



LEGISLATIVE SERVICES AGENCY

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Tim McDermott, Director

Evan Johnson
Legislative Analyst
State Capitol
Des Moines, IA 50319

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



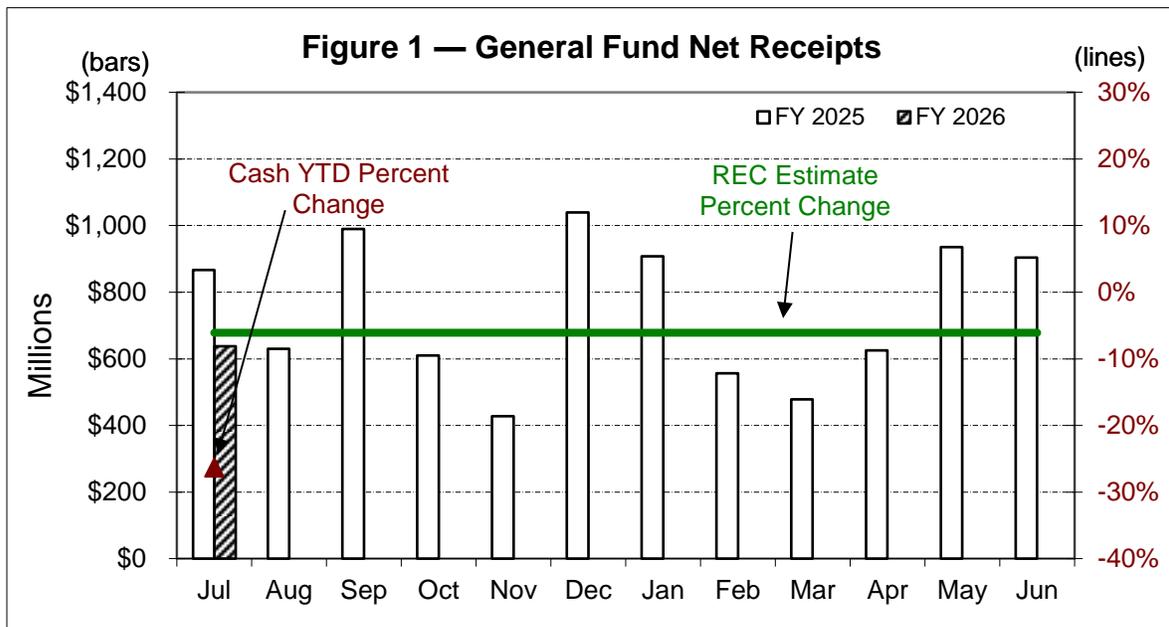
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Evan Johnson and Eric Richardson

DATE: August 4, 2025

Monthly General Fund Revenue Receipts Through July 31, 2025

The attached spreadsheet presents FY 2026 General Fund total net receipts with comparable figures for actual FY 2025 (not yet final). The figures can be compared to the FY 2026 estimate of \$8.364 billion set by the Revenue Estimating Conference (REC) on March 13, 2025, adjusted for the enactment of revenue changes in HF 976 (Department of Revenue, Omnibus Tax Act), SF 606 (Sales Tax Returns, Filing Penalties Act), SF 612 (Cigarette and Tobacco Taxes, Permits, and Reports Act), and SF 657 (Economic Development Programs and Credits Act). The FY 2026 estimate is a projected decrease of \$546.5 million (-6.1%) compared to FY 2025 actual receipts (excluding transfers). The next REC meeting has not been scheduled.



Overview of Current Situation

July 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.

