

Overview of the January 13, 2023 Consensus Revenue Estimating Conference

Jim Stansell

**Senior Economist and Associate Director
House Fiscal Agency**

March 1, 2023

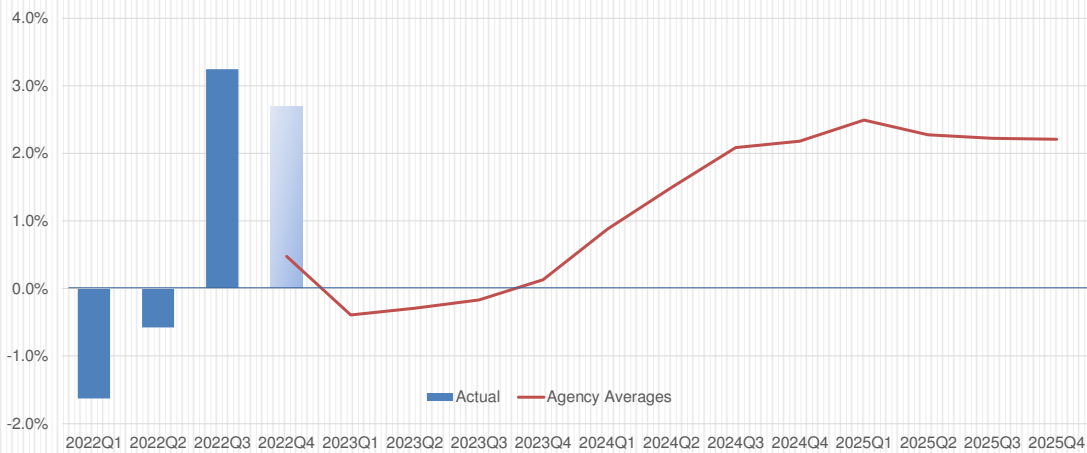


US and Michigan Economic Outlook

	2021	2022	2023	2024	2025
United States					
Real GDP Growth	5.9%	1.9%	0.2%	0.8%	2.2%
Wage & Salary Employment Growth	2.8%	4.1%	1.1%	-0.2%	0.7%
Unemployment Rate	5.3%	3.6%	4.0%	4.5%	4.2%
Light Vehicle Sales (millions)	14.9	13.8	14.9	15.6	16.4
Inflation Rate (CPI-U growth)	4.7%	8.0%	4.6%	3.0%	2.7%
Michigan					
Wage & Salary Employment Growth	3.8%	3.3%	0.8%	0.5%	0.9%
Unemployment Rate	5.9%	4.3%	4.7%	4.8%	4.5%
Wage & Salary Income Growth	7.9%	8.3%	5.2%	3.3%	3.9%
Inflation Rate (D-CPI growth)	4.2%	8.2%	4.5%	3.0%	2.6%

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Quarterly Real GDP Growth



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FY 2021-22 Preliminary Final GF/GP and SAF Revenue

Preliminary final numbers indicate revenue well above May estimates

- GF/GP Revenue appears to be slightly more than \$1.0 billion above May 2022
- SAF revenue appears to be about \$480 million above May 2022

Stronger than expected growth in:

- Sales Taxes -- \$485 million > May estimate
- Income Tax Withholding -- \$104 million > May estimate
- Corporate Income Tax -- \$207 million > May estimate

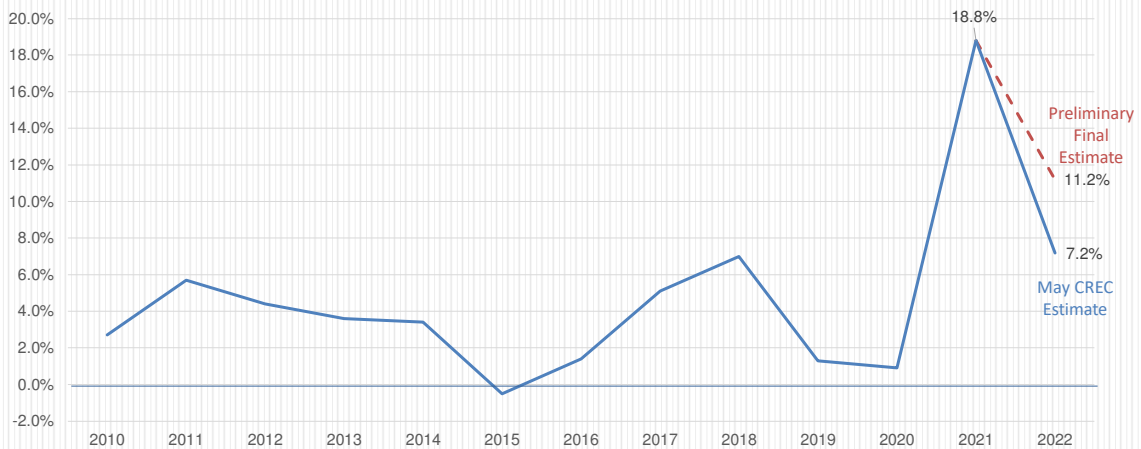
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Combined Sales and Use Tax Growth Rate (Fiscal Year-Over-Year)



