

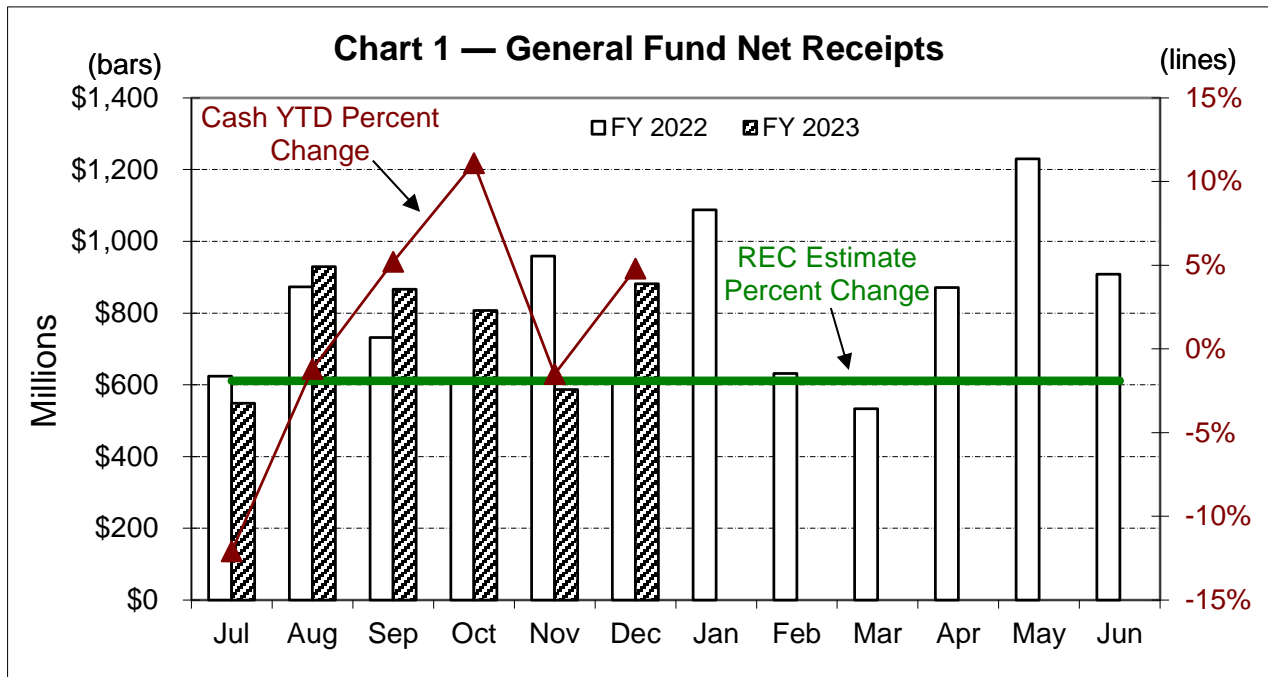
TO: Members of the Iowa Senate and
 Members of the Iowa House of Representatives

FROM: Maria Wagenhofer and Jeff Robinson

DATE: January 3, 2023

Monthly General Fund Revenue Receipts Through December 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 \$9.490 billion as set by the Revenue Estimating Conference (REC) on December 14, 2022. The FY 2023 estimate is a projected decrease of \$183.6 million (-1.9%) compared to FY 2022 actual receipts (excluding transfers). The next REC meeting has not been scheduled.



Overview of Current Situation

December 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 December 2022, \$109.4 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 November 1 through November 15 on November 25 and taxes collected from November 16 through November 30 on December 10. Monthly remitters would remit November taxes on December 20. Under the changes in SF 2367, taxes collected November 1 through November 30, 2022, were to be remitted December 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. Because the last day of December falling on a weekend, December tax receipts for sales, use, and excise tax do not include remittances from the December 31, 2022, monthly due date.
- FY 2022 Personal Income Tax receipts in December 2021 were impacted by \$200.0 million in deposits from November 2021 that were determined to be nonlegitimate and reversed on December 2, 2021. As a result, December 2021 receipts were artificially deflated, affecting month-to-month comparisons.

