



## MEMORANDUM

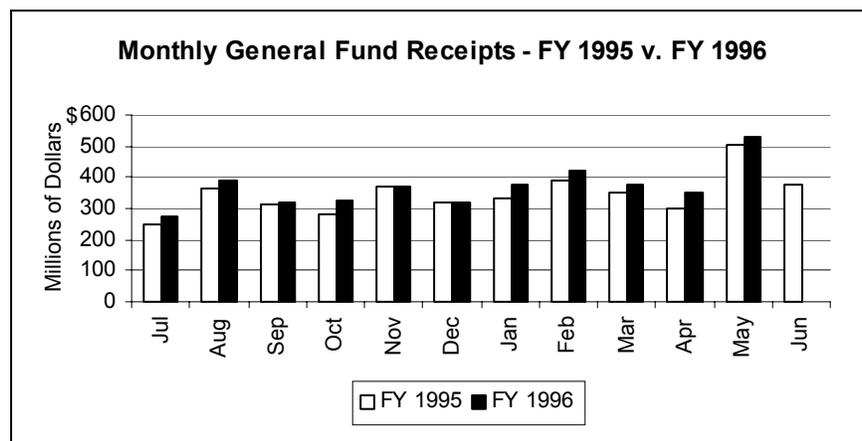
TO: Members of the Iowa Senate and  
Members of the Iowa House of Representatives

FROM: Dennis C. Prouty

DATE: June 3, 1996

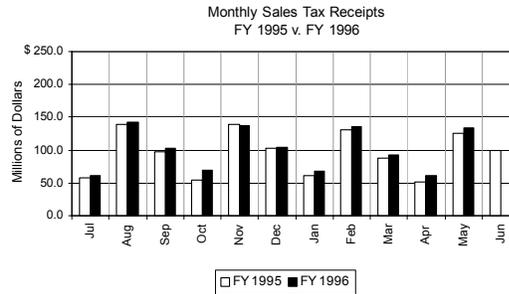
### General Fund Receipts Through May 31, 1996

The attached spreadsheet represents total FY 1996 General Fund receipts, with comparable figures for FY 1995. These can also be compared to the latest FY 1996 estimate set by the Revenue Estimating Conference (REC).



Total General Fund receipts through May for FY 1996 were 7.4% higher than the same period in FY 1995. Tax receipts showed an increase of 6.0%. Personal income tax receipts also increased 6.0%. Sales tax receipts were 5.7% higher than the previous fiscal year. Use tax increased 6.1% compared to FY 1995, and corporate income tax receipts showed a 10.0% increase. The month of May had the same number of processing days as 1995, but there has been one less processing day for FY 1996 year-to-date. Conversely, June 1996 will have two less processing days than June 1995.

Personal income tax receipts through May totaled \$103.9 million more than the same period in FY 1995. Income tax receipts received in May actually declined 1.7% compared to May 1995, led by decreases of 1.2% in withholding and 3.9% in receipts from final returns. Timing effects and processing are somewhat responsible for the decline, but activity in June is not expected to significantly change year-to-date percentage growth. The REC revised the estimate for individual income tax receipts upward by approximately \$53.4 million to a year-end growth rate of 5.8%.

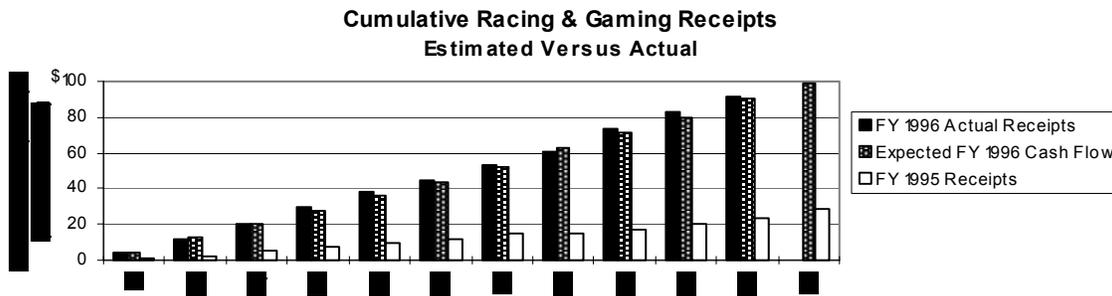


Following substantial growth in April, sales tax receipts in May were 7.2% higher than May of last year. Over the last two months, receipts from quarterly filers have increased by 10.3%. The April REC revised the sales tax estimate for FY 1996 downward by \$5.9 million, which represents an increase of 4.6% compared to FY 1995. Barring a significant unexpected downturn, sales tax receipts should exceed the April revision.

