



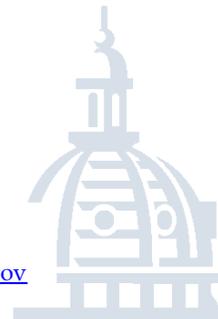
LEGISLATIVE SERVICES AGENCY

Serving the Iowa Legislature

Tim McDermott, Director

Evan Johnson
Legislative Analyst
State Capitol
Des Moines, IA 50319

Phone: 515.281.6301
Email: evan.johnson@legis.iowa.gov



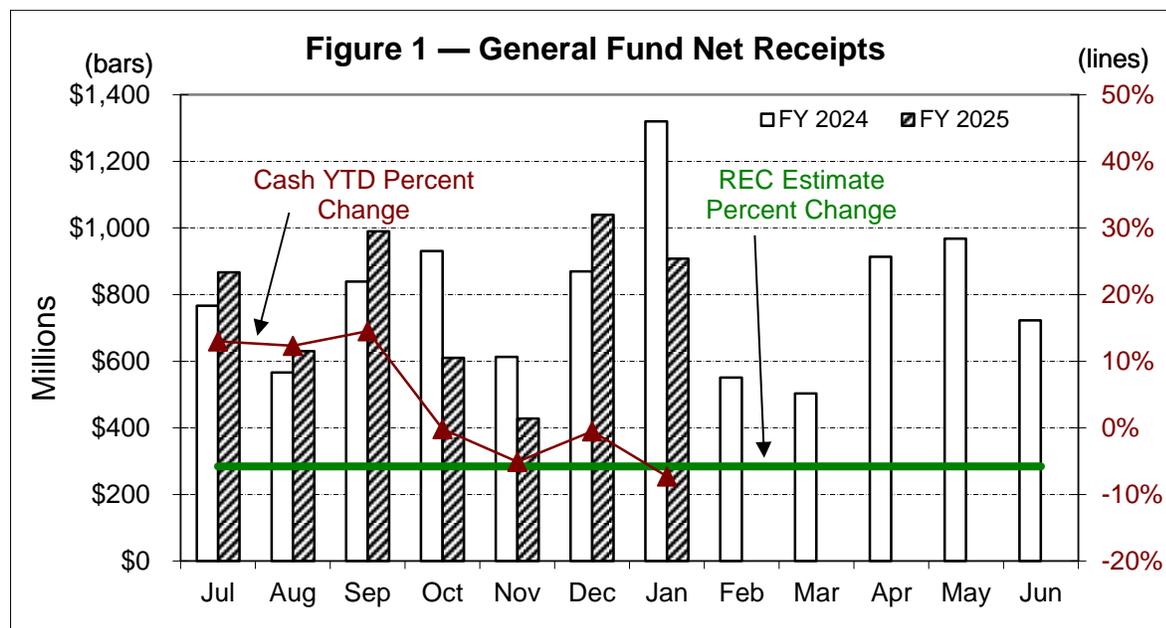
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Evan Johnson and Eric Richardson

DATE: February 3, 2025

Monthly General Fund Revenue Receipts Through January 31, 2025

The attached spreadsheet presents FY 2025 General Fund total net receipts with comparable figures for actual FY 2024. The figures can be compared to the FY 2025 estimate of \$9.045 billion as set by the Revenue Estimating Conference (REC) on December 12, 2024. The FY 2025 estimate is a projected decrease of \$558.0 million (-5.8%) compared to FY 2024 actual receipts (excluding transfers). The next REC meeting has not been scheduled.



Overview of Current Situation

January 2025 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. 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 transfers deposits for motor fuel tax from the deposit suspense account and thereby removes those

deposits from State General Fund revenue. At a future date, the Department of Revenue transfers 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.

- On January 1, 2023, [HF 2317](#) (2022 Income Tax Rate Reduction and Exemptions Act) and [SF 2442](#) (Individual Income Tax Rate Act) began reducing Iowa individual income tax rates and the number of tax brackets annually, beginning with tax year (TY) 2023, until a single tax bracket/rate of 3.8% was established in TY 2025. Additionally, all retirement income is exempt from the State individual income tax effective January 1, 2023. These changes affect month-to-month and year-to-date comparisons for income tax.
- On November 30, 2023, the Department of Revenue created a new revenue classification for the [Pass-Through Entity Tax \(PTET\)](#), which was enacted in 2023 Iowa Acts, [HF 352](#) (Pass-Through Business Entity Tax and Deduction Act). The PTET creates a voluntary election for a partnership or S corporation to be subject to Iowa income tax at the entity level and was applied retroactively to tax years beginning on or after January 1, 2022. Refunds for the PTET began in March 2024. During the refund process, the PTET is eligible for a tax credit. After a tax credit is processed, a reallocation of the original PTET revenue from miscellaneous tax to the appropriate tax type (generally individual income tax) takes place.

