

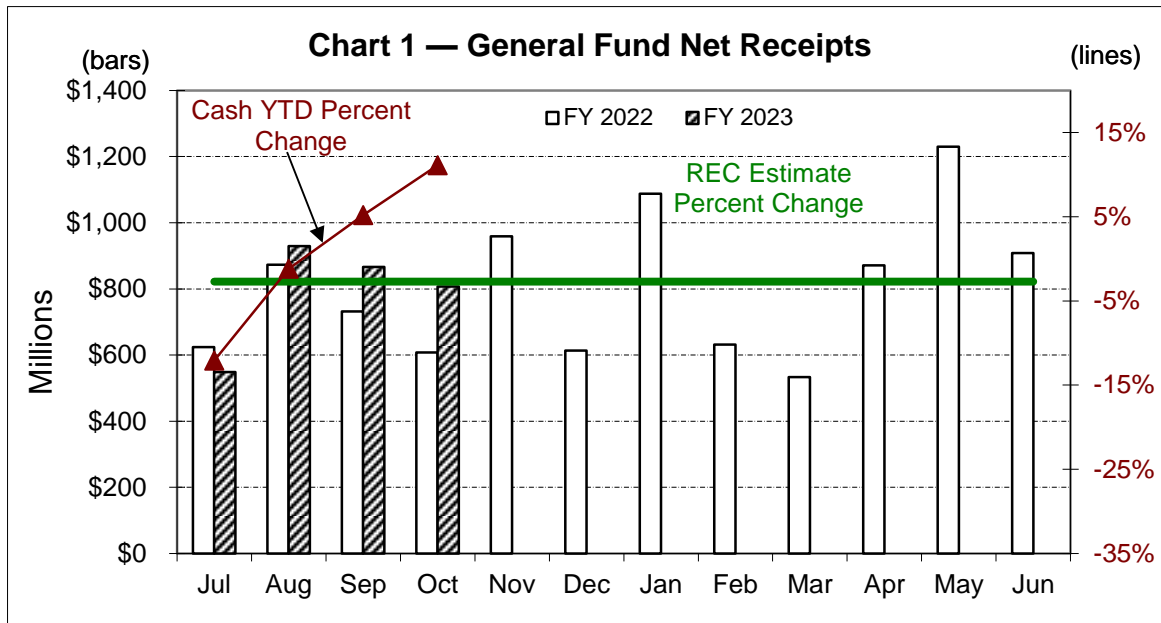
TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives

FROM: Maria Wagenhofer and Jeff Robinson

DATE: November 1, 2022

Monthly General Fund Revenue Receipts Through October 31, 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 \$9.409 billion as set by the Revenue Estimating Conference (REC) on October 13, 2022. The FY 2023 estimate is a projected decrease of \$264.7 million (-2.7%) compared to FY 2022 actual receipts (excluding transfers). The next REC meeting is scheduled for December 2022.



Overview of Current Situation

October 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 October 2022, \$201.9 million (fiscal year basis) 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 [Senate File 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 September 1 through September 15 on September 25 and taxes collected from September 16 through September 30 on October 10. Monthly remitters would remit September taxes on October 20. Under the changes in SF 2367, taxes collected September 1 through September 30, 2022, were to be remitted October 31, 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.
- The previous year month-end and quarter-end tax due date of October 31, 2021, fell on a weekend, pushing the receipts into November 2022. For comparison, \$312.1 million was deposited on November 2, 2021. This affects month-to-month comparisons and year-to-date comparisons.

Without adjusting for the above items of impact, October 2022 net General Fund revenue was \$198.6 million (32.7%) above the October 2021 net revenue level.