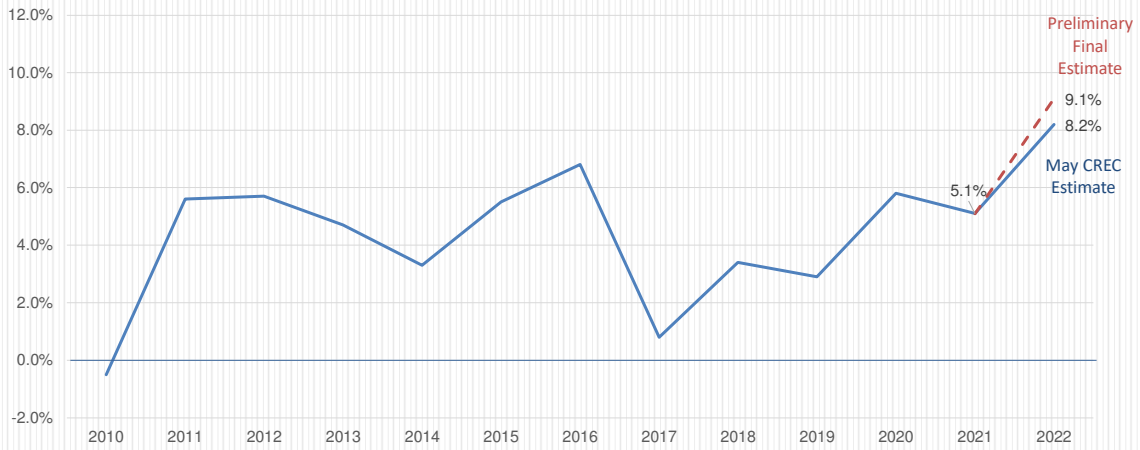
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Income Tax Withholding Growth Rate (Fiscal Year-Over-Year)



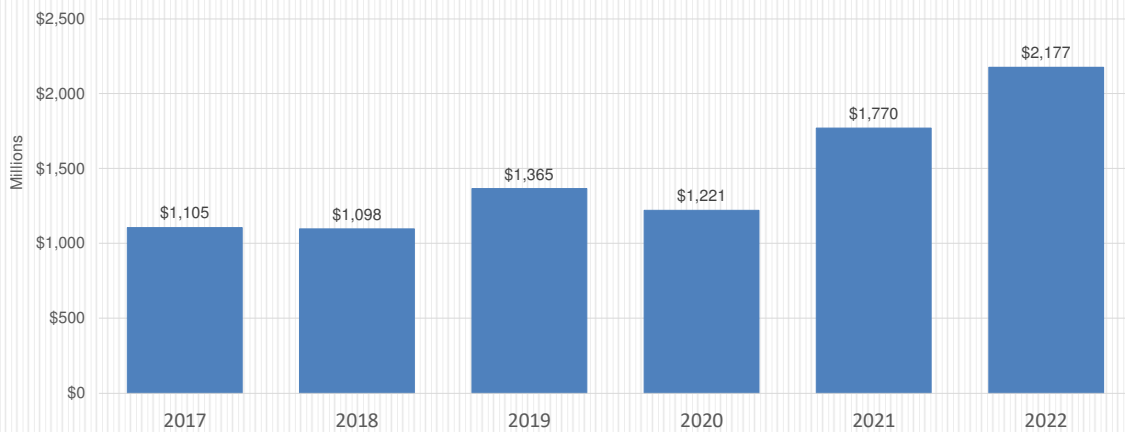
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Combined MBT and CIT Revenue (Excluding MEGA and MBT Credits)



