



LEGISLATIVE SERVICES AGENCY

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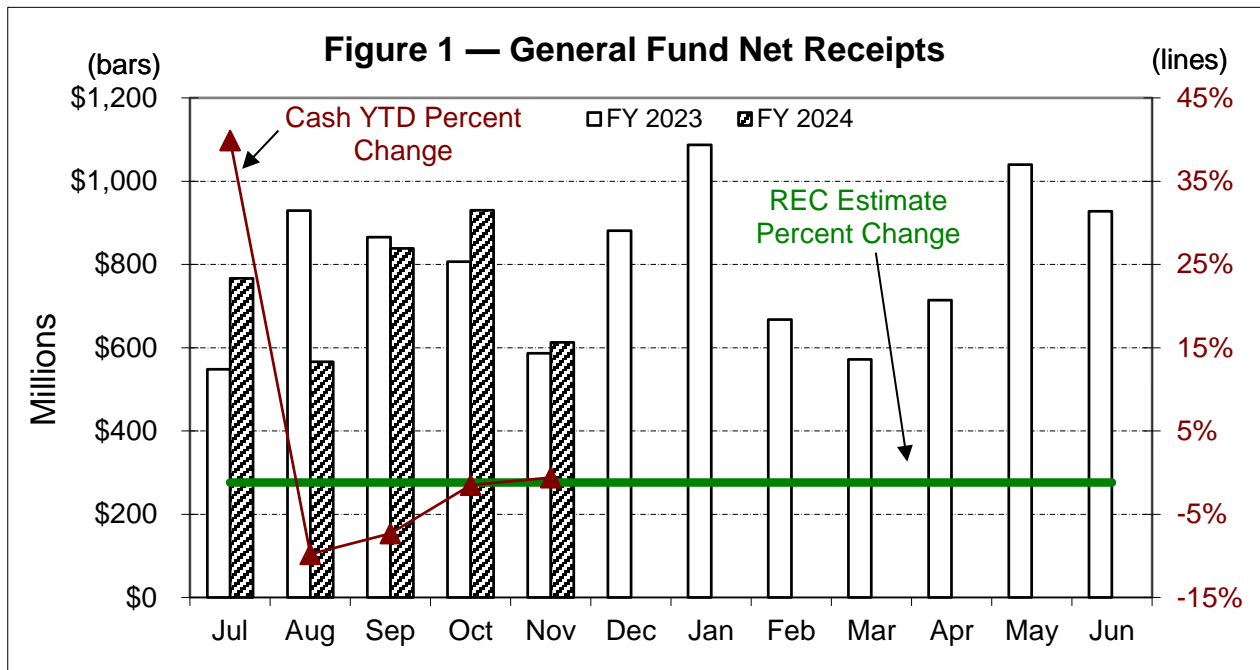
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Evan Johnson and Eric Richardson

DATE: December 1, 2023

Monthly General Fund Revenue Receipts Through November 30, 2023

The attached spreadsheet presents FY 2024 General Fund total net receipts with comparable figures for actual FY 2023. The figures can be compared to the FY 2024 estimate of \$9.601 billion as set by the Revenue Estimating Conference (REC) on October 12, 2023, adjusted for the enactment of revenue changes in HF 205 (Barrel Tax Revenues, Brewpubs Act), HF 672 (Permanent Teaching Licensure Act), SF 513 (Motor Vehicle Enforcement Bureau, Department of Public Safety Act), SF 549 (Captive Insurance Act), and SF 575 (Economic Development Authority Policy Act). The FY 2024 estimate is a projected decrease of \$120.2 million (-1.2%) compared to FY 2023 actual receipts (excluding transfers). The next REC meeting is scheduled for December 13, 2023.



Overview of Current Situation

November 2023 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 will transfer deposits for motor fuel tax from the deposit suspense account and thereby remove those deposits from State General Fund revenue. Beginning November 11, 2023, personal income tax is deposited in the suspense account. 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 [SF 2367](#) (2022 Department of Revenue, Sales Tax 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, 2023, were to be remitted November 30, 2023 (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 significantly increases the monthly variability shown in General Fund tax receipts.
- Beginning January 1, 2023, [HF 2317](#) (2022 Income Tax Rate Reduction and Exemptions Act) reduces Iowa individual income tax rates and the number of tax brackets annually beginning with tax year (TY) 2023 until a single tax bracket/rate is established in TY 2026. 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 beginning on or after January 1, 2022. In previous months, the PTET was categorized as Corporate Income Tax. With the creation of the PTET, a negative entry of Corporate Income Tax is reflected in the State accounting system for the month of November, while a corresponding positive entry in Miscellaneous Tax is reflected, creating imbalances for both tax classifications in monthly reporting.