Fiscal Year Growth

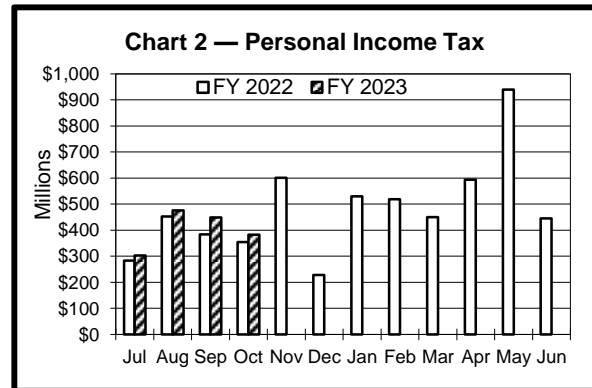
The following table converts year-to-date receipts from a cash year basis to a fiscal year basis.

Net General Fund Receipts Through October 31, 2022						
Fiscal Year-to-Date, Gross Receipts Net of Refunds. Dollars in Millions.						
	FY 2022		FY 2023		\$ Difference	% Dif
Net Individual Income	\$	1,054.6	\$	1,160.3	\$ 105.7	10.0%
Net Sales/Use		842.6		820.2	-22.4	-2.7%
Net Corporate		198.0		207.2	9.2	4.6%
Net Franchise		13.7		13.6	-0.1	-0.7%
Net Inheritance		15.2		21.6	6.4	42.1%
Net Insurance & Other Taxes		65.7		265.5	199.8	304.1%
Other Revenue		73.3		86.1	12.8	17.5%
Net Revenue	\$	2,263.1	\$	2,574.5	\$ 311.4	13.8%

Revenue Categories

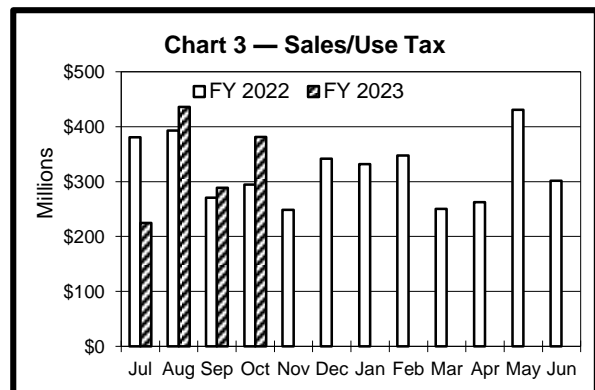
Personal Income Tax receipts received in October 2022 were impacted by the suspense account revenue process. Personal income tax receipts totaled \$382.1 million, an increase of \$27.2 million (7.7%) compared to October 2021.

The FY 2023 REC personal income tax estimate of \$5.532 billion represents a projected decrease of 4.3% compared to actual FY 2022. Through October 2022, personal income tax receipts increased 9.3%. By subcategory, withholding payments increased \$78.2 million, estimated payments increased \$29.1 million, and payments with returns increased \$29.5 million. **Chart 2** compares FY 2022 and FY 2023 monthly personal income tax receipts.



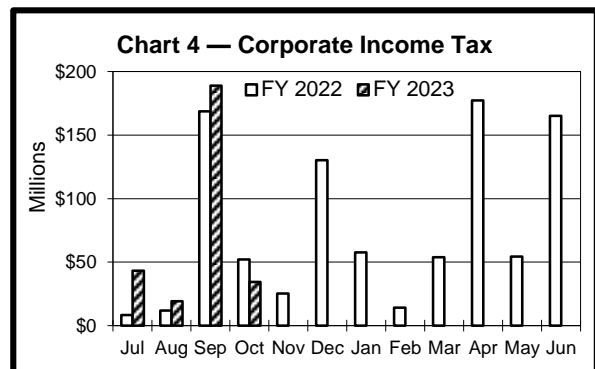
Sales/Use Tax receipts received in October 2022 were impacted by the suspense account revenue process and changes to tax due dates. Sales/use tax receipts totaled \$381.3 million, an increase of \$86.7 million (29.4%) compared to October 2021.