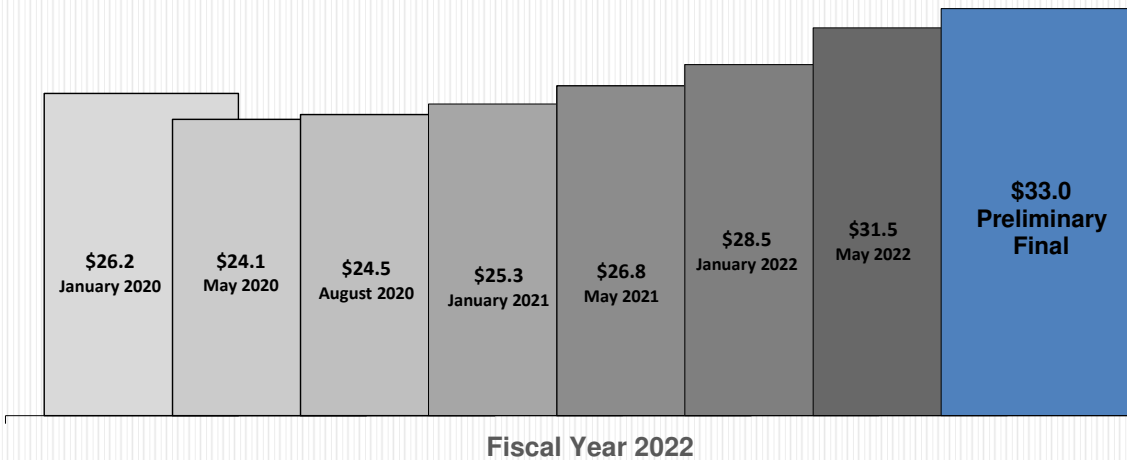
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FY 2021-22 Combined GF/GP and SAF (Billions)

