

## August 2016 Revenue Update

### Major Taxes

Cash collections from Michigan major taxes, penalties and interest, and lottery transfers totaled \$1,912.1 million in August 2016, \$117.9 million more than in August 2015. For the fiscal year to date, collections in FY 2015-16 are \$236.9 million (or 1.4%) higher than during FY 2014-15.

Net income tax revenue totaled \$782.8 million in August 2016, and for FY 2015-16 collections through August are \$393.7 million (or 5.4%) higher than the same period during FY 2014-15. Year-to-date collections from both withholding and estimated payments are higher than in FY 2014-15, by \$449.8 million and \$26.6 million respectively. Refunds are also about \$67.1 million higher, although some of this can be attributed to enhanced processing of returns.

Net business taxes are comprised of the sum of the single business tax (SBT), the Michigan business tax (MBT), the corporate income tax (CIT), and insurance company taxes. Because of the uncertainty over when existing certificated MEGA credits will be claimed and the inherent volatility of corporate income taxes, monthly collections of business taxes can display significant fluctuations that diverge from historical patterns. On a fiscal year-to-date basis, net business taxes are \$307.7 million (or 115.2%) lower through August 2016 than a year ago. Net business taxes in August 2016 were negative, in part due to the aforementioned credits.

Collections from consumption taxes, made up of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$866.9 million in August 2016, and are collectively \$27.6 million higher in FY 2015-16 on a year-to-date basis. Sales tax revenue, which had lagged estimates earlier in the year, now appears to be on pace to meet anticipated collections.

Revenue from the state education tax (SET) and the real estate transfer tax (RET) in August 2016 was \$157.8 million and \$31.4 million, respectively. Transfers from the lottery to the School Aid Fund were \$75.0 million in August 2016, and when compared to FY 2014-15 on a year-to-date basis, are \$89.2 million (or 13.4%) higher than at this point one year ago. Much of this reflects increased activity due to higher than normal Powerball jackpots.

### General Fund/General Purpose (GF/GP) Tax Revenue

General Fund revenue from Michigan major taxes is estimated<sup>1</sup> to be \$748.6 million in August 2016, roughly \$2.8 million above the projection established at the May 2016 consensus revenue estimating conference (CREC). Net income tax revenue accruing to the General Fund was \$10.3 million above target, primarily due to stronger than anticipated withholding, although net business taxes were \$33.5 million less than anticipated.

Year-to date for FY 2015-16, GF/GP tax revenue is \$43.2 million below the projected amount, most of which can be attributed to underperforming business taxes. As previously noted, business taxes can be subject to substantial monthly swings, and should therefore be evaluated cautiously.

### School Aid Fund Revenue

School Aid Fund revenue from Michigan major taxes is estimated<sup>1</sup> to be \$1,059.1 million in August 2016, about \$24.7 million above the amount established at the May 2016 consensus revenue estimating conference. Income and use tax collections accruing to the SAF, which were collectively \$17.4 million above target, accounted for most of the increase.

Year-to date for FY 2015-16, SAF revenue is \$3.0 million above projections, with most of the revenue sources being roughly on target.

<sup>1</sup> Because of accruals and undistributed revenue, monthly fund splits are estimated.

