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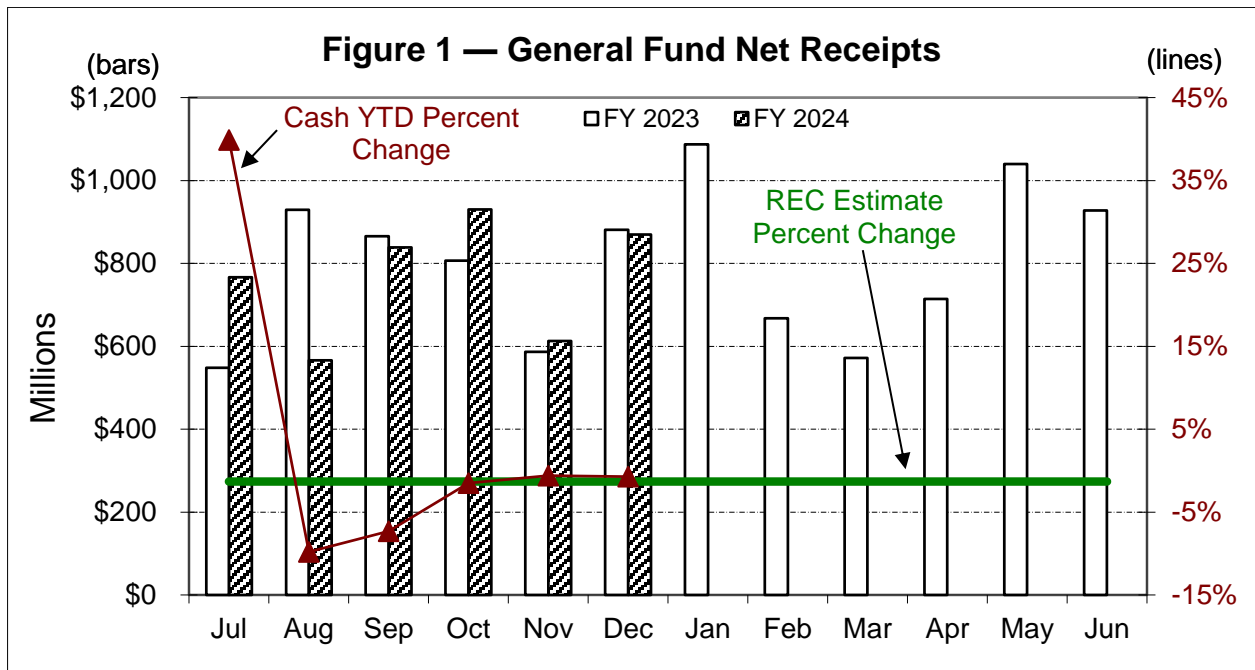
TO: Members of the Iowa Senate and
Members of the Iowa House of Representatives

FROM: Evan Johnson and Eric Richardson

DATE: January 2, 2024

Monthly General Fund Revenue Receipts Through December 31, 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 \$9.599 billion as set by the Revenue Estimating Conference (REC) on December 13, 2023. The FY 2024 estimate is a projected decrease of \$122.3 million (-1.3%) compared to FY 2023 actual receipts (excluding transfers). The next REC meeting has not been scheduled.



## Overview of Current Situation

December 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 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, December 2023 net General Fund revenue was \$11.1 million (-1.3%) below the December 2022 net revenue level.

## Fiscal Year Growth

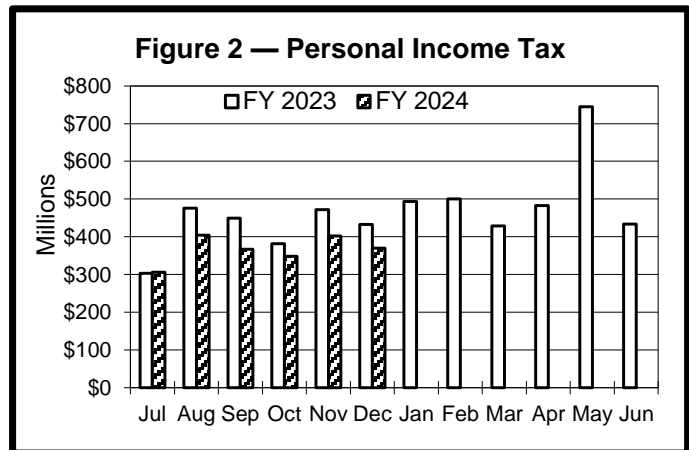
The following table converts year-to-date receipts from a cash year basis to a fiscal year basis.