The REC estimate for FY 2023 sales/use tax receipts is \$3.969 billion, a projected increase of 3.0% compared to actual FY 2022. Through October 2022, sales/use tax receipts decreased 0.6%. **Chart 3** compares FY 2022 and FY 2023 monthly sales/use tax receipts.



Corporate Income Tax receipts received in October 2022 totaled \$34.5 million, a decrease of \$17.7 million (-33.9%) compared to October 2021.

The REC estimate for FY 2023 corporate income tax revenue is \$981.5 million, a projected increase of 6.8% compared to actual FY 2022. Through October 2022, corporate income tax receipts increased 18.6%. **Chart 4** compares FY 2022 and FY 2023 monthly corporate income tax receipts.



Other Tax receipts received in October 2022, including suspense account revenue transfers completed in October and any pending suspense account revenue transfers, totaled \$111.4 million, an increase of \$98.3 million (750.4%) compared to October 2021. The REC estimate for FY 2023 other tax revenue is \$364.6 million, a decrease of \$38.8 million (-9.6%) compared to actual FY 2022. Through October 2022, other tax receipts increased 134.1%.

Other Receipts (nontax receipts) received in October 2022 totaled \$38.1 million, an increase of \$12.1 million (46.5%) compared to October 2021.

The REC estimate for FY 2023 other receipts revenue is \$326.0 million, a projected decrease of 10.6% compared to actual FY 2022. Through October 2022, other receipts increased 6.3%.

Tax Refunds issued in October 2022 totaled \$103.8 million, an increase of \$18.1 million compared to October 2021. In addition to regular refunds, school infrastructure refunds totaled \$37.1 million, a decrease of \$9.8 million compared to October 2021.

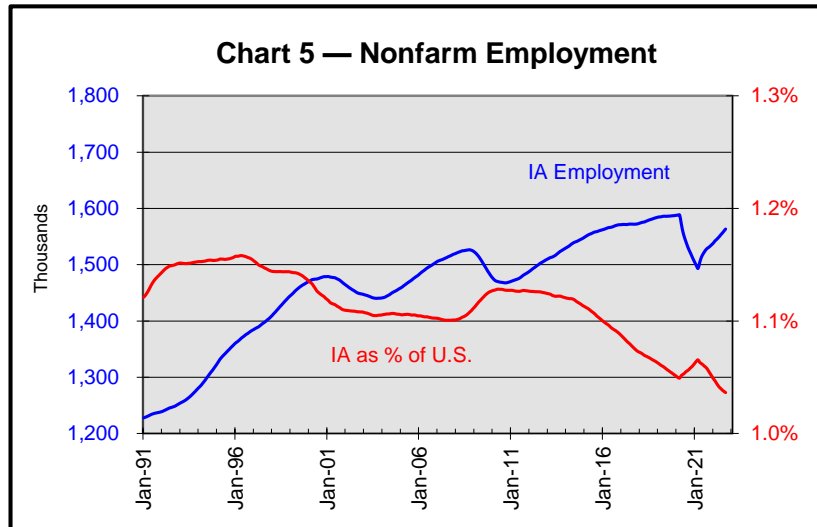
Status of the Economy

Iowa Nonfarm Employment was reported at 1,582,800 for the month of September 2022 (not seasonally adjusted), 39,000 (2.5%) higher than September 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 1,563,100, resulting in an annual average Iowa nonfarm employment level that is 24,900 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 18 months and is currently at its lowest level in the history of the indicator.