Without adjusting for the above items of impact, November 2023 net General Fund revenue was \$26.0 million (4.4%) above the November 2022 net revenue level.

Fiscal Year Growth

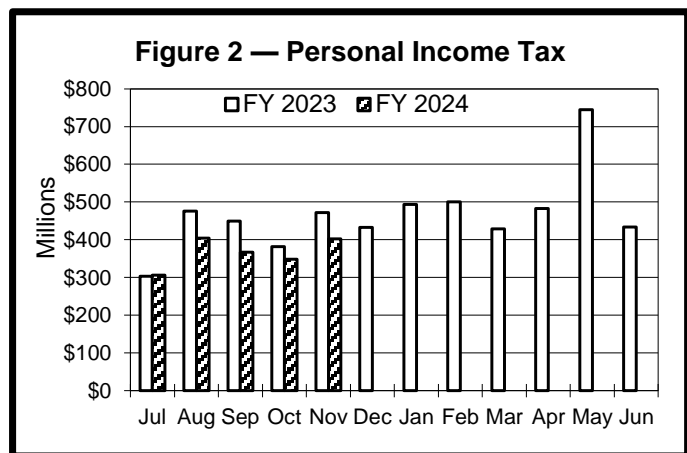
The following table converts year-to-date receipts from a cash year basis to a fiscal year basis.

Net General Fund Receipts Through November 30, 2023					
Fiscal Year-to-Date, Gross Receipts Net of Refunds. Dollars in Millions.					
	FY 2023	FY 2024	\$ Difference	%	Dif
Net Individual Income	\$ 1,578.4	\$ 1,269.5	\$ -308.9		-19.6%
Net Sales/Use	1,033.3	956.8	-76.5		-7.4%
Net Corporate	217.8	300.1	82.3		37.8%
Net Franchise	13.9	20.4	6.5		46.8%
Net Inheritance	29.5	15.0	-14.5		-49.2%
Net Insurance & Other Taxes	168.9	336.4	167.5		99.2%
Other Revenue	119.7	147.1	27.4		22.9%
Net Revenue	\$ 3,161.5	\$ 3,045.3	\$ -116.2		-3.7%

Revenue Categories

Personal Income Tax receipts received in November 2023 were impacted by the suspense account revenue process and income tax law changes. Personal income tax receipts totaled \$402.6 million, a decrease of \$69.4 million (-14.7%) compared to November 2022.

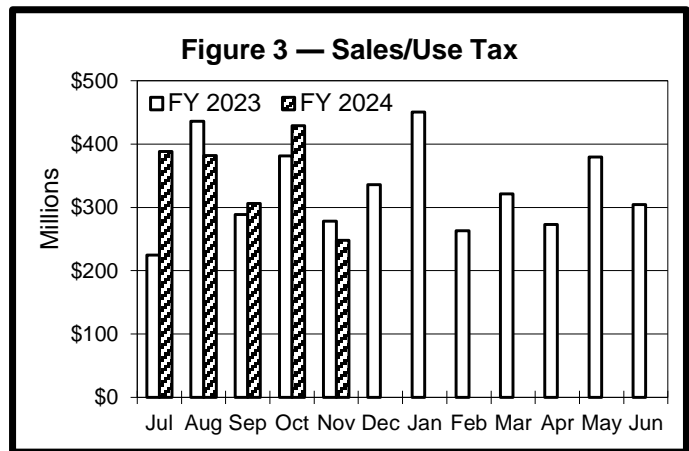
The FY 2024 REC personal income tax estimate of \$5.308 billion represents a projected decrease of 5.2% compared to actual FY 2023. Through November 2023, personal income tax receipts decreased 12.2%. By subcategory, withholding payments decreased \$167.5 million, estimated payments decreased \$76.4 million, and payments with returns decreased \$10.8 million. **Figure 2** compares FY 2023 and FY 2024 monthly personal income tax receipts.



Sales/Use Tax receipts received in November 2023 were impacted by the suspense account revenue process and changes to tax due dates. Sales/use tax receipts totaled \$248.2 million, a decrease of \$30.2 million (-10.8%) compared to November 2022.

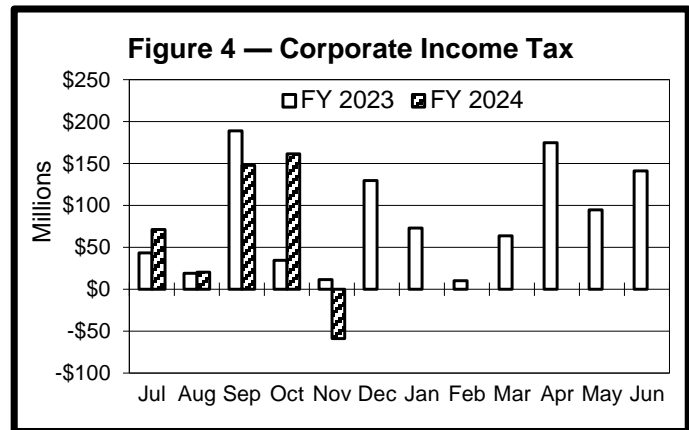
The REC estimate for FY 2024 sales/use tax receipts is \$4.198 billion, a projected increase of 6.6% compared to actual FY 2023. Through November 2023, sales/use tax receipts increased 9.0%.

