

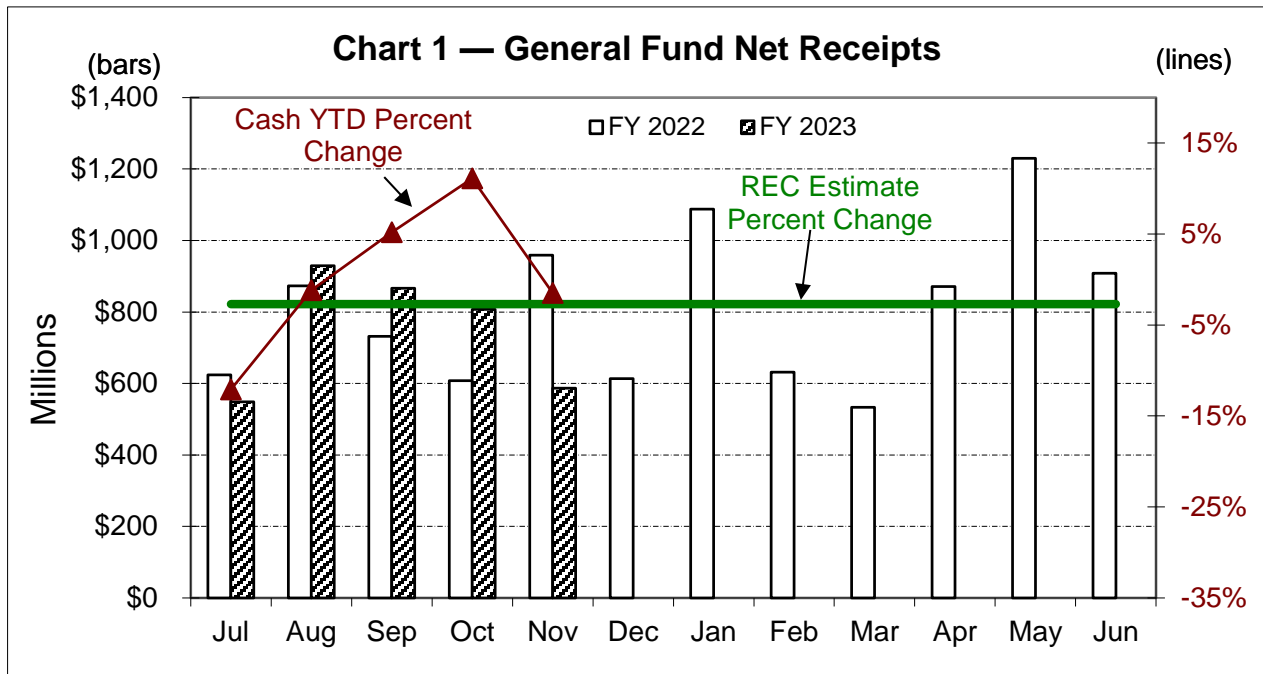
TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives

FROM: Maria Wagenhofer and Jeff Robinson

DATE: December 1, 2022

Monthly General Fund Revenue Receipts Through November 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 \$9.409 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 14, 2022.



Overview of Current Situation

November 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 November 2022, \$98.5 million (fiscal year basis) remains in a deposit suspense account for 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 October 1 through October 15 on October 25 and taxes collected from October 16 through October 31 on November 10. Monthly remitters would remit October taxes on November 20. Under the changes in SF 2367, taxes collected October 1 through October 31, 2022, were to be remitted November 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.
- The previous year month-end and quarter-end tax due date of October 31, 2021, fell on a weekend, pushing the receipts into November 2021. 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, November 2022 net General Fund revenue was \$371.9 million (-38.8%) below the November 2021 net revenue level.

Fiscal Year Growth

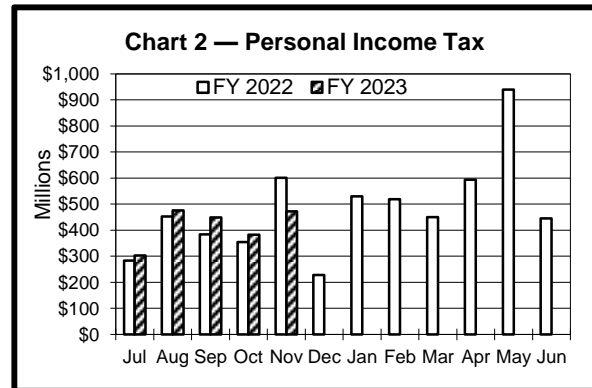
The following table converts year-to-date receipts from a cash year basis to a fiscal year basis.