Without adjusting for the above items of impact, January 2025 net General Fund revenue was \$412.4 million (-31.2%) below the January 2024 net revenue level.

Fiscal Year Growth

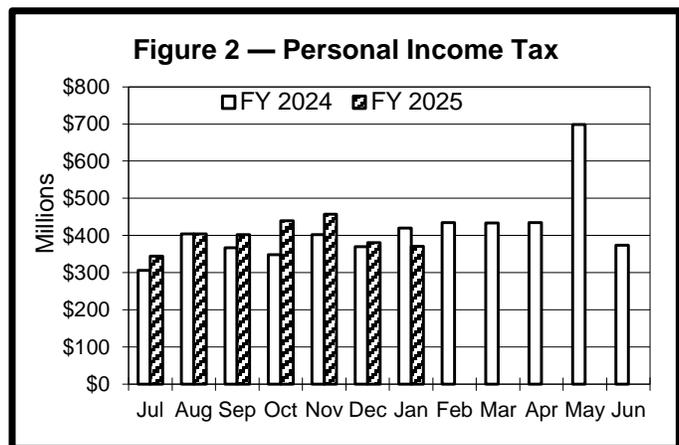
The following table converts year-to-date receipts from a cash year basis to a fiscal year basis.

Net General Fund Receipts Through January 31, 2025					
Fiscal Year-to-Date, Gross Receipts Net of Refunds. Dollars in Millions.					
	FY 2024	FY 2025	\$ Difference	% Dif	
Net Individual Income	\$ 2,023.0	\$ 2,137.7	\$ 114.7	5.7%	
Net Sales/Use	1,659.0	1,603.8	-55.2	-3.3%	
Net Corporate	439.6	345.0	-94.6	-21.5%	
Net Franchise	41.0	40.4	-0.6	-1.5%	
Net Inheritance	25.5	13.0	-12.5	-49.0%	
Net Insurance & Other Taxes	804.6	381.8	-422.8	-52.5%	
Other Revenue	242.3	243.4	1.1	0.5%	
Net Revenue	\$ 5,235.0	\$ 4,765.1	\$ -469.9	-9.0%	

Revenue Categories

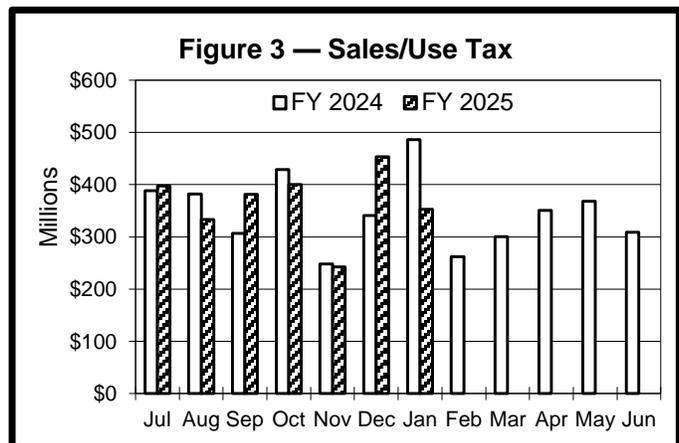
Personal Income Tax receipts received in January 2025 were impacted by the suspense account revenue process and income tax law changes. Personal income tax receipts totaled \$371.1 million, a decrease of \$48.7 million (-11.6%) compared to January 2024.

The FY 2025 REC personal income tax estimate of \$5.534 billion represents a projected increase of 10.8% compared to actual FY 2024. Through January 2025, personal income tax receipts increased 6.9%. By subcategory, withholding payments increased \$6.2 million, estimated payments decreased \$188.6 million, and payments with returns increased \$364.3 million. **Figure 2** compares FY 2024 and FY 2025 monthly personal income tax receipts.



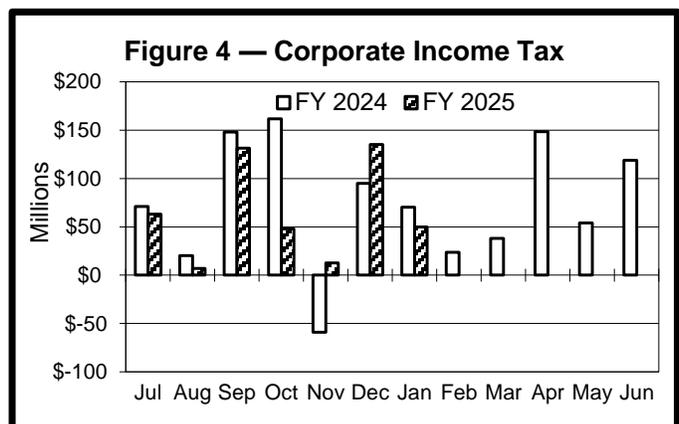
Sales/Use Tax receipts received in January 2025 were impacted by the suspense account revenue process. Sales/use tax receipts totaled \$352.8 million, a decrease of \$133.4 million (-27.4%) compared to January 2024.