Figure 3 compares FY 2023 and FY 2024 monthly sales/use tax receipts.



Corporate Income Tax receipts received in November 2023 totaled negative \$59.0 million, a decrease of \$70.4 million compared to November 2022. This is due to reclassification of the PTET from Corporate Income Tax to Miscellaneous Tax.

The REC estimate for FY 2024 corporate income tax revenue is \$902.6 million, a projected decrease of 8.3% compared to actual FY 2023. Through November 2023, corporate income tax receipts increased 15.0%. **Figure 4** compares FY 2023 and FY 2024 monthly corporate income tax receipts.



Other Tax receipts received in November 2023, including suspense account revenue transfers completed in November and any pending suspense account revenue transfers, totaled \$115.8 million, an increase of \$204.0 million compared to November 2022.

The REC estimate for FY 2024 other tax revenue is \$355.5 million, a decrease of \$208.3 million (-36.9%) compared to actual FY 2023. Through November 2023, other tax receipts increased 33.8%. This is due to reclassification of the PTET from Corporate Income Tax to Miscellaneous Tax.

Other Receipts (nontax receipts) received in November 2023 totaled \$40.0 million, an increase of \$6.4 million (19.0%) compared to November 2022.

The REC estimate for FY 2024 other receipts revenue is \$423.4 million, a projected decrease of 1.3% compared to actual FY 2023. Through November 2023, other receipts increased 23.5%.

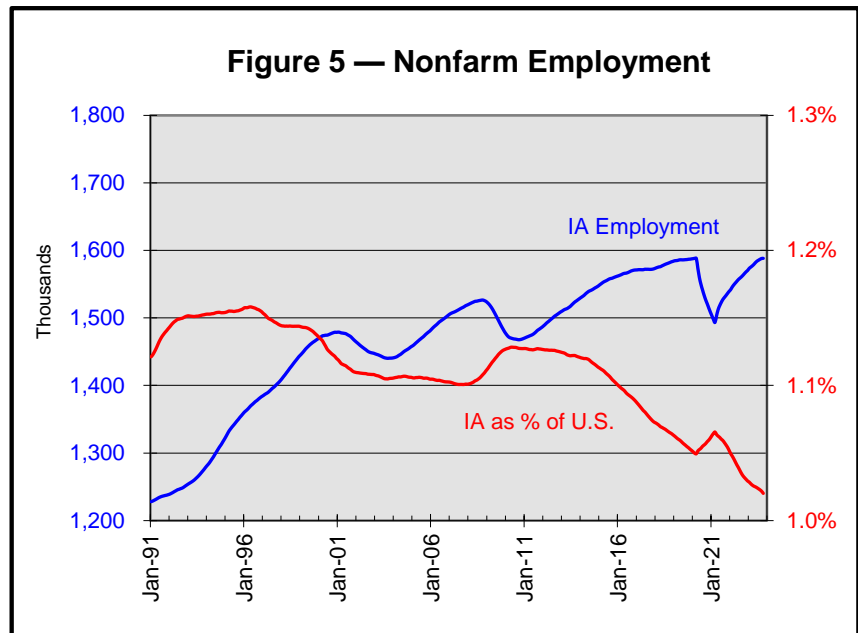
Tax Refunds issued in November 2023 totaled \$69.1 million, an increase of \$10.9 million compared to November 2022. In addition to regular refunds, school infrastructure refunds totaled \$65.6 million, an increase of \$3.5 million compared to November 2022.

Status of the Economy

Iowa Nonfarm Employment

was reported at 1,602,400 for the month of October 2023 (not seasonally adjusted), 2,400 (0.2%) higher than October 2022.