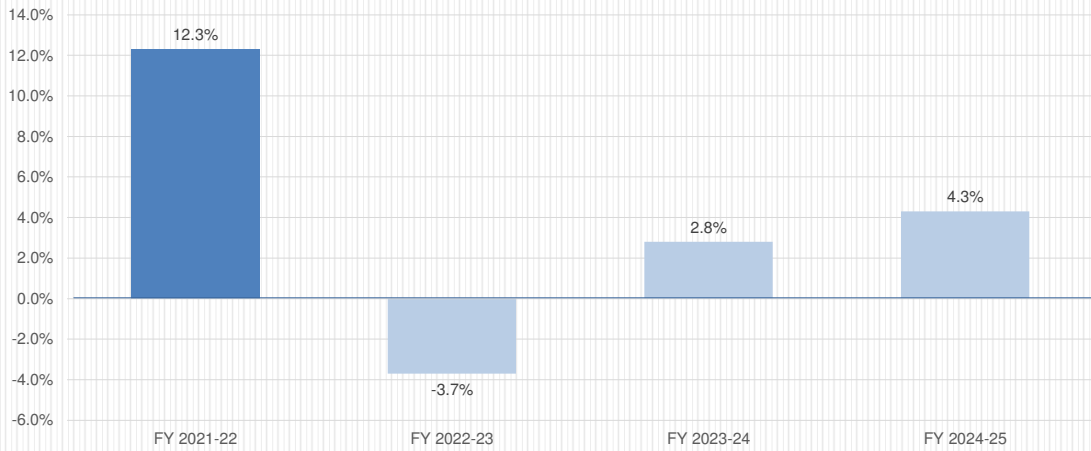


Forecast of Major Taxes

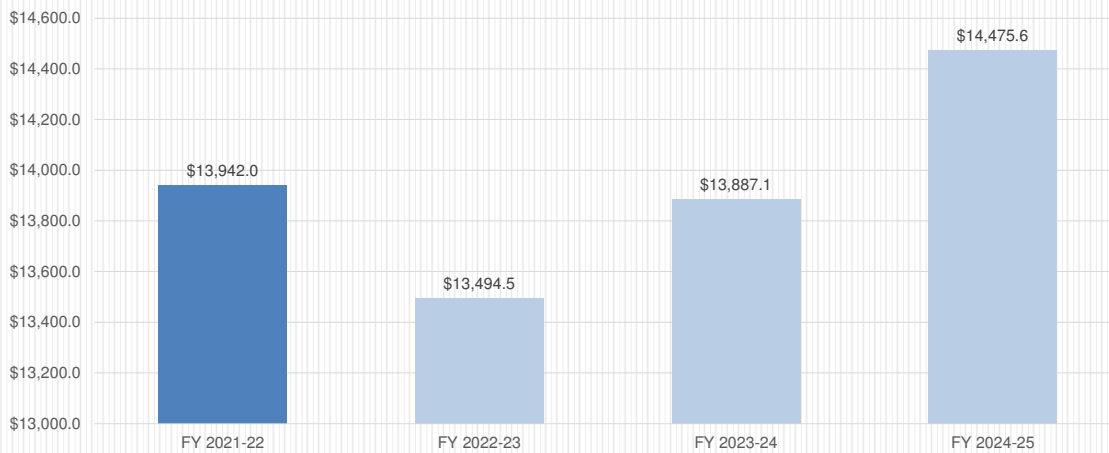
Estimates assume current law

Baseline growth rates reflect economic conditions and do not incorporate policy changes

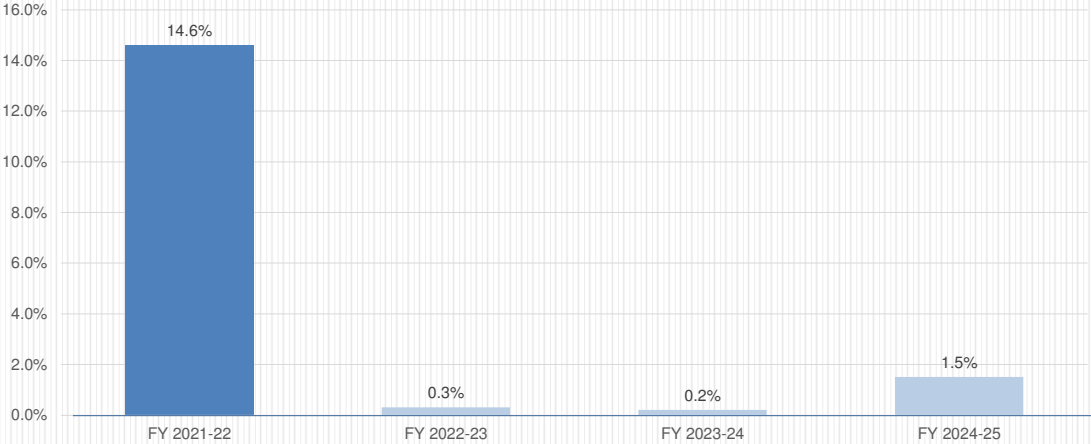
Baseline Income Tax Growth



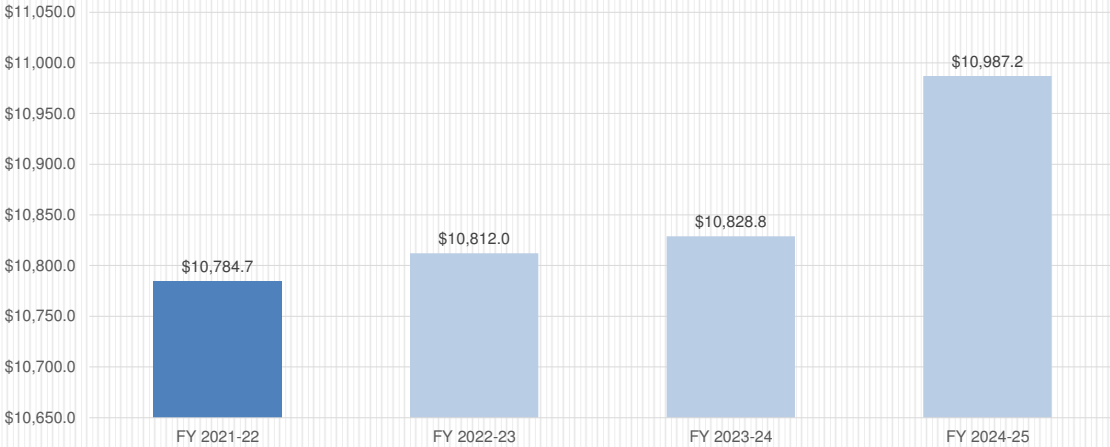
Net Income Tax Revenue Estimates (Millions)