<b>Net General Fund Receipts Through December 31, 2023</b>					
Fiscal Year-to-Date, Gross Receipts Net of Refunds. Dollars in Millions.					
	FY 2023	FY 2024	\$ Difference	%	Dif
Net Individual Income	\$ 1,992.5	\$ 1,613.7	\$ -378.8		-19.0%
Net Sales/Use	1,307.7	1,231.6	-76.1		-5.8%
Net Corporate	346.4	375.4	29.0		8.4%
Net Franchise	24.6	33.4	8.8		35.8%
Net Inheritance	35.1	19.5	-15.6		-44.4%
Net Insurance & Other Taxes	183.5	438.3	254.8		138.9%
Other Revenue	152.8	203.7	50.9		33.3%
<b>Net Revenue</b>	<b>\$ 4,042.6</b>	<b>\$ 3,915.6</b>	<b>\$ -127.0</b>		<b>-3.1%</b>

## Revenue Categories

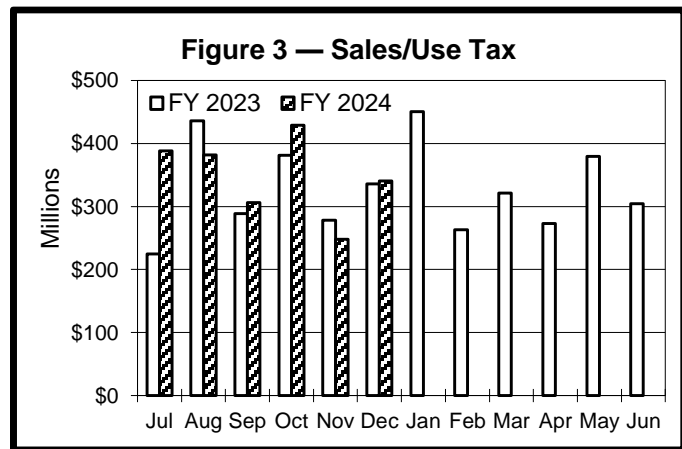
**Personal Income Tax** receipts received in December 2023 were impacted by the suspense account revenue process and income tax law changes. Personal income tax receipts totaled \$370.1 million, a decrease of \$62.5 million (-14.4%) compared to December 2022.

The FY 2024 REC personal income tax estimate of \$5.227 billion represents a projected decrease of 6.7% compared to actual FY 2023. Through December 2023, personal income tax receipts decreased 12.6%. By subcategory, withholding payments decreased \$198.6 million, estimated payments decreased \$124.4 million, and payments with returns increased \$5.8 million. **Figure 2** compares FY 2023 and FY 2024 monthly personal income tax receipts.



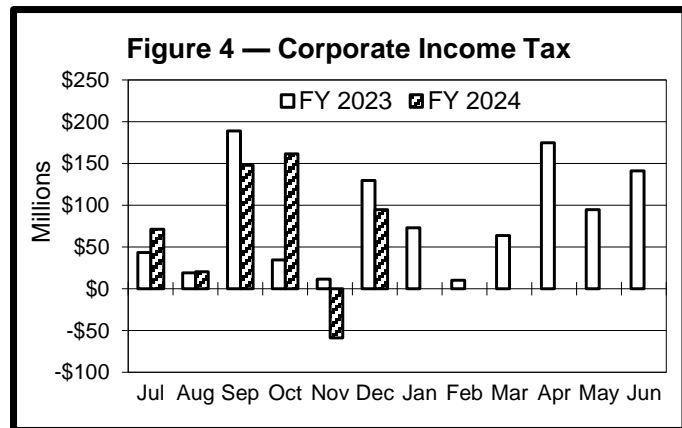
**Sales/Use Tax** receipts received in December 2023 were impacted by the suspense account revenue process. Sales/use tax receipts totaled \$340.7 million, an increase of \$5.1 million (1.5%) compared to December 2022.

The REC estimate for FY 2024 sales/use tax receipts is \$4.138 billion, a projected increase of 5.1% compared to actual FY 2023. Through December 2023, sales/use tax receipts increased 7.7%. **Figure 3** compares FY 2023 and FY 2024 monthly sales/use tax receipts.



**Corporate Income Tax** receipts received in December 2023 totaled \$94.8 million, a decrease of \$34.9 million compared to December 2022.