Net General Fund Receipts Through November 30, 2022					
Fiscal Year-to-Date, Gross Receipts Net of Refunds. Dollars in Millions.					
	FY 2022	FY 2023	\$ Difference	% Dif	
Net Individual Income	\$ 1,628.5	\$ 1,578.4	\$ -50.1	-3.1%	
Net Sales/Use	1,030.5	1,033.3	2.8	0.3%	
Net Corporate	217.9	217.8	-0.1	0.0%	
Net Franchise	13.9	13.9	0.0	0.0%	
Net Inheritance	21.8	29.5	7.7	35.3%	
Net Insurance & Other Taxes	205.4	168.9	-36.5	-17.8%	
Other Revenue	103.7	119.7	16.0	15.4%	
Net Revenue	\$ 3,221.7	\$ 3,161.5	\$ -60.2	-1.9%	

Revenue Categories

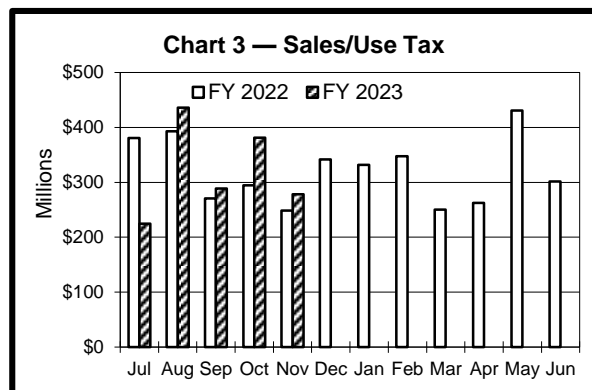
Personal Income Tax receipts received in November 2022 were impacted by the suspense account revenue process. FY 2021 November receipts were impacted by \$200 million in deposits later determined to not be legitimate. Personal income tax receipts totaled \$472.0 million, a decrease of \$129.1 million (-21.5%) compared to November 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 November 2022, personal income tax receipts increased 0.4%. By subcategory, withholding payments increased \$141.6 million, estimated payments decreased \$168.7 million, and payments with returns increased \$34.7 million. **Chart 2** compares FY 2022 and FY 2023 monthly personal income tax receipts.



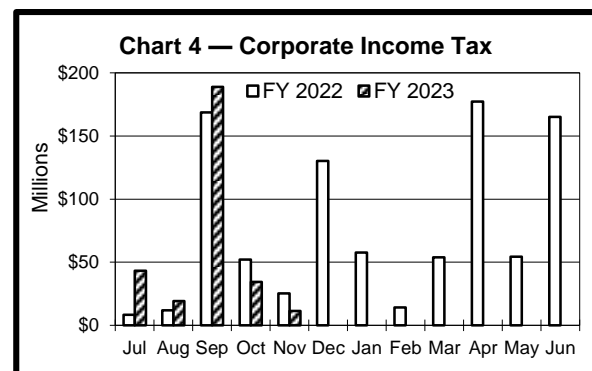
Sales/Use Tax receipts received in November 2022 were impacted by the suspense account revenue process and changes to tax due dates. Sales/use tax receipts totaled \$278.4 million, an increase of \$29.9 million (12.0%) compared to November 2021.

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 November 2022, sales/use tax receipts increased 1.4%. **Chart 3** compares FY 2022 and FY 2023 monthly sales/use tax receipts.



Corporate Income Tax receipts received in November 2022 totaled \$11.4 million, a decrease of \$13.9 million (-54.9%) compared to November 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 November 2022, corporate income tax receipts increased 11.6%. **Chart 4** compares FY 2022 and FY 2023 monthly corporate income tax receipts.



Other Tax receipts received in November 2022, including suspense account revenue transfers completed in November and any pending suspense account revenue transfers, totaled negative \$88.2 million compared to November 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 November 2022, other tax receipts decreased 23.9%.

Other Receipts (nontax receipts) received in November 2022 totaled \$33.6 million, an increase of \$3.0 million (9.8%) compared to November 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 November 2022, other receipts increased 7.1%.

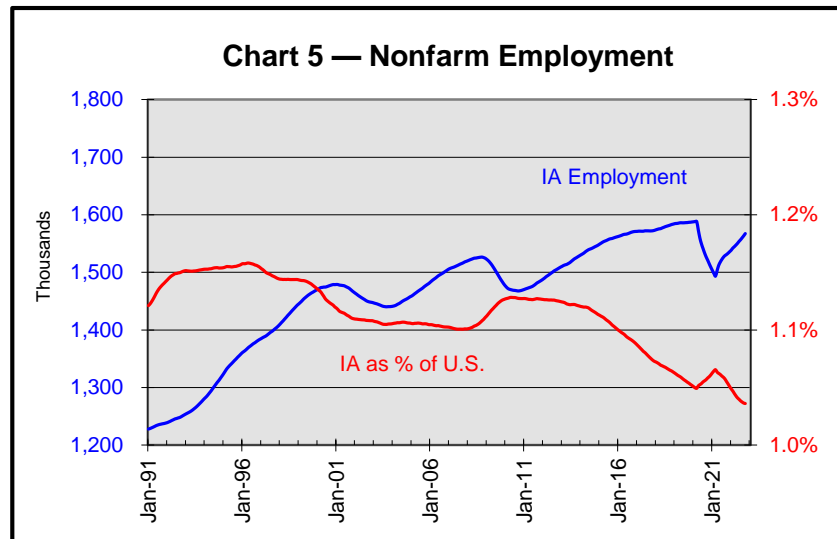
Tax Refunds issued in November 2022 totaled \$58.2 million, an increase of \$21.9 million compared to November 2021. In addition to regular refunds, school infrastructure refunds totaled \$62.1 million, an increase of \$3.9 million compared to November 2021.

