

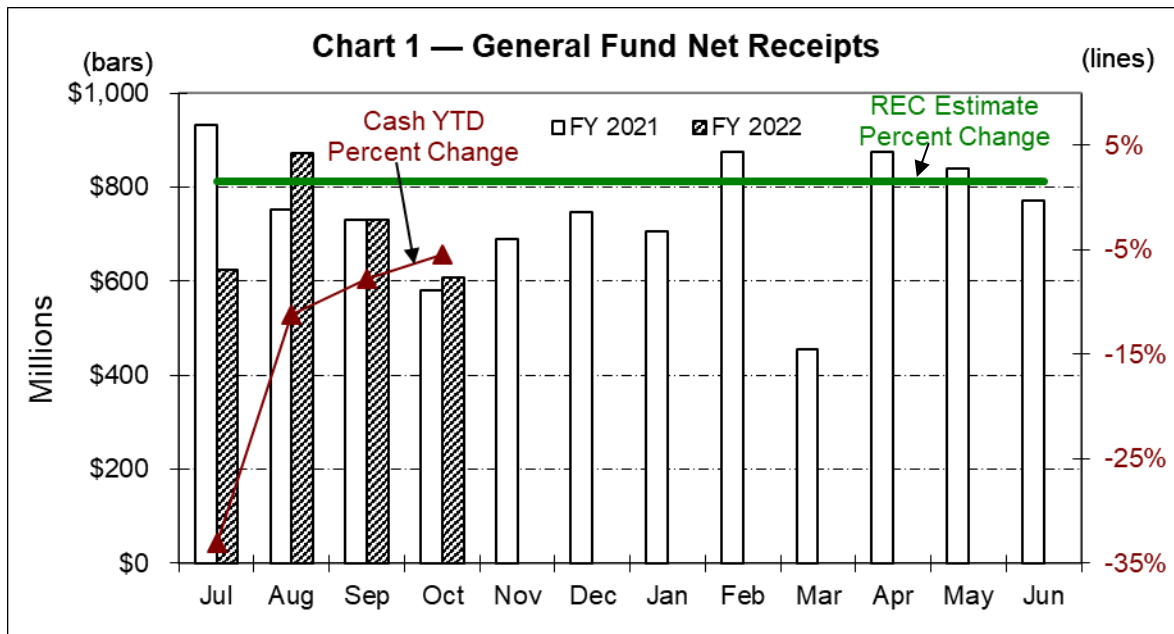
TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives

FROM: Lora Vargason and Jeff Robinson

DATE: November 1, 2021

Monthly General Fund Revenue Receipts Through October 31, 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 \$8.805 billion set by the Revenue Estimating Conference (REC) on October 15, 2021. The FY 2022 estimate is an increase of \$130.0 million (1.5%) compared to FY 2021 actual receipts (excluding transfers). The next REC meeting will be held in December 2021.



Overview of Current Situation

October 2021 net General Fund revenue was \$27.3 million (4.7%) above the October 2020 revenue level. For both October 2020 and October 2021, quarter end tax payment due dates fell on the weekend, pushing tax payments into November. Cash year-to-date receipts are \$161.4 million (-5.4%) 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 \$199.5 million, -11.9%).

- Sales/use tax (positive \$167.3 million, 14.3%).
- Corporate income tax (negative \$67.1 million, -21.8%).
- Other taxes (positive \$2.1 million, 1.7%).
- Other receipts (positive \$16.9 million, 19.4%).
- Tax refunds not including school infrastructure refunds (negative \$24.2 million).
- School infrastructure sales/use tax refunds (negative \$56.8 million).

Fiscal Year Growth

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

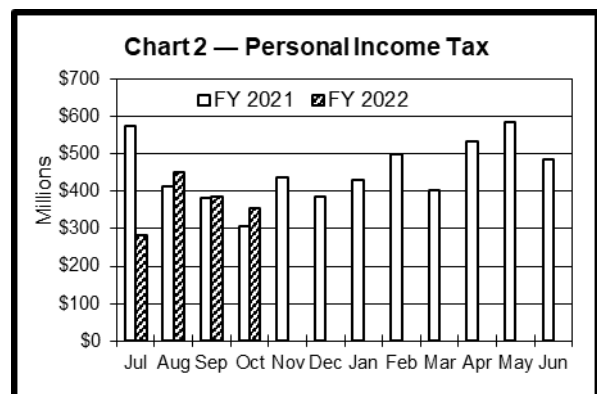
Net General Fund Receipts Through October 31, 2021					
Fiscal Year-to-Date, Gross Receipts Net of Refunds. Dollars in Millions.					
	FY 2021	FY 2022	\$ Difference	% Dif	
Net Individual Income	\$ 1,061.2	\$ 1,054.6	\$ -6.6	-0.6%	
Net Sales/Use	757.7	842.6	84.9	11.2%	
Net Corporate	173.7	198.0	24.3	14.0%	
Net Franchise	9.1	13.7	4.6	50.5%	
Net Inheritance	14.5	15.2	0.7	4.8%	
Net Insurance & Other Taxes	65.6	65.7	0.1	0.2%	
Other Revenue	64.3	73.3	9.0	14.0%	
Net Revenue	\$ 2,146.1	\$ 2,263.1	\$ 117.0	5.5%	

Revenue Categories

Personal Income Tax receipts received in October 2021 totaled \$354.9 million, an increase of \$48.7 million (15.9%) compared to October 2020.