The REC estimate for FY 2025 sales/use tax receipts is \$4.364 billion, a projected increase of 4.6% compared to actual FY 2024. Through January 2025, sales/use tax receipts decreased 0.8%. **Figure 3** compares FY 2024 and FY 2025 monthly sales/use tax receipts.



Corporate Income Tax receipts received in January 2025 totaled \$50.0 million, a decrease of \$20.4 million (-29.0%) compared to January 2024.

The REC estimate for FY 2025 corporate income tax revenue is \$712.1 million, a projected decrease of 20.0% compared to actual FY 2024. Through January 2025, corporate income tax receipts decreased 11.9%. **Figure 4** compares FY 2024 and FY 2025 monthly corporate income tax receipts.



Other Tax receipts received in January 2025, including suspense account revenue transfers completed in January, reallocations of PTET revenue from miscellaneous tax, and any pending suspense account revenue transfers, totaled \$224.3 million, a decrease of \$162.9 million compared to January 2024.

The REC estimate for FY 2025 other tax revenue is \$265.0 million, a decrease of \$964.1 million (-78.4%) compared to actual FY 2024. Through January 2025, other tax receipts decreased 40.3%.

Other Receipts (nontax receipts) received in January 2025 totaled \$39.9 million, an increase of \$1.3 million (3.4%) compared to January 2024.

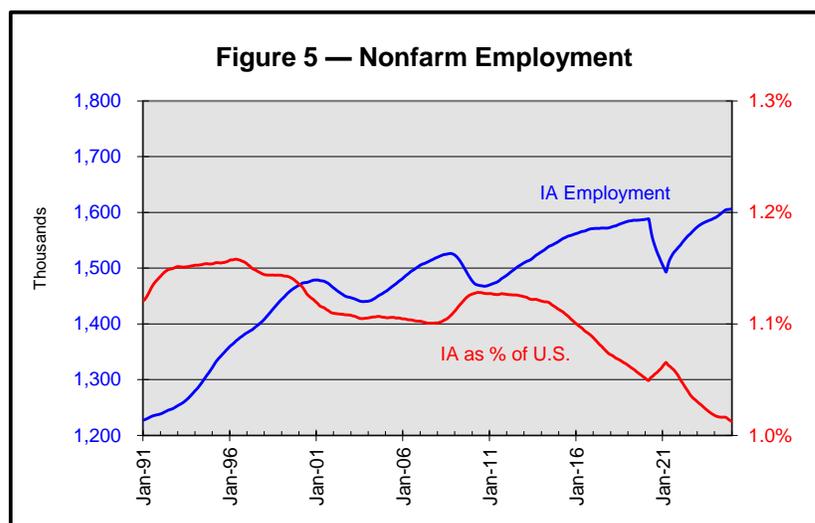
The REC estimate for FY 2025 other receipts revenue is \$414.2 million, a projected decrease of 16.4% compared to actual FY 2024. Through January 2025, other receipts increased 1.5%.

Tax Refunds issued in January 2025 totaled \$55.2 million, an increase of \$26.3 million compared to January 2024. In addition to regular refunds, school infrastructure refunds totaled \$74.9 million, an increase of \$22.1 million compared to January 2024. Refunds for the PTET began in March 2024.

Status of the Economy

Iowa Nonfarm Employment was reported at 1,612,400 for the month of December 2024 (not seasonally adjusted), 6,100 (0.4%) higher than December 2023.

Iowa's 12-month average nonfarm employment is presented as the blue line in **Figure 5**. Iowa's average nonfarm employment previously 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 1,606,000, resulting in an annual average Iowa nonfarm employment level that is 17,900 above the February 2020 peak.



The red line in **Figure 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 has exceeded the percentage growth in Iowa employment. Iowa's percentage of U.S. employment has decreased 44 of the last 45 months and is currently at its lowest level in the history of the indicator.

