

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

FROM: Maria Wagenhofer and Jeff Robinson

DATE: October 3, 2022

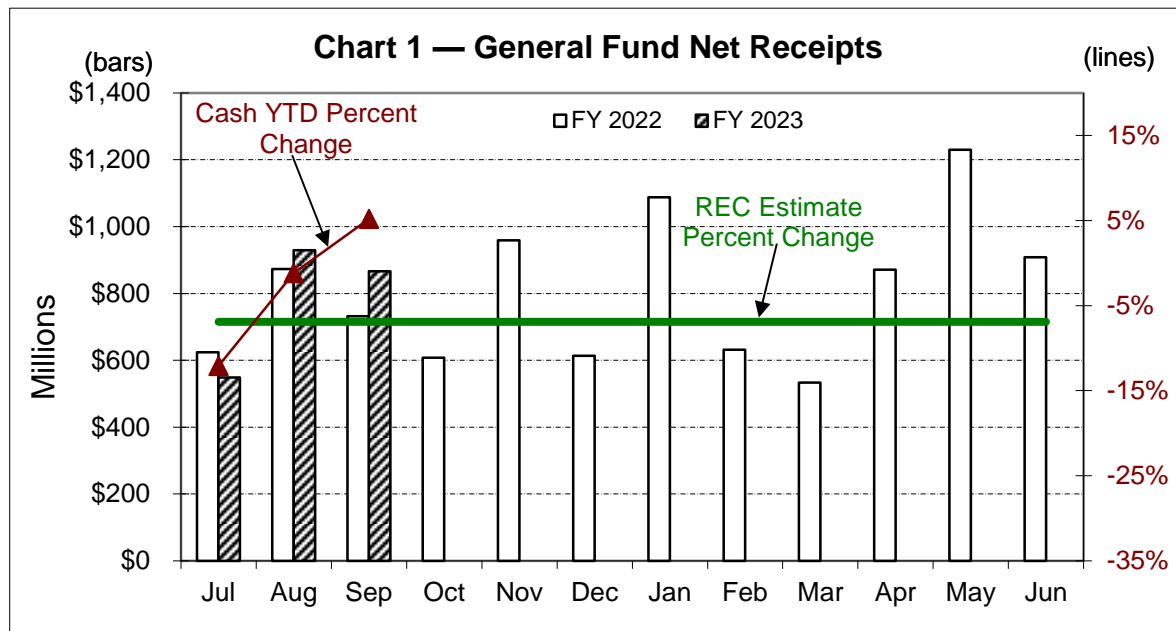
### Monthly General Fund Revenue Receipts Through September 30, 2022

The attached spreadsheet presents FY 2023 General Fund total net receipts with comparable figures for actual FY 2022. The figures can be compared to the FY 2023 estimate of \$9.006 billion as set by the Revenue Estimating Conference (REC) on March 10, 2022, and adjusted for the enactment of revenue changes in [HF 2497](#) (Gaming, Accessing Cash, Sports-Related Events Act), [HF 2564](#) (Economic Development Appropriations Act), [SF 2367](#) (Department of Revenue, Sales Tax Act), [SF 2370](#) (Aircraft Act), [SF 2374](#) (Alcoholic Beverage Control Licensing Act), [SF 2383](#) (Workforce Omnibus Act), and [SF 2385](#) (Administration and Regulation Appropriations Act). The FY 2023 estimate is a projected decrease of \$666.8 million (-6.9%) compared to FY 2022 actual receipts (excluding transfers). The next REC meeting is scheduled for October 13, 2022.