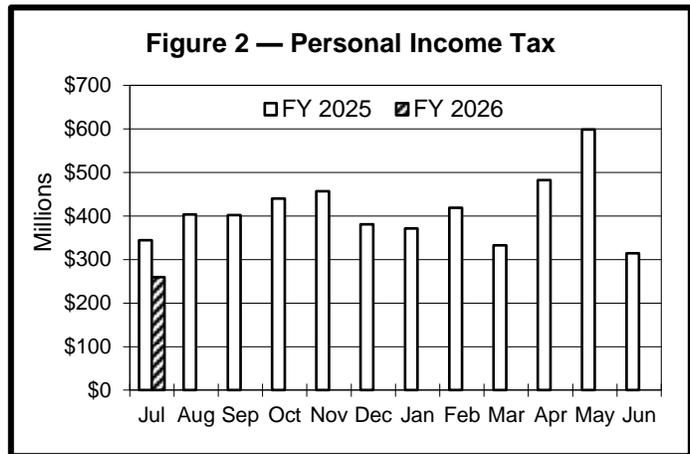
- On January 1, 2023, 2022 Iowa Acts, [House File 2317](#) (2022 Income Tax Rate Reduction and Exemptions Act), and 2024 Iowa Acts, [Senate File 2442](#) (Individual Income Tax Rate Act), began reducing Iowa individual income tax rates and the number of tax brackets annually, beginning with tax year (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, [House File 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. For reporting purposes on this memo, the PTET shows up under miscellaneous tax. 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.
- June’s monthly due date for tax filings in 2024 fell on a weekend, pushing receipts to July 1, 2024. This caused General Fund monthly totals for July 2025 to appear lower compared to July 2024.

Without adjusting for the above items of impact, July 2025 net General Fund revenue was \$228.3 million (-26.3%) below the July 2024 net revenue level.

Revenue Categories

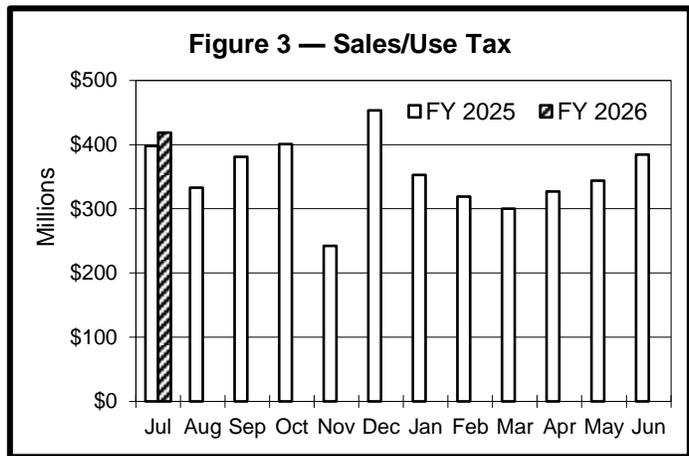
Personal Income Tax receipts received in July 2025 were impacted by the suspense account revenue process and income tax law changes. Personal income tax receipts totaled \$259.3 million, a decrease of \$85.4 million (-24.8%) compared to July 2024.

The FY 2026 REC personal income tax estimate of \$4.754 billion represents a projected decrease of 3.9% compared to actual FY 2025. Through July 2025, personal income tax receipts decreased 24.8%. By subcategory, withholding payments decreased \$49.1 million, estimated payments increased \$40.0 million, and payments with returns decreased \$76.3 million. **Figure 2** compares FY 2025 and FY 2026 monthly personal income tax receipts.



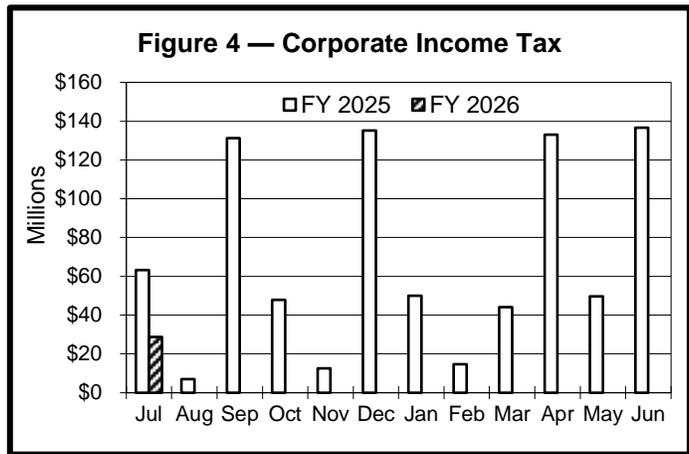
Sales/Use Tax receipts received in July 2025 were impacted by the suspense account revenue process. Sales/use tax receipts totaled \$418.7 million, an increase of \$20.9 million (5.3%) compared to July 2024.

The REC estimate for FY 2026 sales/use tax receipts is \$4.424 billion, a projected increase of 4.5% compared to actual FY 2025. Through July 2025, sales/use tax receipts increased 5.3%. **Figure 3** compares FY 2025 and FY 2026 monthly sales/use tax receipts.