Status of the Economy

Iowa Nonfarm Employment was reported at 1,602,500 for the month of October 2022 (not seasonally adjusted), 45,400 (2.9%) higher than October 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 1,567,100, resulting in an annual average Iowa nonfarm employment level that is 20,900 below the February 2020 peak.



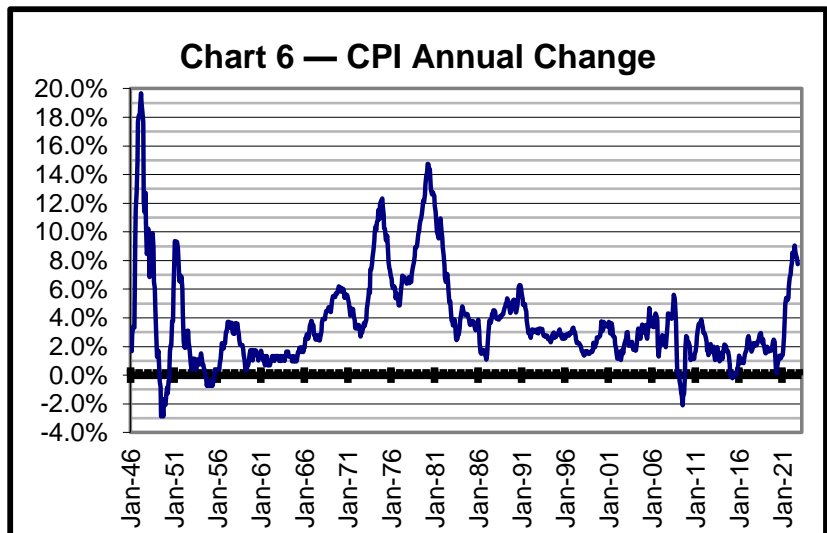
The red line on **Chart 5** presents Iowa nonfarm employment as a percentage of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Since 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 19 months and is currently at its lowest level in the history of the indicator.

The **Consumer Price Index (CPI)** through October 2022 was 298.0 (1983/84=100).

Consumer prices increased slightly in October 2022 (not seasonally adjusted), and the annual rate of inflation decreased to 7.7%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.3% in October 2022 and increased 6.3% year over year. This is the 19th 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 17.6% and food prices increased 10.6% 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 November 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>November % Change</u>	<u>FY 2022 Actual</u>	<u>FY 2023 Estimate</u>	<u>Projected % Change</u>
Personal Income Tax	\$ 2,075.2	\$ 2,082.8	0.4%	-21.5%	\$ 5,780.1	\$ 5,531.8	-4.3%
Sales/Use Tax	1,587.6	1,609.1	1.4%	12.0%	3,853.7	3,969.1	3.0%
Corporate Income Tax	266.4	297.3	11.6%	-54.9%	919.0	981.5	6.8%
Inheritance Tax	43.1	47.3	9.7%	19.4%	97.7	93.4	-4.4%
Insurance Premium Tax	64.7	64.4	-0.5%	0.0%	151.0	155.0	2.6%
Beer/Liquor Tax	6.3	6.0	-4.8%	-18.2%	13.6	12.8	-5.9%
Franchise Tax	19.1	18.9	-1.0%	50.0%	72.4	71.1	-1.8%
Miscellaneous Tax	141.4	72.3	-48.9%	-169.5%	68.7	32.3	-53.0%
Total Gross Taxes	\$ 4,203.8	\$ 4,198.2	-0.1%	-34.1%	\$ 10,956.2	\$ 10,847.0	-1.0%
Institutional Payments	\$ 4.1	\$ 5.1	24.4%	42.9%	\$ 11.6	\$ 10.0	-13.8%
Liquor Profits	66.6	65.4	-1.8%	-2.1%	152.9	149.5	-2.2%
Interest	1.0	13.0	1,200.0%	880.0%	3.6	10.8	200.0%
Fees	9.3	8.0	-14.0%	-47.1%	30.7	28.2	-8.1%
Judicial Revenue	24.6	24.9	1.2%	-1.2%	88.2	58.6	-33.6%
Miscellaneous Receipts	29.2	28.0	-4.1%	-10.0%	77.5	68.9	-11.1%
Total Gross Receipts	\$ 4,338.6	\$ 4,342.7	0.1%	-32.9%	\$ 11,320.7	\$ 11,173.0	-1.3%
Accrued Revenue — Net					-47.2	43.0	
Tax Refunds	-255.5	-278.7	9.1%	60.3%	-1,028.8	-1,110.0	7.9%
School Infrast. Refunds	-288.5	-326.5	13.2%	6.7%	-571.3	-697.3	22.1%
TOTAL NET RECEIPTS	\$ 3,794.7	\$ 3,737.5	-1.5%	-38.8%	\$ 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.