The REC estimate for FY 2024 corporate income tax revenue is \$998.9 million, a projected increase of 1.5% compared to actual FY 2023. Through December 2023, corporate income tax receipts increased 2.3%. **Figure 4** compares FY 2023 and FY 2024 monthly corporate income tax receipts.



**Other Tax** receipts received in December 2023, including suspense account revenue transfers completed in December and any pending suspense account revenue transfers, totaled \$120.0 million, an increase of \$88.5 million compared to December 2022.

The REC estimate for FY 2024 other tax revenue is \$671.8 million, an increase of \$108.0 million (19.2%) compared to actual FY 2023. Through December 2023, other tax receipts increased 66.2%. This is due to reclassification of the PTET from Corporate Income Tax to Miscellaneous Tax.

**Other Receipts** (nontax receipts) received in December 2023 totaled \$56.5 million, an increase of \$23.4 million (70.7%) compared to December 2022.

The REC estimate for FY 2024 other receipts revenue is \$431.8 million, a projected increase of 0.7% compared to actual FY 2023. Through December 2023, other receipts increased 32.3%.

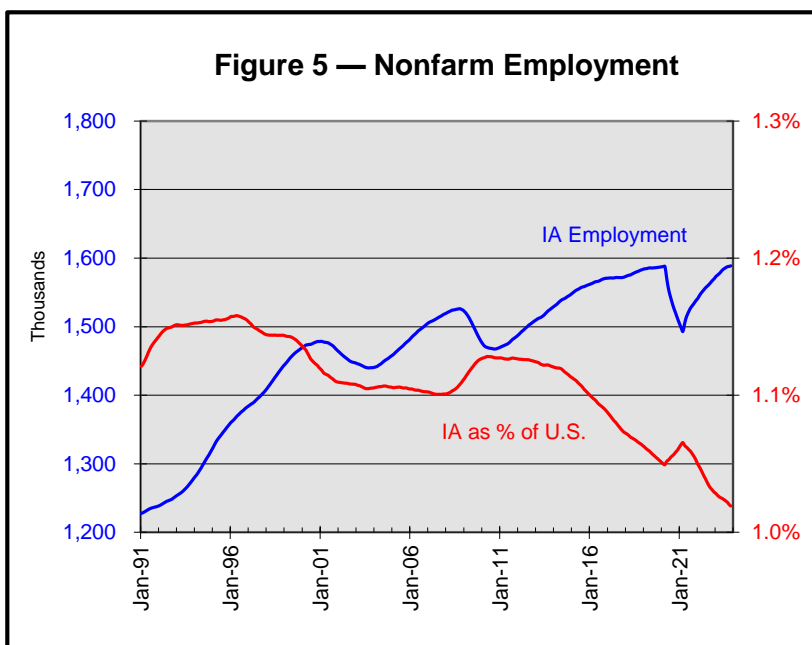
**Tax Refunds** issued in December 2023 totaled \$55.6 million, an increase of \$30.5 million compared to December 2022. In addition to regular refunds, school infrastructure refunds totaled \$56.6 million, an increase of \$0.5 million compared to December 2022.

## Status of the Economy

### Iowa Nonfarm Employment

was reported at 1,608,700 for the month of November 2023 (not seasonally adjusted), 10,400 (0.7%) higher than November 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 1,589,000, resulting in an annual average Iowa nonfarm employment level that is 1,000 above the February 2020 peak.



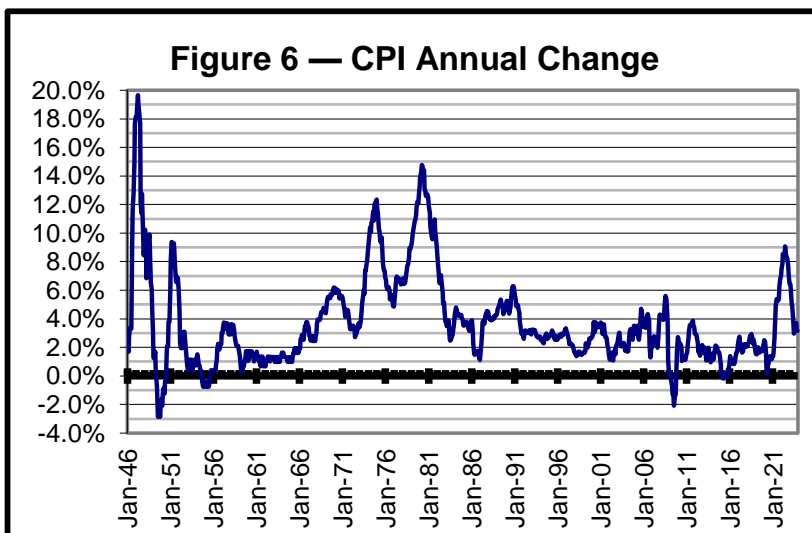
The red line in **Figure 5** presents Iowa nonfarm employment as a percentage of U.S. nonfarm employment. Iowa's share of U.S. nonfarm employment decreased noticeably from 1999 through 2002, decreased at a much slower pace from 2002 through 2007, and increased from January 2008 through June 2010. Since 2010, Iowa's percentage of U.S. employment has declined as the percentage growth in U.S. employment exceeded the percentage growth in Iowa employment. Iowa's percentage of U.S. employment has decreased the last 32 months and is currently at its lowest level in the history of the indicator.