Corporate Income Tax receipts received in July 2025 totaled \$28.7 million, a decrease of \$34.5 million (-54.6%) compared to July 2024.

The REC estimate for FY 2026 corporate income tax revenue is \$815.8 million, a projected decrease of 1.1% compared to actual FY 2025. Through July 2025, corporate income tax receipts decreased 54.6%. **Figure 4** compares FY 2025 and FY 2026 monthly corporate income tax receipts.



Other Tax receipts received in July 2025, including suspense account revenue transfers completed in July, reallocations of PTET revenue from miscellaneous tax, and any pending suspense account revenue transfers, totaled \$25.7 million, a decrease of \$148.2 million compared to July 2024.

The REC estimate for FY 2026 other tax revenue is \$148.8 million, a projected decrease of \$554.7 million (-78.8%) compared to actual FY 2025. Through July 2025, other tax receipts decreased 85.2%.

Other Receipts (nontax receipts) received in July 2025 totaled \$28.6 million, a decrease of \$2.2 million (-7.1%) compared to July 2024.

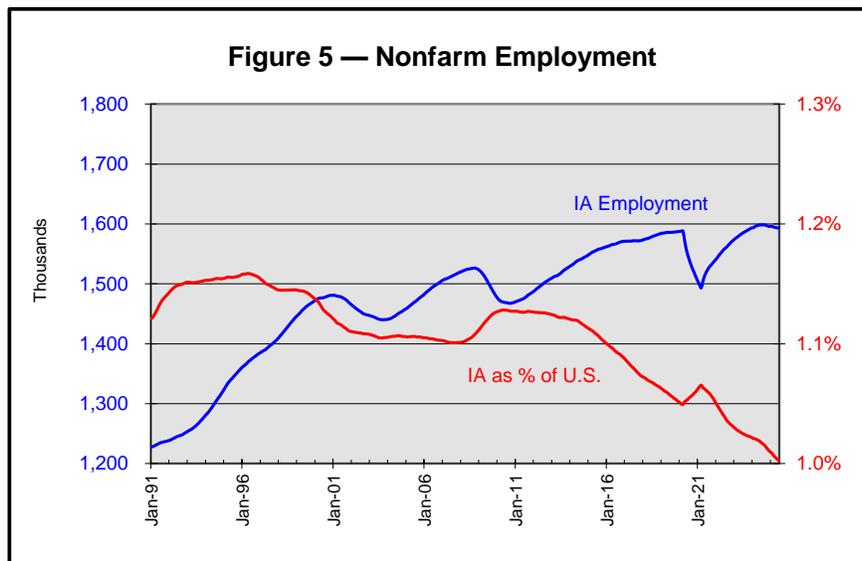
The REC estimate for FY 2026 other receipts revenue is \$364.5 million, a projected decrease of 25.0% compared to actual FY 2025. Through July 2025, other receipts decreased 7.1%.

Tax Refunds issued in July 2025 totaled \$50.5 million, a decrease of \$30.6 million compared to July 2024. In addition to regular refunds, school infrastructure refunds totaled \$72.3 million, an increase of \$9.5 million compared to July 2024. Refunds for the PTET began in March 2024.

Status of the Economy

Iowa Nonfarm Employment was reported at 1,605,700 for the month of June 2025 (not seasonally adjusted), 200 (-0.0%) lower than June 2024.

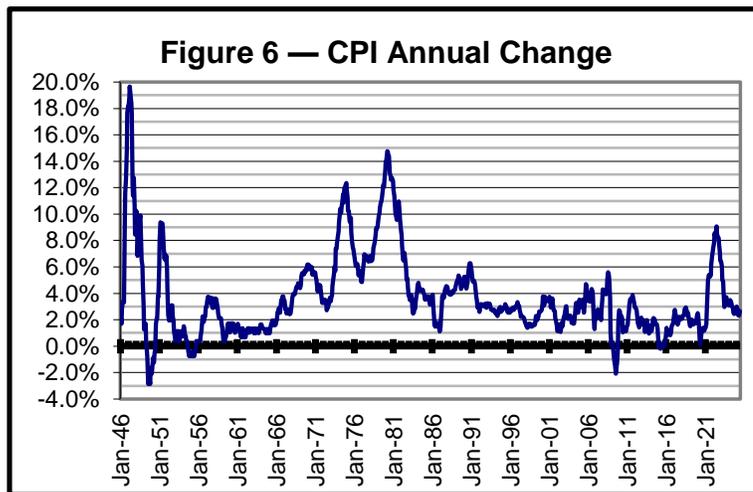
Iowa's 12-month average nonfarm employment is presented as the blue line in **Figure 5**. Iowa's average nonfarm employment previously peaked in February 2020 at 1,588,000. This figure is 61,700 above the previous prerecession peak that occurred in October 2008. The current 12-month average reading is 1,593,300, resulting in an annual average Iowa nonfarm employment level that is 5,300 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 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 for the last 51 months and is currently at its lowest level in the history of the indicator.