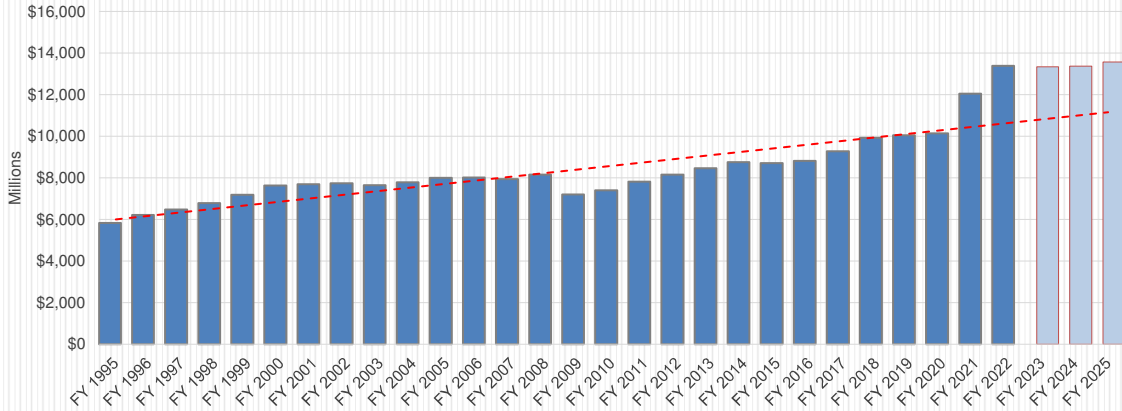
Baseline Sales Tax Growth



Net Sales Tax Revenue Estimates (Millions)

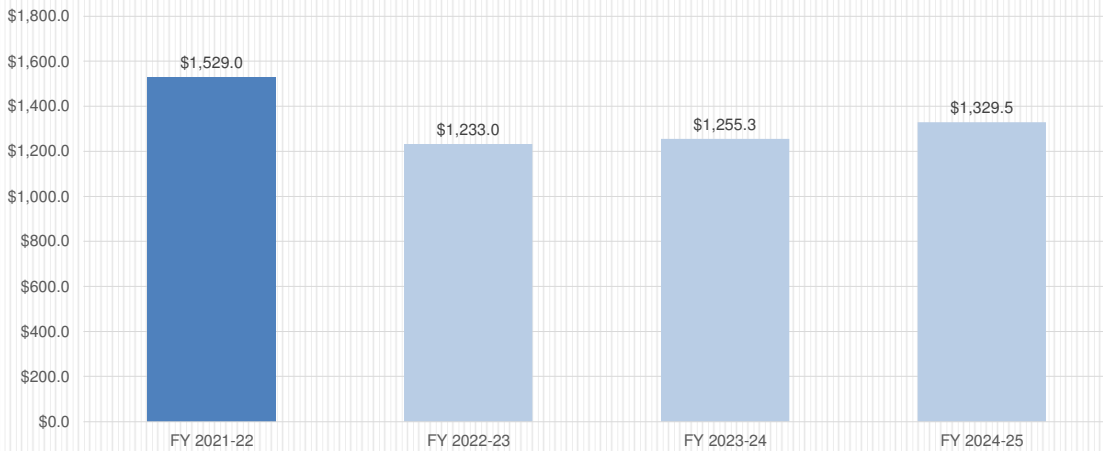


Combined Sales and Use Taxes (Millions)



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Combined Net MBT and CIT Revenue Estimates (Millions)



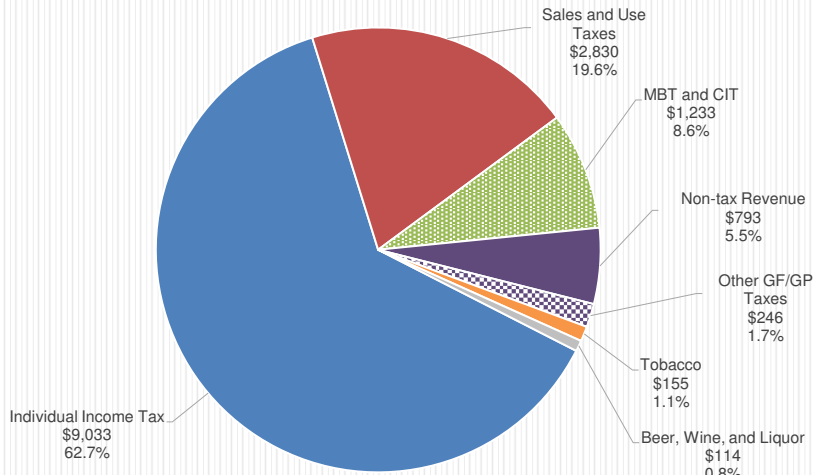
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Net State Education Tax Revenue Estimates (Millions)