### Final FY 2022 Net Revenues

	Dollars in Millions			
	<b>Actual FY 2021</b>	<b>Actual FY 2022</b>	<b>Change</b>	<b>Percentage Change</b>
Income Tax	\$ 5,434.5	\$ 5,780.1	\$ 345.6	6.4%
Sales/Use Tax	3,512.3	3,853.7	341.4	9.7%
Corporate Tax	983.8	918.9	-64.9	-6.6%
Other Taxes	349.0	403.4	54.4	15.6%
Total Taxes	\$ 10,279.6	\$ 10,956.1	\$ 676.5	6.6%
Other Receipts	345.4	364.6	19.2	5.6%
Gross Tax & Other Receipts	\$ 10,625.0	\$ 11,320.7	\$ 695.7	6.5%
Accruals (Net)	-274.9	-47.2	227.7	-82.8%
Refund (Accrual Basis)	-1,114.5	-1,028.8	85.7	-7.7%
School Infrast. Refunds (Accrual)	-560.4	-571.3	-10.9	1.9%
Total Net Receipts	\$ 8,675.2	\$ 9,673.4	\$ 998.2	11.5%
Transfers (Accrual Basis)	125.4	130.0	4.6	3.7%
Net Receipts Plus Transfers	\$ 8,800.6	\$ 9,803.4	\$1,002.8	11.4%

Net General Fund revenue for FY 2022, excluding transfers, totaled \$9.673 billion, an increase of \$998.2 million (11.5%) compared to FY 2021. The total for FY 2022 net revenue excluding transfers was \$627.3 million above the March REC estimate. General Fund revenue including transfers was \$1.003 billion (11.4%) above FY 2021 and \$632.3 million above the FY 2022 March REC estimate.



## Overview of Current Situation

September 2022 net General Fund revenue, as reported in the State accounting system, includes the following items of impact:

- The Department of Revenue instituted a new revenue deposit process that began November 15, 2021. Due to this new process, as of the end of September 2022, \$118.0 million remains in a deposit suspense account for FY 2022 and FY 2023. In addition to deposits for personal income tax and sales/use tax revenue, the suspense account has also received deposits of motor fuel tax, which are not to be included in State General Fund revenues. At a future date, the Department of Revenue will transfer deposits for motor fuel tax from the deposit suspense account and thereby remove those deposits from State General Fund revenue. Also, at a future date, the Department of Revenue will transfer deposits of personal income tax and sales/use tax revenue categories to properly reflect the source of the revenue. This affects year-to-date and month-to-month comparisons.
- Beginning July 1, 2022, the Department of Revenue implemented [SF 2367](#) (2022 Department of Revenue Tax Administration Act), which moves most remitters to a monthly schedule for sales, use, and excise tax remittance. Previously, these taxes were remitted twice a month, monthly, quarterly, or annually. A twice-a-month remitter would remit taxes collected from August 1 through August 15 on August 25 and taxes collected from August 16 through August 31 on September 10. Monthly remitters would remit August taxes on September 20. Under the changes in Senate File 2367, taxes collected August 1 through August 31, 2022, were to be remitted September 30, 2022 (on or before the last day of the month following the

collection of the tax by the remitter). Given that Iowa automatically moves tax due dates that fall on weekends to the next working day, the move to a monthly due date of the last day of each month will significantly increase the monthly variability shown in General Fund tax receipts. Due to the last day of August falling on a weekend, September tax receipts for sales, use, and excise tax includes both July and August remittance.

Without adjusting for the above items of impact, September 2022 net General Fund revenue was \$134.6 million (18.4%) above the September 2021 net revenue level.

### Fiscal Year Growth

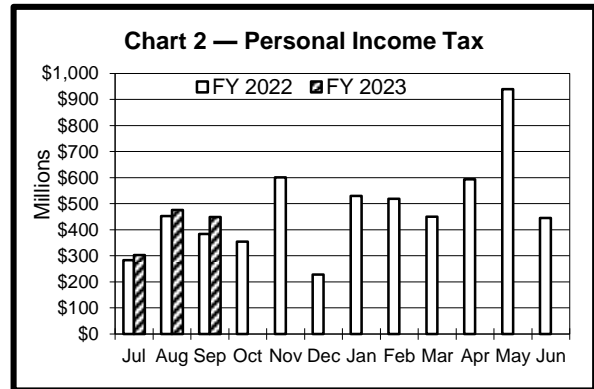
The following table converts year-to-date receipts from a cash year basis to a fiscal year basis.

