1.4	\$ 2.6	85.7%	100.0%	\$ 7.1	\$ 11.2	57.7%
Liquor Profits	38.3	42.0	9.7%	-15.3%	146.4	141.1	-3.6%
Interest	0.8	0.3	-62.5%	-66.7%	2.5	2.5	0.0%
Fees	6.7	6.8	1.5%	-8.7%	29.9	23.1	-22.7%
Judicial Revenue	4.2	7.6	81.0%	533.3%	86.5	66.6	-23.0%
Miscellaneous Receipts	11.4	18.9	65.8%	46.9%	73.0	55.1	-24.5%
Total Gross Receipts	<u>\$ 2,695.9</u>	<u>\$ 2,544.6</u>	<u>-5.6%</u>	<u>9.2%</u>	<u>\$ 10,625.0</u>	<u>\$ 9,824.5</u>	<u>-7.5%</u>
Accrued Revenue — Net					-274.9	23.0	
Tax Refunds *	-148.9	-133.5	-10.3%	103.3%	-1,114.5	-1,110.3	-0.4%
School Infrast. Refunds *	-130.5	-183.4	40.5%	127.6%	-560.4	-552.8	-1.4%
TOTAL NET RECEIPTS	<u>\$ 2,416.5</u>	<u>\$ 2,227.7</u>	<u>-7.8%</u>	<u>0.1%</u>	<u>\$ 8,675.2</u>	<u>\$ 8,184.4</u>	<u>-5.7%</u>

* 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 final.
The amounts on this table exclude transfer revenue.