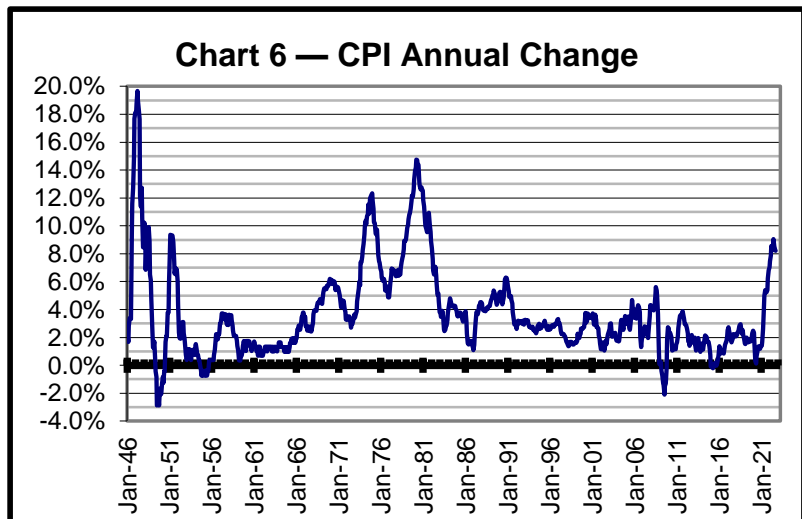


The **Consumer Price Index (CPI)** through September 2022 was 296.8 (1983/84=100). Consumer prices increased slightly in September 2022 (not seasonally adjusted), and the annual rate of inflation decreased to 8.2%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.4% in September 2022 and increased 6.6% year-over-year. This is the 18th 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 19.8% and food prices increased 10.8% 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 2022 Actual Compared to FY 2023 REC Estimate		
	FY 2022	FY 2023	Year-to-Date % Change	October % Change	FY 2022 Actual	FY 2023 Estimate	Projected % Change
Personal Income Tax	\$ 1,474.1	\$ 1,610.8	9.3%	7.7%	\$ 5,780.1	\$ 5,531.8	-4.3%
Sales/Use Tax	1,339.1	1,330.7	-0.6%	29.4%	3,853.7	3,969.1	3.0%
Corporate Income Tax	241.1	285.9	18.6%	-33.9%	919.0	981.5	6.8%
Inheritance Tax	36.4	39.3	8.0%	-8.1%	97.7	93.4	-4.4%
Insurance Premium Tax	64.7	64.7	0.0%	0.0%	151.0	155.0	2.6%
Beer/Liquor Tax	5.2	5.1	-1.9%	0.0%	13.6	12.8	-5.9%
Franchise Tax	18.9	18.6	-1.6%	-44.7%	72.4	71.1	-1.8%
Miscellaneous Tax	1.7	169.4	9,864.7%	5,488.9%	68.7	32.3	-53.0%
Total Gross Taxes	\$ 3,181.2	\$ 3,524.7	10.8%	27.3%	\$ 10,956.2	\$ 10,847.0	-1.0%
Institutional Payments	\$ 3.4	\$ 4.1	20.6%	-12.5%	\$ 11.6	\$ 10.0	-13.8%
Liquor Profits	52.4	51.5	-1.7%	21.2%	152.9	149.5	-2.2%
Interest	0.5	8.1	1,520.0%	1,900.0%	3.6	10.8	200.0%
Fees	7.6	7.1	-6.6%	100.0%	30.7	28.2	-8.1%
Judicial Revenue	16.1	16.5	2.5%	5.9%	88.2	58.6	-33.6%
Miscellaneous Receipts	24.2	23.5	-2.9%	92.5%	77.5	68.9	-11.1%
Total Gross Receipts	\$ 3,285.5	\$ 3,635.4	10.6%	27.9%	\$ 11,320.7	\$ 11,173.0	-1.3%
Accrued Revenue — Net					-47.2	43.0	
Tax Refunds	-219.2	-220.5	0.6%	21.1%	-1,028.8	-1,110.0	7.9%
School Infrast. Refunds	-230.3	-264.4	14.8%	-20.9%	-571.3	-697.3	22.1%
TOTAL NET RECEIPTS	\$ 2,836.0	\$ 3,150.5	11.1%	32.7%	\$ 9,673.4	\$ 9,408.7	-2.7%

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 amounts on this table exclude transfer revenue.