<b>Net General Fund Receipts Through September 30, 2022</b>						
Fiscal Year-to-Date, Gross Receipts Net of Refunds. Dollars in Millions.						
	FY 2022	FY 2023	\$ Difference	% Dif		
Net Individual Income	\$ 755.3	\$ 863.0	\$ 107.7	14.3%		
Net Sales/Use	603.0	481.5	-121.5	-20.1%		
Net Corporate	167.0	185.0	18.0	10.8%		
Net Franchise	10.0	11.5	1.5	15.0%		
Net Inheritance	5.5	12.8	7.3	132.7%		
Net Insurance & Other Taxes	66.8	166.0	99.2	148.5%		
Other Revenue	47.2	48.0	0.8	1.7%		
Net Revenue	\$ 1,654.8	\$ 1,767.8	\$ 113.0	6.8%		

### Revenue Categories

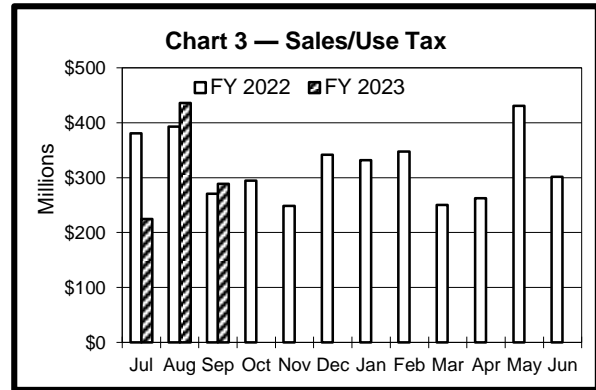
**Personal Income Tax** receipts received in September 2022 were impacted by the suspense account revenue process. Personal income tax receipts totaled \$449.5 million, an increase of \$65.4 million (17.0%) compared to September 2021.

The FY 2023 REC personal income tax estimate of \$5.388 billion represents a projected decrease of 6.8% compared to actual FY 2022. Through September 2022, personal income tax receipts increased 9.8%. By subcategory, withholding payments increased \$55.3 million, estimated payments increased \$35.8 million, and payments with returns increased \$18.4 million. **Chart 2** compares FY 2022 and FY 2023 monthly personal income tax receipts.



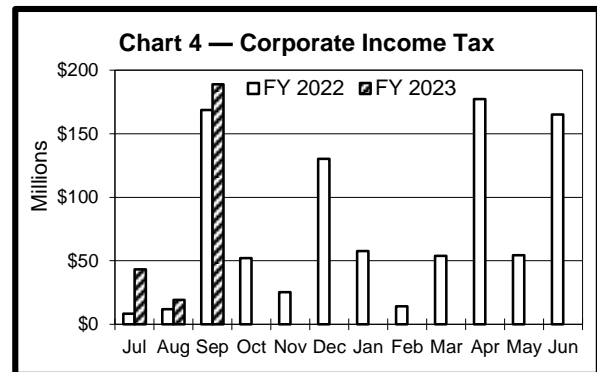
**Sales/Use Tax** receipts received in September 2022 were impacted by the suspense account revenue process and changes to tax due dates. Sales/use tax receipts totaled \$288.6 million, an increase of \$17.9 million (6.6%) compared to September 2021.

The REC estimate for FY 2023 sales/use tax receipts is \$3.993 billion, a projected increase of 3.6% compared to actual FY 2022. Through September 2022, sales/use tax receipts decreased 9.1%. **Chart 3** compares FY 2022 and FY 2023 monthly sales/use tax receipts.



**Corporate Income Tax** receipts received in September 2022 totaled \$189.0 million, an increase of \$20.4 million (12.1%) compared to September 2021.

The REC estimate for FY 2023 corporate income tax revenue is \$828.7 million, a projected decrease of 9.8% compared to actual FY 2022. Through September 2022, corporate income tax receipts increased 33.1%. **Chart 4** compares FY 2022 and FY 2023 monthly corporate income tax receipts.



**Other Tax** receipts received in September 2022, including suspense account revenue transfers completed in September and any pending suspense account revenue transfers, totaled \$88.1 million, an increase of \$70.2 million (392.2%) compared to September 2021.