Corporate income tax receipts in May were 5.1% less than May 1995. The REC increased the FY 1996 estimate for corporate income tax receipts by \$5.0 million, and estimated that total FY 1996 receipts will exceed FY 1995 receipts by 3.5%. The upward revision was more than offset by a corresponding increase in the estimate for refunds. Year-to-date growth in corporate income tax receipts is expected to decline as the fiscal year comes to a close due to the timing of the estimate payment due date. This timing effect occurs for fiscal years in which June 30 falls on a weekend.

After finishing FY 1995 15.1% less than the previous year, franchise tax receipts in the first 11 months of FY 1996 were 9.7% lower than the same period in FY 1995. However, receipts in May were 18.8% higher than May 1995. This follows a monthly increase of 15.4% in April. The REC revised the FY 1996 franchise tax estimate downward by \$3.0 million, indicating that legislation passed during the 1995 legislative session was not entirely successful in recovering lost revenues for FY 1996.

Racing and gaming receipts continue to be closely monitored and appear to be on track to meet the revised FY 1996 REC estimate of \$99.3 million. If cash flow adjustments are considered, receipts through the first 11 months exceeded projections by approximately \$800,000, led by increases in receipts from slot machines and riverboats. The following chart illustrates the expected cash flow for FY 1996 racing and gaming receipts.



### Receipts Compared to REC Estimate

The April REC FY 1996 estimate of 5.9% was exceeded by 1.5 percentage points. Assuming each month is expected to increase by the REC estimate, the estimate for the first 11 months was exceeded by

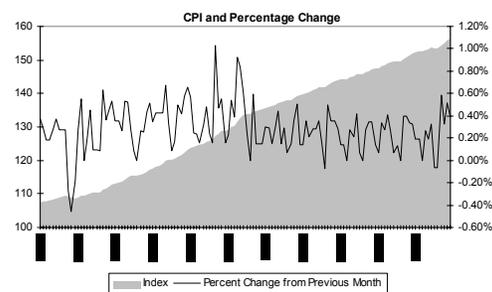
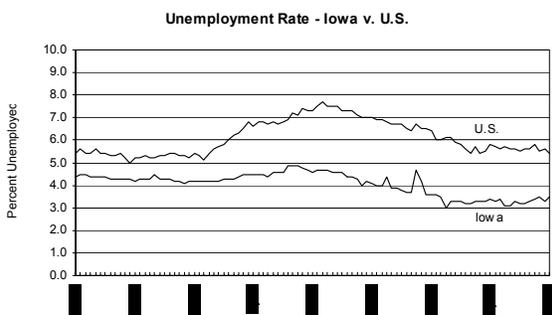
approximately \$56.7 million. Due to timing and processing factors, however, the level of growth in June is expected to decline somewhat.

The REC in April revised the FY 1996 refunds estimate upward by \$29.4 million. The revision was based on accelerated refunds activity for the period just prior to the Conference meeting. The largest revisions were an increase of \$15.0 million in individual income tax refunds and a \$12.0 million increase in corporate income tax refunds. The number of individual tax refunds issued increased significantly, and are expected to increase by more than 3.0% for all of FY 1996. The reduction in the average refund claim, however, will be substantial enough to counter the effect of the increase in the number of claims. Although official estimates have not been released by the Department of Revenue and Finance, the revision for individual income tax refunds appears to have been unnecessary, whereas the corporate income tax revision has proven to be substantially justified. In total, refunds are now expected to finish the year \$15.0 million to \$20.0 million less than the April REC estimate.