### The Consumer Price Index (CPI)

through November 2023 was 307.1 (1983/84=100). Consumer prices decreased in November 2023 (not seasonally adjusted), and the annual rate of inflation decreased to 3.1%.

Core CPI, an inflation measure excluding food and energy expenditures, increased 0.1% in November 2023 and increased 4.0% year over year. This is the 32nd 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 5.4% 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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<b>GENERAL FUND RECEIPTS</b>					<b>ESTIMATED GENERAL FUND RECEIPTS</b>		
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 2023 Actual Compared to FY 2024 REC Estimate		
	<u>FY 2023</u>	<u>FY 2024</u>	<u>Year-to-Date % Change</u>	<u>December % Change</u>	<u>FY 2023 Actual</u>	<u>FY 2024 Estimate</u>	<u>Projected % Change</u>
Personal Income Tax	\$ 2,515.4	\$ 2,198.1	-12.6%	-14.4%	\$ 5,599.3	\$ 5,226.7	-6.7%
Sales/Use Tax	1,944.7	2,094.9	7.7%	1.5%	3,937.1	4,138.1	5.1%
Corporate Income Tax	427.0	436.8	2.3%	-26.9%	984.1	998.9	1.5%
Inheritance Tax	53.2	33.7	-36.7%	-23.7%	93.6	70.3	-24.9%
Insurance Premium Tax	65.0	81.1	24.8%	-100.0%	174.4	175.5	0.6%
Beer/Liquor Tax	7.1	6.8	-4.2%	-9.1%	13.3	12.8	-3.8%
Franchise Tax	29.6	41.3	39.5%	21.5%	92.5	87.0	-5.9%
Miscellaneous Tax	85.5	236.6	176.7%	668.9%	190.0	326.2	71.7%
<b>Total Gross Taxes</b>	<b>\$ 5,127.5</b>	<b>\$ 5,129.4</b>	<b>0.0%</b>	<b>-0.4%</b>	<b>\$ 11,084.3</b>	<b>\$ 11,035.5</b>	<b>-0.4%</b>
Institutional Payments	\$ 5.9	\$ 6.0	1.7%	12.5%	\$ 13.3	\$ 11.6	-12.8%
Liquor Profits	78.0	76.6	-1.8%	7.9%	150.5	151.5	0.7%
Interest	18.8	64.6	243.6%	113.8%	70.3	85.0	20.9%
Fees	11.5	12.8	11.3%	-14.3%	29.7	27.2	-8.4%
Judicial Revenue	32.5	32.1	-1.2%	-3.9%	89.1	95.0	6.6%
Miscellaneous Receipts	30.8	42.7	38.6%	589.3%	75.9	61.5	-19.0%
<b>Total Gross Receipts</b>	<b>\$ 5,305.0</b>	<b>\$ 5,364.1</b>	<b>1.1%</b>	<b>2.1%</b>	<b>\$ 11,513.1</b>	<b>\$ 11,467.3</b>	<b>-0.4%</b>
Accrued Revenue — Net					146.6	129.2	
Tax Refunds	-303.8	-427.5	40.7%	121.5%	-1,230.3	-1,304.4	6.0%
School Infrast. Refunds	-382.6	-351.5	-8.1%	0.9%	-708.1	-693.1	-2.1%
<b>TOTAL NET RECEIPTS</b>	<b>\$ 4,618.6</b>	<b>\$ 4,585.1</b>	<b>-0.7%</b>	<b>-1.3%</b>	<b>\$ 9,721.3</b>	<b>\$ 9,599.0</b>	<b>-1.3%</b>

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 amounts on this table exclude transfer revenue.