The **Consumer Price Index (CPI)** through June 2025 was 322.6 (1983/84=100). Consumer prices increased in June 2025 (not seasonally adjusted), and the annual rate of inflation increased to 2.7%.

Core CPI, an inflation measure excluding food and energy expenditures, increased by 0.3% in June 2025 and increased 2.9% year over year. This is the 51st 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 0.8% and food prices increased 2.9% 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](#).

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GENERAL FUND RECEIPTS					ESTIMATED GENERAL FUND RECEIPTS		
July 1 through July 31 (in millions of dollars)					(in millions of dollars)		
Dollars may not add due to rounding. Percentages calculated using rounded numbers.					FY 2025 Actual Compared to FY 2025 REC Estimate		
	FY 2025	FY 2026	Year-to-Date % Change	July % Change	FY 2025 Actual*	FY 2026 Estimate**	Projected % Change
Personal Income Tax	\$ 344.7	\$ 259.3	-24.8%	-24.8%	\$ 4,947.5	\$ 4,753.7	-3.9%
Sales/Use Tax	397.8	418.7	5.3%	5.3%	4,234.9	4,424.0	4.5%
Corporate Income Tax	63.2	28.7	-54.6%	-54.6%	825.1	815.8	-1.1%
Inheritance Tax	6.9	2.3	-66.7%	-66.7%	44.4	13.9	-68.7%
Insurance Premium Tax	6.8	10.8	58.8%	58.8%	202.4	190.7	-5.8%
Beer/Liquor Tax	1.1	1.2	9.1%	9.1%	12.2	12.1	-0.8%
Franchise Tax	12.6	1.4	-88.9%	-88.9%	114.9	116.9	1.7%
Miscellaneous Tax	146.5	10.0	-93.2%	-93.2%	329.6	-184.8	-156.1%
Total Gross Taxes	\$ 979.6	\$ 732.4	-25.2%	-25.2%	\$ 10,711.0	\$ 10,142.3	-5.3%
Institutional Payments	\$ 1.2	\$ 0.8	-33.3%	-33.3%	\$ 13.3	\$ 8.5	-36.1%
Liquor Profits	11.3	11.9	5.3%	5.3%	139.9	140.0	0.1%
Interest	10.7	7.9	-26.2%	-26.2%	125.7	50.0	-60.2%
Fees	2.8	2.8	0.0%	0.0%	27.8	25.4	-8.6%
Judicial Revenue	1.5	1.1	-26.7%	-26.7%	89.0	88.0	-1.1%
Miscellaneous Receipts	3.3	4.1	24.2%	24.2%	90.3	52.6	-41.7%
Total Gross Receipts	\$ 1,010.3	\$ 760.9	-24.7%	-24.7%	\$ 11,196.9	\$ 10,506.8	-6.2%
Accrued Revenue — Net					-101.7	-28.4	
Tax Refunds	-81.1	-50.5	-37.7%	-37.7%	-1,483.5	-1,388.0	-6.4%
School Infrast. Refunds	-62.8	-72.3	15.1%	15.1%	-700.9	-726.1	3.6%
TOTAL NET RECEIPTS	\$ 866.4	\$ 638.0	-26.4%	-26.4%	\$ 8,910.8	\$ 8,364.3	-6.1%

For the Year-to-Date section, refunds are presented on a cash year basis.
For FY 2025 Actual and FY 2026 Estimate, refunds are presented on a fiscal year basis.
*The FY 2025 Actual column is not final.
**The FY 2026 Adjusted Estimate includes legislative changes.
The amounts on this table exclude transfer revenue.