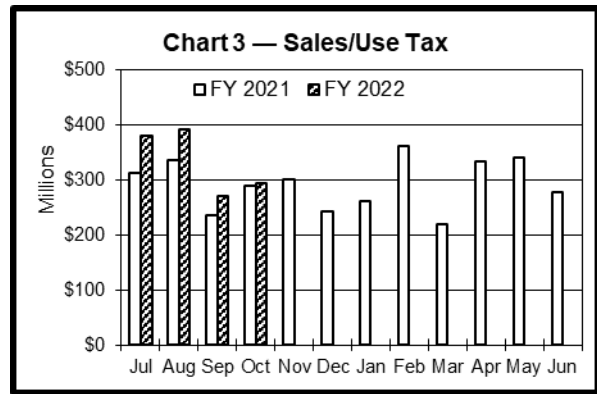
The FY 2022 REC personal income tax estimate of \$5.318 billion represents a projected decrease of 2.1% compared to actual FY 2021. Through October 2021, personal income tax receipts decreased 11.9%. By subcategory, withholding payments increased \$39.5 million, estimate payments decreased \$6.7 million, and payments with returns decreased \$232.3 million.

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



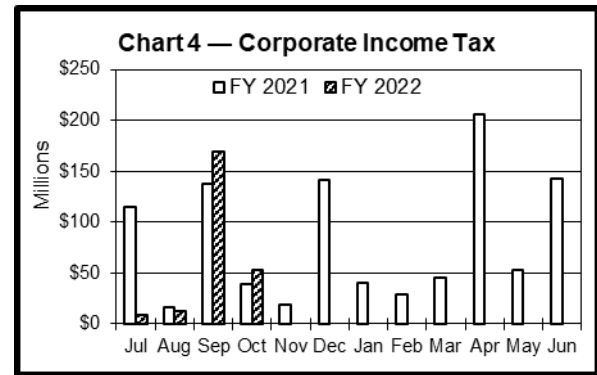
Sales/Use Tax receipts received in October 2021 totaled \$294.6 million, an increase of \$6.3 million (2.2%) compared to October 2020.

The REC estimate for FY 2022 sales/use tax receipts is \$3.634 billion, a projected increase of 3.5% compared to actual FY 2021. Through October 2021, sales/use tax receipts increased 14.3%. **Chart 3** compares FY 2021 and FY 2022 monthly sales/use tax receipts.



Corporate Income Tax receipts received in October 2021 totaled \$52.2 million, an increase of \$12.8 million (32.5%) compared to October 2020.

The REC estimate for FY 2022 corporate income tax revenue is \$884.2 million, a projected decrease of 10.1% compared to actual FY 2021. Through October 2021, corporate income tax receipts decreased 21.8%. **Chart 4** compares FY 2021 and FY 2022 monthly corporate income tax receipts.



Other Tax receipts received in October 2021 totaled \$13.1 million, an increase of \$1.5 million (12.9%) compared to October 2020.

The REC estimate for FY 2022 other tax revenue is \$339.5 million, a decrease of \$9.5 million (-2.7%) compared to actual FY 2021. Through October 2021, other tax receipts increased 1.7%.

Other Receipts (nontax receipts) received in October 2021 totaled \$26.0 million, an increase of \$1.5 million (6.1%) compared to October 2020.

The REC estimate for FY 2022 other receipts revenue is \$331.9 million, a projected decrease of 3.9% compared to actual FY 2021. Through October 2021, other receipts increased 19.4%.

Tax Refunds issued in October 2021 totaled \$85.7 million, an increase of \$39.6 million compared to October 2020. In addition to regular refunds, school infrastructure refunds totaled \$46.9 million, an increase of \$3.9 million compared to October 2020.