Without adjusting for the above items of impact, December 2022 net General Fund revenue was \$267.3 million (43.5%) above the December 2021 net revenue level.

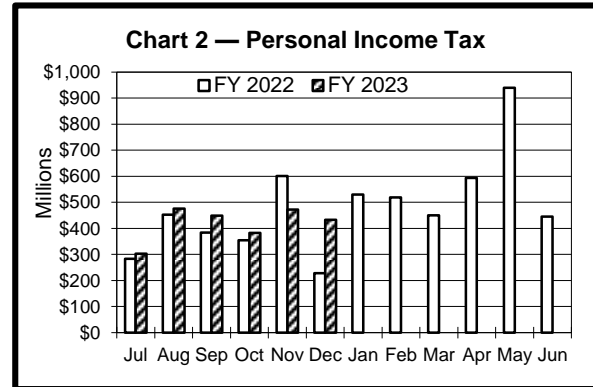
Fiscal Year Growth

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

Net General Fund Receipts Through December 31, 2022					
Fiscal Year-to-Date, Gross Receipts Net of Refunds. Dollars in Millions.					
	FY 2022	FY 2023	\$ Difference	% Dif	
Net Individual Income	\$ 1,842.0	\$ 1,992.5	\$ 150.5	8.2%	
Net Sales/Use	1,325.6	1,307.7	-17.9	-1.4%	
Net Corporate	338.8	346.4	7.6	2.2%	
Net Franchise	25.2	24.6	-0.6	-2.4%	
Net Inheritance	32.1	35.1	3.0	9.3%	
Net Insurance & Other Taxes	138.3	183.5	45.2	32.7%	
Other Revenue	133.5	152.8	19.3	14.5%	
Net Revenue	\$ 3,835.5	\$ 4,042.6	\$ 207.1	5.4%	

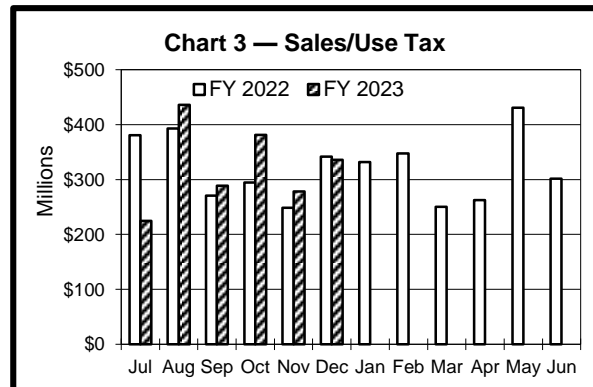
Revenue Categories

Personal Income Tax receipts received in December 2022 were impacted by the suspense account revenue process. December 2021 personal income tax receipts were also impacted by a reversal of \$200.0 million in deposits made in November that were determined to be nonlegitimate. Personal income tax receipts totaled \$432.6 million, an increase of \$204.9 million (90.0%) compared to December 2021.



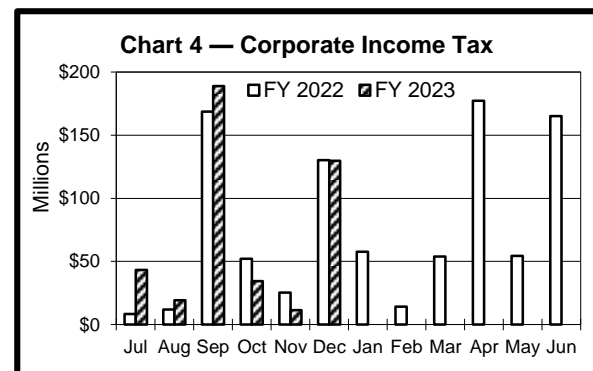
The FY 2023 REC personal income tax estimate of \$5.577 billion represents a projected decrease of 3.5% compared to actual FY 2022. Through December 2022, personal income tax receipts increased 9.2%. By subcategory, withholding payments increased \$151.3 million, estimated payments increased \$26.1 million, and payments with returns increased \$35.1 million. **Chart 2** compares FY 2022 and FY 2023 monthly personal income tax receipts.