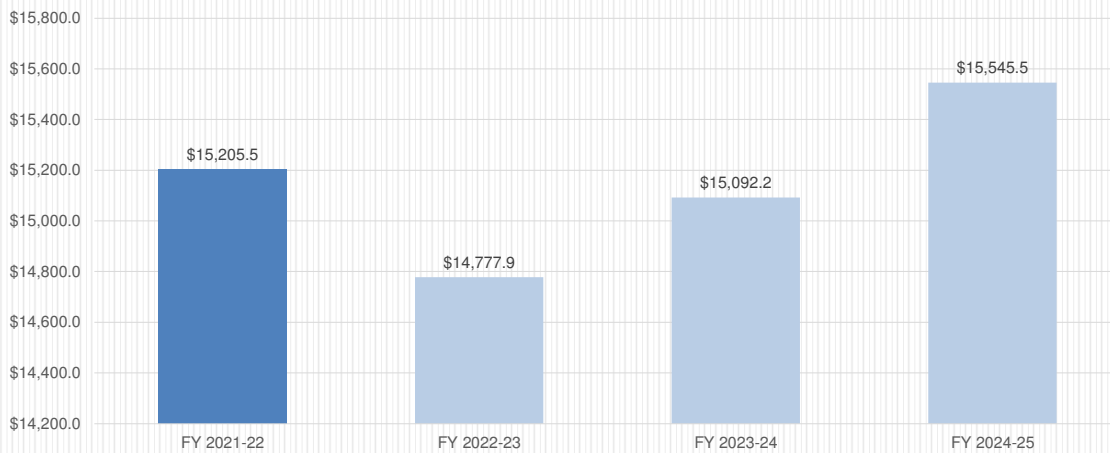
Forecast of GF/GP and SAF Revenues

Components of Estimated FY 2022-23 GF/GP Revenue (\$14,777.9 million)



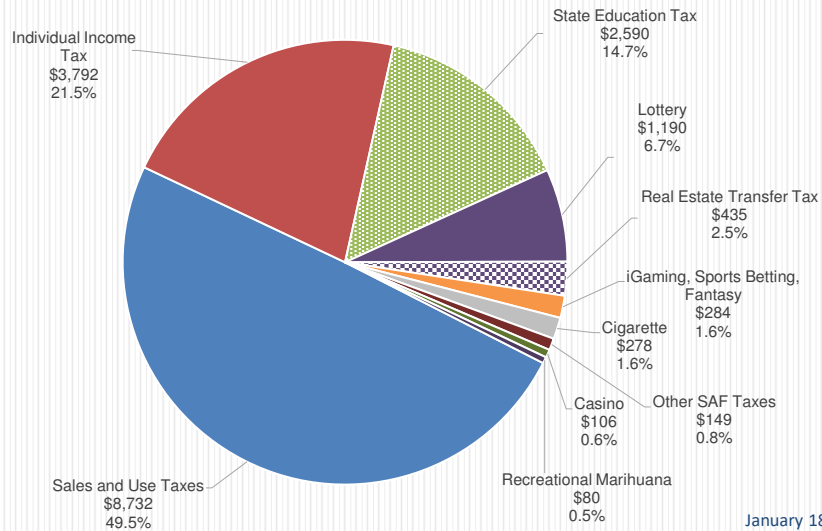
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Net GF/GP Revenue Estimates (Millions)