**FY 2015-16 August Revenue Collections**  
Millions of Dollars

| <u>Major Taxes</u>                            | FY 2015-16<br><u>August</u> | Year-to-Date Collections |                   | Change from<br>FY 2014-15 Year-to-Date |                 | FY 2015-16 Estimates<br>(May 2016 CREC) |                 |
|---|-----------------------------|--------------------------|-------------------|--|-----------------|---|-----------------|
|   |                             | <u>FY 2014-15</u>        | <u>FY 2015-16</u> | <u>Dollar</u>                          | <u>% Change</u> | <u>Dollar</u>                           | <u>% Change</u> |
| Individual Income Tax                         |                             |                          |                   |  |                 |   |                 |
| Withholding                                   | \$786.2                     | \$7,305.5                | \$7,755.2         | \$449.8                                | 6.2%            | \$9,216.8                               | 6.2%            |
| Quarterly Income Tax                          | 17.9                        | 772.1                    | 798.7             | 26.6                                   | 3.4%            | 1,058.4                                 | 2.0%            |
| Annual Income Tax                             | <u>20.3</u>                 | <u>872.1</u>             | <u>856.4</u>      | <u>(15.6)</u>                          | -1.8%           | <u>900.0</u>                            | -5.9%           |
| <b>Gross Income Tax</b>                       | <b>824.4</b>                | <b>8,949.6</b>           | <b>9,410.4</b>    | <b>460.7</b>                           | <b>5.1%</b>     | <b>11,175.2</b>                         | <b>4.7%</b>     |
| Less: Income Tax Refunds                      | <u>41.5</u>                 | <u>1,702.3</u>           | <u>1,769.4</u>    | <u>67.1</u>                            | 3.9%            | <u>1,774.0</u>                          | 4.8%            |
| <b>Net Income Tax</b>                         | <b>782.8</b>                | <b>7,247.3</b>           | <b>7,641.0</b>    | <b>393.7</b>                           | <b>5.4%</b>     | <b>9,401.2</b>                          | <b>4.7%</b>     |
| Business Taxes                                |                             |                          |                   |  |                 |   |                 |
| Single Business Tax                           | (1.1)                       | 26.0                     | (4.4)             | (30.3)                                 |                 | (10.0)                                  |                 |
| Michigan Business Tax                         | (88.9)                      | (847.4)                  | (978.0)           | (130.6)                                |                 | (1,031.0)                               |                 |
| Corporate Income Tax                          | 12.2                        | 817.5                    | 699.1             | (118.4)                                | -14.5%          | 932.0                                   | -13.5%          |
| Insurance Company Taxes                       | <u>(3.6)</u>                | <u>271.1</u>             | <u>242.7</u>      | <u>(28.4)</u>                          | -10.5%          | <u>316.0</u>                            | -2.0%           |
| <b>Subtotal</b>                               | <b>(81.4)</b>               | <b>267.2</b>             | <b>(40.5)</b>     | <b>(307.7)</b>                         | <b>-115.2%</b>  | <b>207.0</b>                            | <b>-68.4%</b>   |
| Consumption Taxes                             |                             |                          |                   |  |                 |   |                 |
| Sales Tax                                     | 631.7                       | 5,983.5                  | 6,021.0           | 37.5                                   | 0.6%            | 7,310.0                                 | 0.9%            |
| Use Tax                                       | 140.5                       | 1,157.1                  | 1,142.2           | (14.9)                                 | -1.3%           | 1,343.6                                 | -6.3%           |
| Beer and Wine Taxes                           | 4.7                         | 35.9                     | 42.2              | 6.2                                    | 17.3%           | 52.0                                    | 11.3%           |
| Liquor Excise Tax                             | 6.6                         | 82.4                     | 75.6              | (6.8)                                  | -8.3%           | 102.6                                   | 4.0%            |
| Tobacco Taxes                                 | <u>83.3</u>                 | <u>777.6</u>             | <u>783.1</u>      | <u>5.5</u>                             | 0.7%            | <u>957.1</u>                            | 0.4%            |
| <b>Subtotal</b>                               | <b>866.9</b>                | <b>8,036.5</b>           | <b>8,064.1</b>    | <b>27.6</b>                            | <b>0.3%</b>     | <b>9,765.3</b>                          | <b>0.2%</b>     |
| Other Miscellaneous Taxes                     |                             |                          |                   |  |                 |   |                 |
| State Education Tax                           | 157.8                       | 498.2                    | 517.5             | 19.3                                   | 3.9%            | 1,894.1                                 | 2.0%            |
| Real Estate Transfer Tax                      | 31.4                        | 212.4                    | 222.0             | 9.5                                    | 4.5%            | 276.0                                   | 6.8%            |
| Essential Services Assessment                 | 49.7                        | 0.0                      | 63.4              | 63.4                                   |                 | 55.0                                    |                 |
| Industrial Facilities/Commercial Forest Taxes | 4.2                         | 24.1                     | 24.3              | 0.3                                    | 1.1%            | 36.0                                    | 3.7%            |
| Casino Wagering Tax                           | 9.4                         | 92.9                     | 94.6              | 1.8                                    | 1.9%            | 112.0                                   | 1.1%            |
| Gas and Oil Severance Tax                     | 1.8                         | 26.9                     | 15.8              | (11.1)                                 | -41.1%          | 20.4                                    | -32.9%          |
| Telephone and Telegraph Tax                   | 1.9                         | 44.2                     | 36.5              | (7.7)                                  | -17.5%          | 42.0                                    | 0.5%            |
| Penalties and Interest                        | 12.6                        | 124.3                    | 83.0              | (41.3)                                 | -33.2%          | 115.0                                   | -7.7%           |
| Lottery Transfer to SAF                       | <u>75.0</u>                 | <u>666.8</u>             | <u>756.0</u>      | <u>89.2</u>                            | 13.4%           | <u>850.0</u>                            | 8.4%            |
| <b>Subtotal</b>                               | <b>343.8</b>                | <b>1,689.7</b>           | <b>1,813.1</b>    | <b>123.4</b>                           | <b>7.3%</b>     | <b>3,400.5</b>                          | <b>6.1%</b>     |
| <b>TOTAL</b>                                  | <b>\$1,912.1</b>            | <b>\$17,240.7</b>        | <b>\$17,477.6</b> | <b>\$236.9</b>                         | <b>1.4%</b>     | <b>\$22,774.0</b>                       | <b>4.4%</b>     |

Note: Numbers may not add due to rounding.