Sales/Use Tax receipts received in December 2022 were impacted by the suspense account revenue process and changes to tax due dates. Sales/use tax receipts totaled \$335.6 million, a decrease of \$6.0 million (-1.8%) compared to December 2021.



The REC estimate for FY 2023 sales/use tax receipts is \$3.985 billion, a projected increase of 3.4% compared to actual FY 2022. Through December 2022, sales/use tax receipts increased 0.8%. **Chart 3** compares FY 2022 and FY 2023 monthly sales/use tax receipts.

Corporate Income Tax receipts received in December 2022 totaled \$129.7 million, a decrease of \$0.4 million (-0.3%) compared to December 2021.



The REC estimate for FY 2023 corporate income tax revenue is \$952.2 million, a projected increase of 3.6% compared to actual FY 2022. Through December 2022, corporate income tax receipts increased 7.7%. **Chart 4** compares FY 2022 and FY 2023 monthly corporate income tax receipts.

Other Tax receipts received in December 2022, including suspense account revenue transfers completed in December and any pending suspense account revenue transfers, totaled \$31.5 million, an increase of \$76.2 million (170.5%) compared to December 2021.

The REC estimate for FY 2023 other tax revenue is \$346.8 million, a decrease of \$56.6 million (-14.0%) compared to actual FY 2022. Through December 2022, other tax receipts increased 4.6%.

Other Receipts (nontax receipts) received in December 2022 totaled \$33.1 million, an increase of \$3.3 million (11.1%) compared to December 2021.

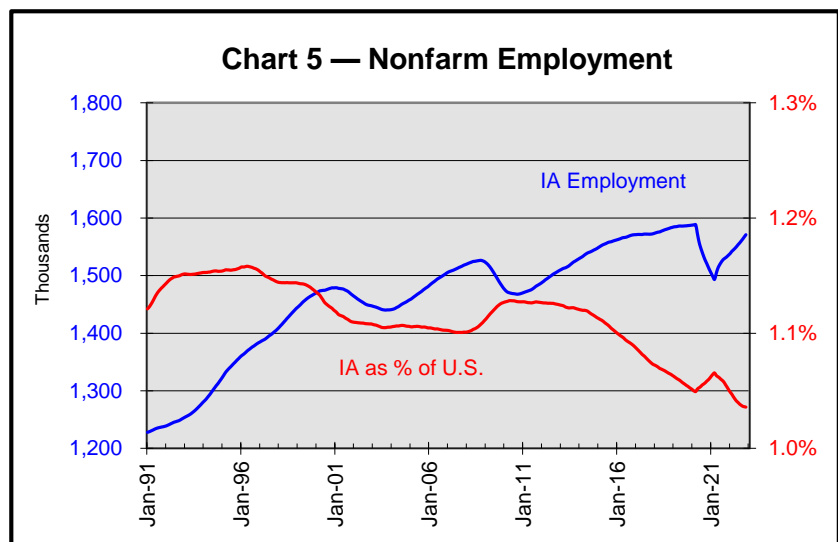
The REC estimate for FY 2023 other receipts revenue is \$361.6 million, a projected decrease of 0.8% compared to actual FY 2022. Through December 2022, other receipts increased 7.8%.

Tax Refunds issued in December 2022 totaled \$25.1 million, a decrease of \$1.7 million compared to December 2021. In addition to regular refunds, school infrastructure refunds totaled \$56.1 million, an increase of \$12.2 million compared to December 2021.

Status of the Economy

Iowa Nonfarm Employment was reported at 1,602,800 for the month of November 2022 (not seasonally adjusted), 43,600 (2.8%) higher than November 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 1,570,800, resulting in an annual average Iowa nonfarm employment level that is 17,200 below the February 2020 peak.