The REC estimate for FY 2023 other tax revenue is \$317.2 million, a decrease of \$86.2 million (-21.4%) compared to actual FY 2022. Through September 2022, other tax receipts increased 63.2%.

**Other Receipts** (nontax receipts) received in September 2022 totaled \$24.5 million, an increase of \$1.2 million (5.2%) compared to September 2021.

The REC estimate for FY 2023 other receipts revenue is \$337.5 million, a projected decrease of 7.4% compared to actual FY 2022. Through September 2022, other receipts decreased 7.0%.

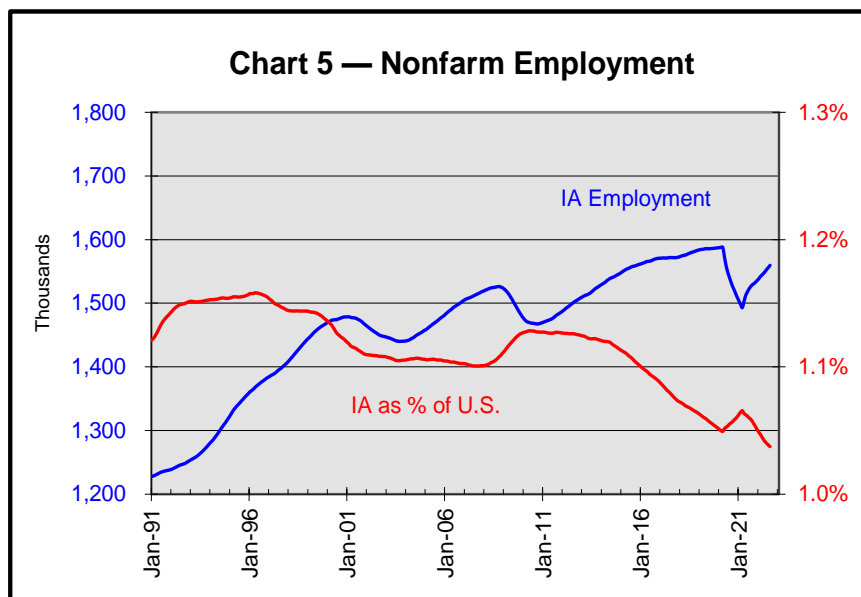
**Tax Refunds** issued in September 2022 totaled \$46.9 million, a decrease of \$3.1 million compared to September 2021. In addition to regular refunds, school infrastructure refunds totaled \$126.6 million, an increase of \$43.3 million compared to September 2021.

## Status of the Economy

### Iowa Nonfarm Employment

was reported at 1,574,500 for the month of August 2022 (not seasonally adjusted), 38,400 (2.5%) higher than August 2021.

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 previous prerecession peak that occurred in October 2008. The current 12-month average reading is 1,559,700, resulting in an annual average Iowa nonfarm employment level that is 28,300 below the February 2020 peak.

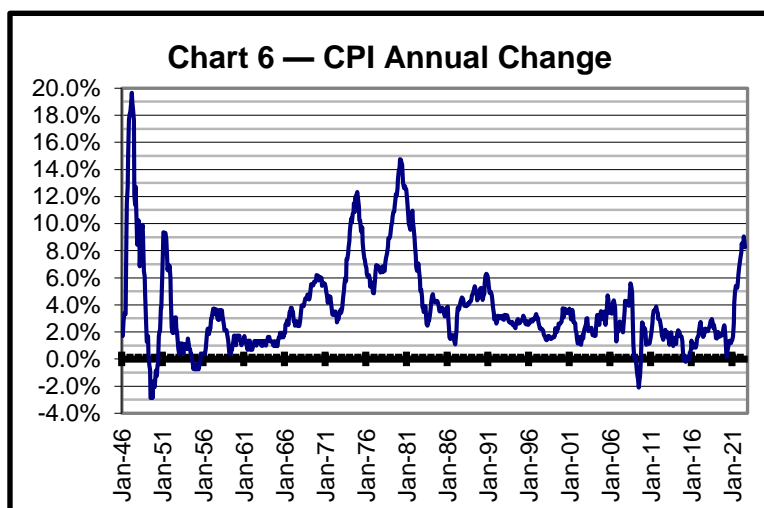


The red line on **Chart 5** presents Iowa nonfarm employment as a percentage of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Since 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 17 months and is currently at its lowest level in the history of the indicator.