### Status of the Economy

The seasonally adjusted percent unemployed for the State increased two-tenths of a percentage point to 3.5% in April due to an increase in the size of the labor force. Total Iowa employment is at a record level of 1,554,800. The U.S. unemployment rate decreased 0.2 percentage points to 5.4%.

Consumer prices in April rose 0.4%. The Consumer Price Index (CPI) through April 1996 was 156.3 (1983=100), which is 2.9% higher than one year ago. The following series illustrate U.S. and Iowa unemployment comparisons and the CPI through April 1996.



### Receipts Information Available On-Line

Information related to State General Fund receipts is now available electronically through the Fiscal Bureau's Electronic Publishing of Information System (EPI). Data is presented graphically and numerically in quarterly, monthly, and daily formats. If you have questions regarding this new service you may contact Glen Dickinson (1-4616) or Jon Muller (1-4611).

ESTIMATED GENERAL FUND RECEIPTS in millions of dollars		Year to Date		May	Actual		Estimate	
	FY 1995	FY 1996	% CHANGE	% CHANGE	FY 1995	FY 1996	% CHANGE	% CHANGE
Personal Income Tax	\$ 1,731.9	\$ 1,835.8	6.0%	-1.7%	\$ 1,875.0	\$ 1,983.0	5.8%	5.8%
Sales Tax	1,048.1	1,108.0	5.7%	7.2%	1,147.3	1,200.0	4.6%	4.6%
Use Tax	185.6	196.9	6.1%	7.1%	196.0	205.0	4.6%	4.6%
Corporate Income Tax	228.8	251.7	10.0%	-5.1%	268.7	278.1	3.5%	3.5%
Inheritance Tax	81.7	88.2	8.0%	24.7%	89.2	90.9	1.9%	1.9%
Insurance Premium Tax	73.5	77.4	5.3%	13.4%	102.1	101.0	-1.1%	-1.1%
Cigarette Tax	83.4	85.3	2.3%	-3.7%	93.3	94.0	0.8%	0.8%
Tobacco Tax	4.6	4.8	4.3%	-20.0%	5.1	5.2	2.0%	2.0%
Beer Tax	11.2	11.3	0.9%	11.1%	12.4	12.5	0.8%	0.8%
Franchise Tax	25.8	23.3	-9.7%	18.8%	28.9	26.4	-8.7%	-8.7%
Miscellaneous Tax	2.3	1.8	-21.7%	0.0%	1.0	0.9	-10.0%	-10.0%
<b>Total Special Taxes</b>	<b>\$ 3,476.9</b>	<b>\$ 3,684.5</b>	<b>6.0%</b>	<b>2.1%</b>	<b>\$ 3,819.0</b>	<b>\$ 3,997.0</b>	<b>4.7%</b>	<b>4.7%</b>
Institutional Payments	98.7	97.0	-1.7%	16.3%	107.4	105.7	-1.6%	-1.6%
Liquor Transfers:								
Profits	23.0	24.0	4.3%	0.0%	26.4	27.0	2.3%	2.3%
7% Gross Revenue	8.3	8.3	0.0%	0.0%	9.0	9.0	0.0%	0.0%
Interest	13.5	11.8	-12.6%	33.3%	17.3	12.0	-30.6%	-30.6%
Fees	50.5	56.2	11.3%	23.3%	57.3	61.1	6.6%	6.6%
Judicial Revenue	43.6	35.3	-19.0%	16.7%	48.4	40.1	-17.1%	-17.1%
Miscellaneous Receipts	38.6	46.3	19.9%	104.0%	40.7	49.1	20.6%	20.6%
Racing and Gaming Receipts	23.7	91.7	286.9%	150.0%	28.5	99.3	248.4%	248.4%
<b>TOTAL RECEIPTS</b>	<b>\$ 3,776.8</b>	<b>\$ 4,055.1</b>	<b>7.4%</b>	<b>4.5%</b>	<b>\$ 4,154.0</b>	<b>\$ 4,400.3</b>	<b>5.9%</b>	<b>5.9%</b>