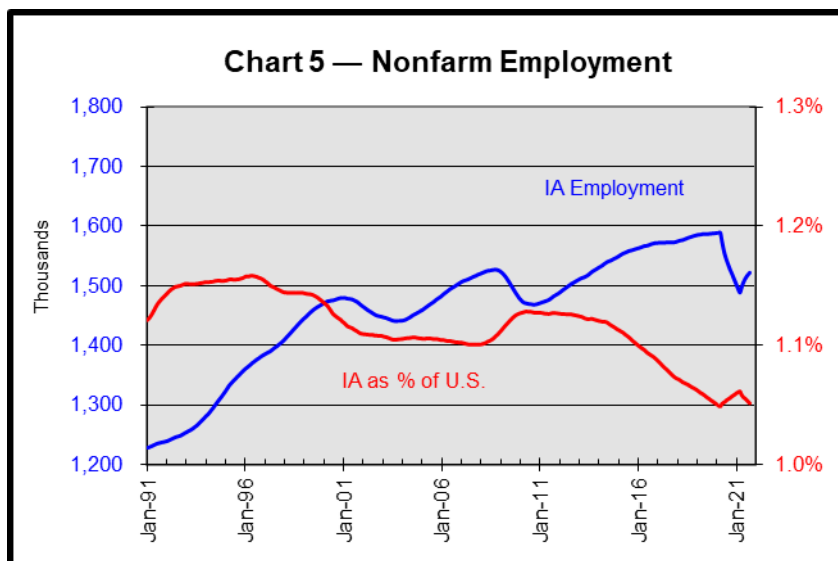
Status of the Economy

Iowa Nonfarm Employment

was reported at 1,544,100 for the month of September 2021 (not seasonally adjusted), 37,300 (2.5%) higher than September 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.

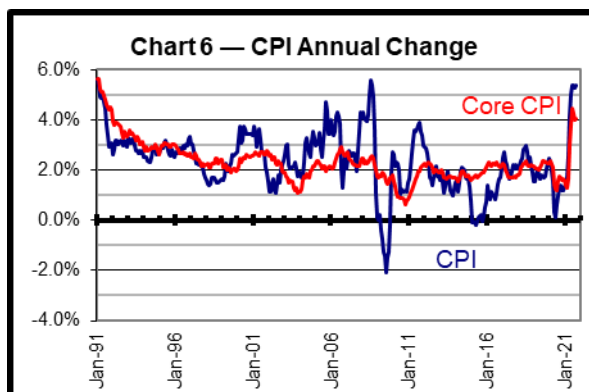
The current 12-month average reading is 1,521,100, resulting in an annual average Iowa nonfarm employment level that is 66,900 below the February 2020 peak.



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 six 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 September 2021 was 274.3 (1983/84=100). Consumer prices increased 0.1% in September 2021 (not seasonally adjusted), and the annual rate of inflation increased to 5.4%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.1% in September 2021 and increased 4.0% year-over-year. This is the sixth 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 24.8% and food prices are up 4.5% 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 2021 Actual Compared to FY 2022 REC Estimate		
	FY 2021	FY 2022	Year-to-Date % Change	October % Change	FY 2021 Actual*	FY 2022 Estimate	Projected % Change
Personal Income Tax	\$ 1,673.6	\$ 1,474.1	-11.9%	15.9%	\$ 5,434.5	\$ 5,317.9	-2.1%
Sales/Use Tax	1,171.8	1,339.1	14.3%	2.2%	3,512.3	3,634.1	3.5%
Corporate Income Tax	308.2	241.1	-21.8%	32.5%	983.8	884.2	-10.1%
Inheritance Tax	27.9	36.4	30.5%	19.3%	94.5	84.1	-11.0%
Insurance Premium Tax	66.8	64.7	-3.1%	0.0%	144.0	144.7	0.5%
Beer/Liquor Tax	1.9	5.2	173.7%	20.0%	17.7	18.1	2.3%
Franchise Tax	20.4	18.9	-7.4%	65.2%	69.9	69.9	0.0%
Miscellaneous Tax	7.8	1.7	-78.2%	0.0%	22.9	22.7	-0.9%
Total Gross Taxes	\$ 3,278.5	\$ 3,181.2	-3.0%	10.7%	\$ 10,279.6	\$ 10,175.7	-1.0%
Institutional Payments	\$ 1.9	\$ 3.4	78.9%	60.0%	\$ 7.1	\$ 10.0	40.8%
Liquor Profits	49.9	52.4	5.0%	-10.3%	146.4	147.0	0.4%
Interest	0.9	0.5	-44.4%	100.0%	2.5	0.4	-84.0%
Fees	8.3	7.6	-8.4%	-50.0%	29.9	25.7	-14.0%
Judicial Revenue	12.6	16.1	27.8%	1.2%	86.5	94.0	8.7%
Miscellaneous Receipts	13.7	24.2	76.6%	130.4%	73.0	54.8	-24.9%
Total Gross Receipts	\$ 3,365.8	\$ 3,285.5	-2.4%	10.6%	\$ 10,625.0	\$ 10,507.6	-1.1%
Accrued Revenue — Net					-274.9	10.0	
Tax Refunds *	-195.0	-219.2	12.4%	85.9%	-1,114.5	-1,124.2	0.9%
School Infrast. Refunds *	-173.5	-230.3	32.7%	9.1%	-560.4	-588.2	5.0%
TOTAL NET RECEIPTS	\$ 2,997.4	\$ 2,836.0	-5.4%	4.7%	\$ 8,675.2	\$ 8,805.2	1.5%

* 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.