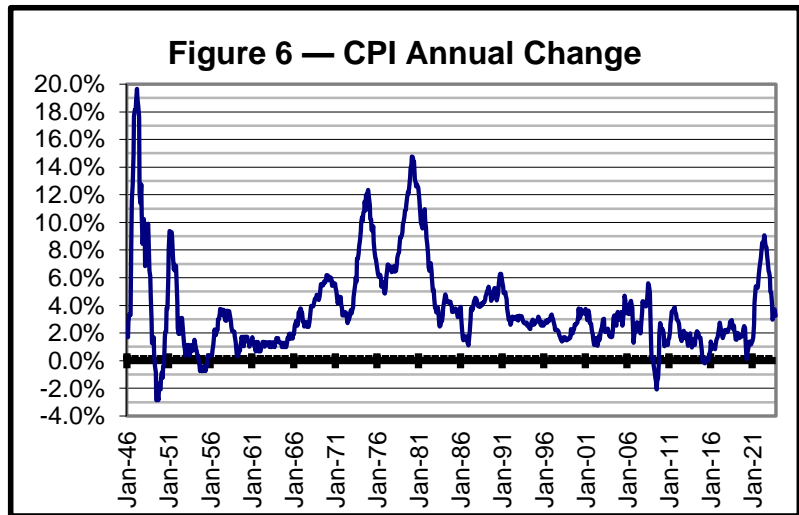
Iowa's 12-month average nonfarm employment is presented as the blue line in **Figure 5**. Iowa's average nonfarm employment previously peaked in February 2020 at 1,588,000. This figure is 61,700 above the previous prerecession peak that occurred in October 2008. The current 12-month average reading is 1,588,000, matching the previous peak in February 2020.



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 exceeded the percentage growth in Iowa employment. Iowa's percentage of U.S. employment has decreased the last 31 months and is currently at its lowest level in the history of the indicator.

The **Consumer Price Index (CPI)** through October 2023 was 307.7 (1983/84=100). Consumer prices decreased in October 2023 (not seasonally adjusted), and the annual rate of inflation decreased to 3.2%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.2% in October 2023 and increased 4.0% year over year. This is the 31st 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 4.5% and food prices increased 3.3% 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](#).

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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 2023 Actual Compared to FY 2024 REC Estimate		
	<u>FY 2023</u>	<u>FY 2024</u>	<u>Year-to-Date % Change</u>	<u>November % Change</u>	<u>FY 2023 Actual</u>	<u>FY 2024 Adj. Estimate*</u>	<u>Projected % Change</u>
Personal Income Tax	\$ 2,082.8	\$ 1,828.0	-12.2%	-14.7%	\$ 5,599.3	\$ 5,307.5	-5.2%
Sales/Use Tax	1,609.1	1,754.2	9.0%	-10.8%	3,937.1	4,197.5	6.6%
Corporate Income Tax	297.3	342.0	15.0%	-617.5%	984.1	902.6	-8.3%
Inheritance Tax	47.3	29.2	-38.3%	-18.8%	93.6	75.0	-19.9%
Insurance Premium Tax	64.4	81.1	25.9%	166.7%	174.4	164.8	-5.5%
Beer/Liquor Tax	6.0	5.8	-3.3%	11.1%	13.3	13.1	-1.5%
Franchise Tax	18.9	28.3	49.7%	866.7%	92.5	95.8	3.6%
Miscellaneous Tax	72.3	135.1	86.9%	208.3%	190.0	6.8	-96.4%
Total Gross Taxes	\$ 4,198.2	\$ 4,203.6	0.1%	5.0%	\$ 11,084.3	\$ 10,763.1	-2.9%
Institutional Payments	\$ 5.1	\$ 5.1	0.0%	-20.0%	\$ 13.3	\$ 8.5	-36.1%
Liquor Profits	65.4	63.0	-3.7%	-2.2%	150.5	151.5	0.7%
Interest	13.0	52.2	301.5%	163.3%	70.3	79.4	12.9%
Fees	8.0	9.8	22.5%	66.7%	29.7	28.7	-3.4%
Judicial Revenue	24.9	24.8	-0.4%	3.6%	89.1	89.9	0.9%
Miscellaneous Receipts	28.0	23.4	-16.4%	-44.4%	75.9	65.4	-13.8%
Total Gross Receipts	\$ 4,342.7	\$ 4,381.8	0.9%	5.7%	\$ 11,513.1	\$ 11,186.5	-2.8%
Accrued Revenue — Net					146.6	132.0	
Tax Refunds	-278.7	-371.9	33.4%	18.7%	-1,230.3	-1,035.1	-15.9%
School Infrast. Refunds	-326.5	-294.9	-9.7%	5.6%	-708.1	-682.3	-3.6%
TOTAL NET RECEIPTS	\$ 3,737.5	\$ 3,715.0	-0.6%	4.4%	\$ 9,721.3	\$ 9,601.1	-1.2%

For the Year-to-Date section, refunds are presented on a cash year basis.
For FY 2023 Actual and FY 2024 Estimate, refunds are presented on a fiscal year basis.
The FY 2023 Actual column is final.
*The FY 2024 Adjusted Estimate includes legislative changes.
The amounts on this table exclude transfer revenue.