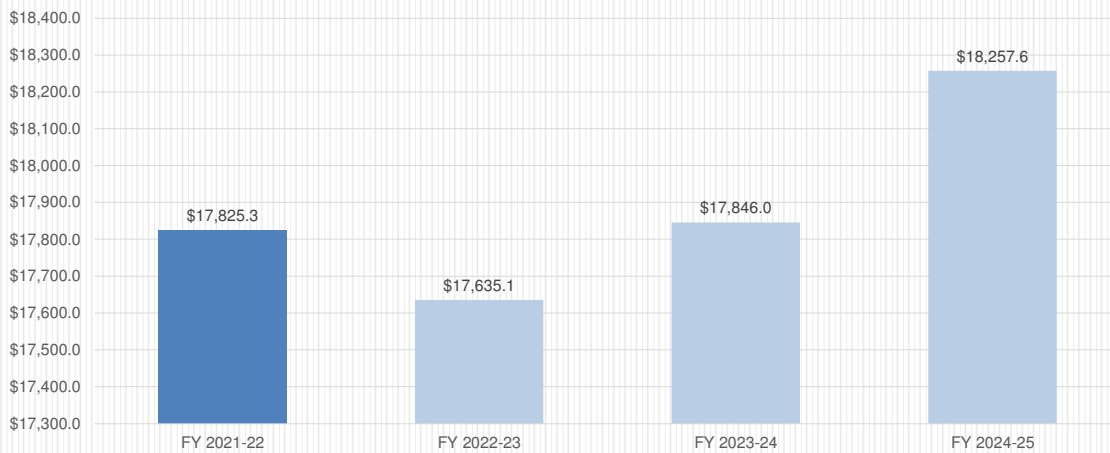


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Components of Estimated FY 2022-23 SAF Revenue (\$17,635.1 million)



Net SAF Revenue Estimates (Millions)



Revenue Forecasts and Change from May 2022 CREC (Millions)

	FY 2022-23	% Change From FY22	\$ Change From May	FY 2023-24	% Change From FY23	\$ Change From May	FY 2024-25	% Change From FY24
GF/GP	\$14,777.9	-2.8%	\$804.4	\$15,092.2	2.1%	\$863.3	\$15,545.5	3.0%
SAF	\$17,635.1	-1.1%	\$439.8	\$17,846.0	1.2%	\$401.1	\$18,257.6	2.3%
TOTAL	\$32,413.0	-1.9%	\$1,244.2	\$32,938.2	1.6%	\$1,264.4	\$33,803.1	2.6%

GF/GP Revenue Sources, Actual and Forecast (Millions)

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Individual Income Tax	\$7,713.6	\$9,212.1	\$9,032.9	\$9,338.8	\$9,788.8
Sales Tax	\$1,470.7	\$1,694.4	\$1,686.2	\$1,687.8	\$1,717.9
Use Tax	\$1,258.3	\$1,194.9	\$1,143.3	\$1,133.0	\$1,155.4
Michigan Business Tax	-\$490.5	-\$500.3	-\$527.0	-\$509.7	-\$505.5
Corporate Income Tax	\$1,701.7	\$2,029.3	\$1,143.3	\$1,765.0	\$1,835
Insurance Taxes	\$354.8	\$419.9	\$415.0	\$425.0	\$437.5
Tobacco Taxes	\$177.0	\$158.8	\$155.4	\$153.3	\$151.6
Beer, Wine, & Liquor	\$132.0	\$129.4	\$114.0	\$114.9	\$116.7
Penalties & Interest	\$134.6	\$139.8	\$140.0	\$143.0	\$146.0
Other Taxes	\$52.0	\$86.1	\$65.0	\$71.0	\$74.0
GF/GP Taxes	\$12,504.2	\$14,564.4	\$13,984.8	\$14,322.1	\$14,907.4
Non-tax Revenue	\$499.5	\$641.1	\$793.1	\$770.1	\$638.1
GF/GP Revenue	\$13,003.7	\$15,205.5	\$14,777.9	\$15,092.2	\$15,545.5

SAF Revenue Sources, Actual and Forecast (Millions)

	FY 2020-21	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Sales Tax	\$6,857.6	\$7,865.1	\$7,884.0	\$7,896.6	\$8,012.7
Use Tax	\$876.1	\$859.4	\$848.4	\$850.1	\$865.4
Income Tax Earmark	\$3,458.3	\$4,059.8	\$3,791.8	\$3,878.5	\$4,027.0
Cigarette Tax	\$323.7	\$284.7	\$277.8	\$272.7	\$268.6
State Education Tax	\$2,256.4	\$2,441.6	\$2,590.0	\$2,703.0	\$2,808.0
Real Estate Transfer Tax	\$490.3	\$546.6	\$435.0	\$417.6	\$434.3
Marihuana Excise Tax	\$49.3	\$69.4	\$79.6	\$83.6	\$88.0
Casino Wagering Tax	\$90.6	\$104.1	\$106.0	\$112.0	\$113.0
iGaming, Sports Betting, Fantasy Sports	\$85.8	\$260.6	\$284.0	\$295.4	\$305.0
Other Taxes	<u>\$145.6</u>	<u>\$142.7</u>	<u>\$148.5</u>	<u>\$150.1</u>	<u>\$151.6</u>
SAF Taxes	\$14,633.7	\$16,634.0	\$16,445.1	\$16,659.6	\$17,073.6
Lottery Transfer	<u>\$1,419.8</u>	<u>\$1,191.3</u>	<u>\$1,190.0</u>	<u>\$1,186.4</u>	<u>\$1,184.0</u>
SAF Revenue	\$16,053.5	\$17,825.3	\$17,635.1	\$17,846.0	\$18,257.6