### The Consumer Price Index (CPI)

through August 2022 was 296.2 (1983/84=100). Consumer prices decreased slightly in August 2022 (not seasonally adjusted), and the annual rate of inflation decreased to 8.3%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.5% in August 2022 and increased 6.3% year-over-year. This is the 17th 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 increased 23.8% and food prices increased 10.9% 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](#).

<b>GENERAL FUND RECEIPTS</b>					<b>ESTIMATED GENERAL FUND RECEIPTS</b>		
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 2022 Actual Compared to FY 2023 REC Estimate		
	<u>FY 2022</u>	<u>FY 2023</u>	<u>Year-to-Date % Change</u>	<u>September % Change</u>	<u>FY 2022 Actual</u>	<u>FY 2023 Adj. Estimate*</u>	<u>Projected % Change</u>
Personal Income Tax	\$ 1,119.2	\$ 1,228.7	9.8%	17.0%	\$ 5,780.1	\$ 5,387.8	-6.8%
Sales/Use Tax	1,044.5	949.4	-9.1%	6.6%	3,853.7	3,993.1	3.6%
Corporate Income Tax	188.9	251.4	33.1%	12.1%	918.9	828.7	-9.8%
Inheritance Tax	26.5	30.2	14.0%	116.4%	97.7	77.7	-20.5%
Insurance Premium Tax	64.7	62.7	-3.1%	633.3%	151.0	144.4	-4.4%
Beer/Liquor Tax	4.0	3.9	-2.5%	0.0%	13.7	13.7	0.0%
Franchise Tax	15.1	16.5	9.3%	13.7%	72.4	62.9	-13.1%
Miscellaneous Tax	3.5	72.4	1,968.6%	0.0%	68.6	18.5	-73.0%
<b>Total Gross Taxes</b>	<b>\$ 2,466.4</b>	<b>\$ 2,615.2</b>	<b>6.0%</b>	<b>20.6%</b>	<b>\$ 10,956.1</b>	<b>\$ 10,526.8</b>	<b>-3.9%</b>
Institutional Payments	\$ 2.6	\$ 3.4	30.8%	30.0%	\$ 11.7	\$ 10.0	-14.5%
Liquor Profits	42.0	38.9	-7.4%	6.9%	152.8	148.0	-3.1%
Interest	0.3	4.1	1,266.7%	1,300.0%	3.6	2.5	-30.6%
Fees	6.8	5.5	-19.1%	-4.8%	30.7	24.7	-19.5%
Judicial Revenue	7.6	7.5	-1.3%	13.2%	88.2	98.2	11.3%
Miscellaneous Receipts	18.9	13.3	-29.6%	-34.0%	77.6	54.1	-30.3%
<b>Total Gross Receipts</b>	<b>\$ 2,544.6</b>	<b>\$ 2,687.9</b>	<b>5.6%</b>	<b>20.2%</b>	<b>\$ 11,320.7</b>	<b>\$ 10,864.3</b>	<b>-4.0%</b>
Accrued Revenue — Net					-47.2	15.0	
Tax Refunds	-133.5	-116.7	-12.6%	-6.2%	-1,028.8	-1,237.2	20.3%
School Infrast. Refunds	-183.4	-227.3	23.9%	52.0%	-571.3	-635.5	11.2%
<b>TOTAL NET RECEIPTS</b>	<b>\$ 2,227.7</b>	<b>\$ 2,343.9</b>	<b>5.2%</b>	<b>18.4%</b>	<b>\$ 9,673.4</b>	<b>\$ 9,006.6</b>	<b>-6.9%</b>

For the Year-to-Date section, refunds are presented on a cash year basis.  
For FY 2022 Actual and FY 2023 Estimate, refunds are presented on a fiscal year basis.  
The FY 2022 Actual column is final.  
\*The FY 2023 Adjusted Estimate includes legislative changes.  
The amounts on this table exclude transfer revenue.