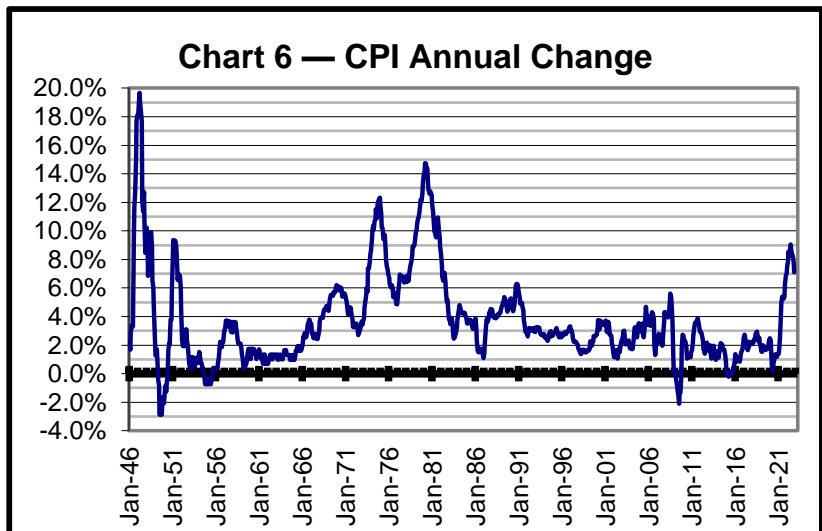
The red line on **Chart 5** presents Iowa nonfarm employment as a percentage of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Since 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 20 months and is currently at its lowest level in the history of the indicator.

The **Consumer Price Index (CPI)** through November 2022 was 297.7 (1983/84=100). Consumer prices decreased slightly in November 2022 (not seasonally adjusted), and the annual rate of inflation decreased to 7.1%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.1% in November 2022 and increased 6.0% year over year. This is the 20th 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 13.1% and food prices increased 10.3% 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 December 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		
	<u>FY 2022</u>	<u>FY 2023</u>	<u>Year-to-Date % Change</u>	<u>December % Change</u>	<u>FY 2022 Actual</u>	<u>FY 2023 Estimate</u>	<u>Projected % Change</u>
Personal Income Tax	\$ 2,302.9	\$ 2,515.4	9.2%	90.0%	\$ 5,780.1	\$ 5,576.6	-3.5%
Sales/Use Tax	1,929.2	1,944.7	0.8%	-1.8%	3,853.7	3,984.9	3.4%
Corporate Income Tax	396.5	427.0	7.7%	-0.3%	919.0	952.2	3.6%
Inheritance Tax	53.8	53.2	-1.1%	-44.9%	97.7	93.4	-4.4%
Insurance Premium Tax	64.8	65.0	0.3%	500.0%	151.0	151.4	0.3%
Beer/Liquor Tax	7.3	7.1	-2.7%	10.0%	13.6	12.8	-5.9%
Franchise Tax	30.6	29.6	-3.3%	-7.0%	72.4	61.4	-15.2%
Miscellaneous Tax	73.4	85.5	16.5%	119.4%	68.7	27.8	-59.5%
Total Gross Taxes	\$ 4,858.6	\$ 5,127.5	5.5%	41.9%	\$ 10,956.2	\$ 10,860.5	-0.9%
Institutional Payments	\$ 5.2	\$ 5.9	13.5%	-27.3%	\$ 11.6	\$ 10.0	-13.8%
Liquor Profits	79.7	78.0	-2.1%	-3.8%	152.9	149.5	-2.2%
Interest	1.1	18.8	1,609.1%	5,700.0%	3.6	23.0	538.9%
Fees	12.3	11.5	-6.5%	16.7%	30.7	28.6	-6.8%
Judicial Revenue	32.3	32.5	0.6%	-1.3%	88.2	88.4	0.2%
Miscellaneous Receipts	34.0	30.8	-9.4%	-41.7%	77.5	62.1	-19.9%
Total Gross Receipts	\$ 5,023.1	\$ 5,305.0	5.6%	40.6%	\$ 11,320.7	\$ 11,222.1	-0.9%
Accrued Revenue — Net					-47.2	43.0	
Tax Refunds	-282.3	-303.8	7.6%	-6.3%	-1,028.8	-1,095.3	6.5%
School Infrast. Refunds	-332.4	-382.6	15.1%	27.8%	-571.3	-680.0	19.0%
TOTAL NET RECEIPTS	\$ 4,408.4	\$ 4,618.6	4.8%	43.5%	\$ 9,673.4	\$ 9,489.8	-1.9%

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.