Other CREC Provisions

Calculating Recommended BSF Pay-ins and Pay-outs

- Pay-in and pay-out calculations are only recommendations and must be appropriated.

Constitutional Revenue Limit

- Total state revenue from state sources cannot exceed 9.49% of personal income.

Income Tax Trigger

- If GF/GP revenue exceeds the capped FY 2020-21 amount, an income tax rate cut is automatically triggered.

BSF Pay-ins and Pay-outs

Calculation based on Real Adjusted Personal Income Growth

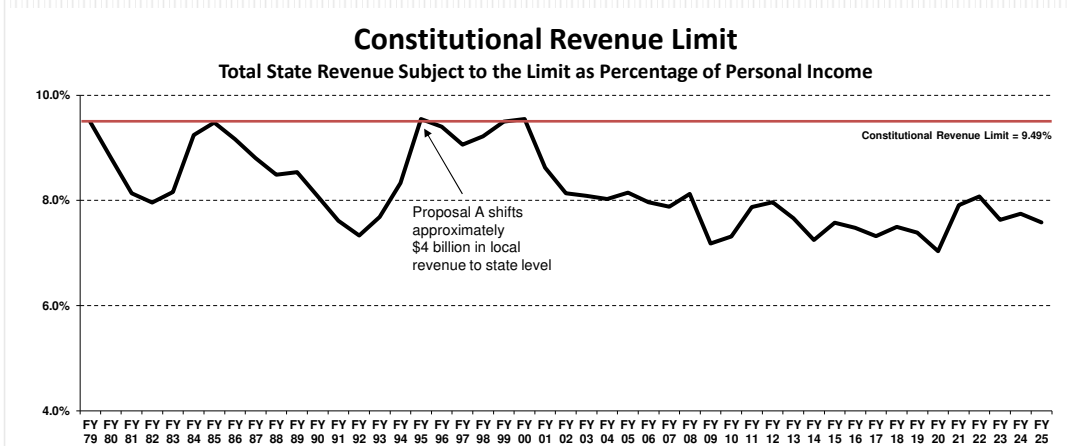
- If real adjusted personal income growth < 0%, a pay-out of up to 25% of the BSF balance is recommended.
- If real adjusted personal income growth is between 0% and 2%, no pay-in would be recommended.
- If real adjusted personal income growth > 2%, the percentage growth in excess of 2% times GF/GP revenue is the recommended pay-in.

- No pay-ins or pay-outs would be recommended for FY 2022-23, FY 2023-24, or FY 2024-25.

Constitutional Revenue Limit (Millions)

	FY 2022-23	FY 2023-24	FY 2024-25
Personal Income	<u>CY 2021</u> \$567,807	<u>CY 2022</u> \$568,375	<u>CY 2023</u> \$594,520
Ratio	9.49%	9.49%	9.49%
Revenue Limit	\$53,884.9	\$53,938.8	\$56,419.9
Revenue Subject to the Limit	\$42,884.4	\$43,573.0	\$44,614.0
Amount Under (Over) the Limit	\$11,000.5	\$10,365.8	\$11,805.9

Constitutional Revenue Limit History



Income Tax Trigger

Trigger Calculation

- Capped revenue is defined as modified FY 2020-21 GF/GP revenue, adjusted for cumulative inflation times a constant of 1.425.
- If modified GF/GP revenue in a given year exceeds the capped revenue for that year, the excess revenue is used to calculate an individual income tax rate cut.
- For FY 2022-23 (TY 2023) the calculation requires FY 2021-22 GF/GP revenue as reported in the Annual Comprehensive Financial Report (ACFR), which hasn't been published yet.

Other Resources

www.house.mi.gov/hfa

Revenue State Source and Distribution

Budget Briefing: FY 2022-23 State Tax Revenue Overview

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Questions?

jistanse@house.mi.gov



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