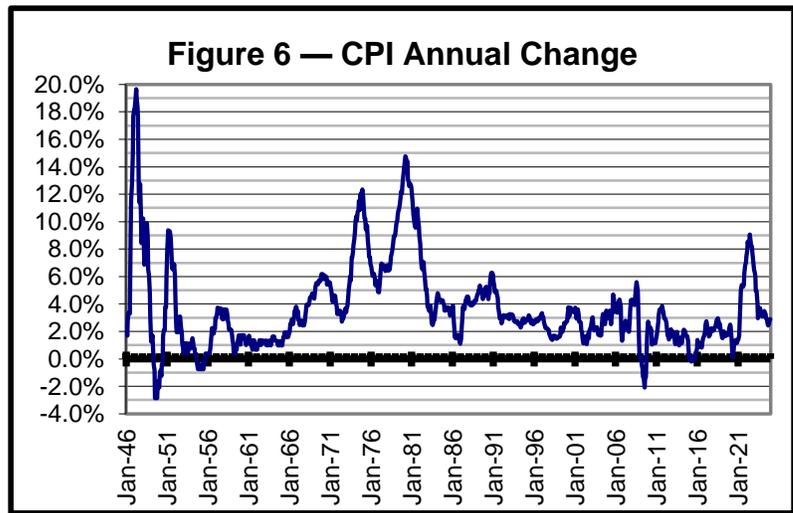
The **Consumer Price Index (CPI)** through December 2024 was 315.6 (1983/84=100). Consumer prices increased in December 2024 (not seasonally adjusted), and the annual rate of inflation increased to 2.9%.

Core CPI, an inflation measure excluding food and energy expenditures, increased by less than 0.1% in December 2024 and increased 3.2% year over year. This is the 45th 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 decreased 0.5% and food prices increased 2.4% 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](#).

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GENERAL FUND RECEIPTS					ESTIMATED GENERAL FUND RECEIPTS		
July 1 through January 31 (in millions of dollars)					(in millions of dollars)		
Dollars may not add due to rounding. Percentages calculated using rounded numbers.					FY 2024 Actual Compared to FY 2025 REC Estimate		
	<u>FY 2024</u>	<u>FY 2025</u>	<u>Year-to-Date % Change</u>	<u>January % Change</u>	<u>FY 2024 Actual</u>	<u>FY 2025 Estimate</u>	<u>Projected % Change</u>
Personal Income Tax	\$ 2,617.9	\$ 2,799.7	6.9%	-11.6%	\$ 4,993.2	\$ 5,533.5	10.8%
Sales/Use Tax	2,581.1	2,560.8	-0.8%	-27.4%	4,170.4	4,364.0	4.6%
Corporate Income Tax	507.2	447.0	-11.9%	-29.0%	890.5	712.1	-20.0%
Inheritance Tax	39.4	29.4	-25.4%	-35.1%	61.4	46.6	-24.1%
Insurance Premium Tax	81.4	79.4	-2.5%	-33.3%	190.4	182.1	-4.4%
Beer/Liquor Tax	7.8	7.6	-2.6%	0.0%	12.8	12.9	0.8%
Franchise Tax	48.8	65.9	35.0%	-26.7%	96.5	105.0	8.8%
Miscellaneous Tax	609.3	277.0	-54.5%	-42.7%	868.0	-81.6	-109.4%
Total Gross Taxes	\$ 6,492.8	\$ 6,276.7	-3.3%	-26.8%	\$ 11,283.2	\$ 10,874.6	-3.6%
Institutional Payments	\$ 7.5	\$ 7.9	5.3%	-20.0%	\$ 13.3	\$ 12.4	-6.8%
Liquor Profits	88.1	81.9	-7.0%	0.0%	152.2	140.0	-8.0%
Interest	76.3	79.4	4.1%	-18.8%	131.4	85.0	-35.3%
Fees	14.6	14.3	-2.1%	66.7%	27.3	25.5	-6.6%
Judicial Revenue	41.6	40.5	-2.6%	6.3%	89.9	92.0	2.3%
Miscellaneous Receipts	45.3	53.5	18.1%	76.9%	81.7	59.3	-27.4%
Total Gross Receipts	\$ 6,766.1	\$ 6,554.2	-3.1%	-26.0%	\$ 11,778.9	\$ 11,288.8	-4.2%
Accrued Revenue — Net					92.7	-104.1	
Tax Refunds	-456.4	-662.5	45.2%	91.0%	-1,581.2	-1,426.2	-9.8%
School Infrast. Refunds	-404.3	-419.3	3.7%	41.9%	-687.8	-713.9	3.8%
TOTAL NET RECEIPTS	\$ 5,905.4	\$ 5,472.3	-7.3%	-31.2%	\$ 9,602.6	\$ 9,044.6	-5.8%
<p>For the Year-to-Date section, refunds are presented on a cash year basis. For FY 2024 Actual and FY 2025 Estimate, refunds are presented on a fiscal year basis. The FY 2024 Actual column is final. The amounts on this table exclude transfer revenue.</p>							