

January 2018 Revenue Update

Major Taxes

Cash collections from Michigan major taxes, penalties and interest, and lottery transfers totaled \$2,655.6 million in January 2018, \$222.2 million more than in January 2017. For the fiscal year-to-date, collections in FY 2017-18 were \$65.4 million (or 1.0%) higher than during FY 2016-17.

Net income tax revenue totaled \$1,439.7 million in January 2018, and for FY 2017-18 collections through January were \$354.2 million (or 12.3%) higher than the same period during FY 2016-17. Year-to-date collections in FY 2017-18 from estimated payments were \$234.9 million higher than one year ago, and January 2018 collections set an all-time high as taxpayers remitted anticipated liabilities in 2017 before the 2018 federal limit on state and local tax deductions took effect. However, this is most likely a timing issue as opposed to an actual increase in income tax revenue, and will presumably be offset by lower annual payments and higher refunds in the coming months.

Net business taxes are 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 were \$237.7 million lower through January 2018 than a year ago, primarily due to higher MBT refunds and reduced CIT collections.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$902.7 million in January 2018, and were collectively \$8.4 million lower than in FY 2016-17 on a year-to-date basis. Year-to-date sales, use, and tobacco tax revenue have grown more slowly than the consensus estimates, and are the reasons for the overall decline in consumption taxes.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in January 2018 were \$15.8 million and \$23.7 million, respectively. On a year-to-date basis, SET revenue is below the consensus estimate. Transfers from the lottery to the School Aid Fund were \$80.0 million in January 2018, but remain below FY 2016-17 on a year-to-date basis.

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

General Fund revenue from Michigan major taxes is estimated¹ to be \$1,490.4 million in January 2018, about \$206.4 million above the projection established at the January 2018 consensus revenue estimating conference (CREC), primarily because of stronger than anticipated quarterly income tax payments. Although negative, net MBT collections were less negative than estimated, and as such were less of a drag on overall January 2018 GF/GP revenue.

Because January collections are the only monthly revenues since the most recent CREC, year-to-date GF/GP tax revenue for FY 2017-18 is also about 206.4 million above the projected amount.

School Aid Fund Revenue

School Aid Fund revenue from Michigan major taxes is estimated¹ to be \$1,058.7 million in January 2018, about \$50.7 million above the amount established at the January 2018 consensus revenue estimating conference. Gross income tax collections accruing to the SAF were \$49.6 million above target, which accounts for almost all of the difference.

For the same reason as with year-to-date GF/GP revenue, year-to-date SAF revenue for FY 2017-18 is \$50.7 million above the consensus revenue projections.

¹ Because of accruals and undistributed revenue, monthly fund splits are estimated.

FY 2017-18 January Revenue Collections
Millions of Dollars

<u>Major Taxes</u>	FY 2017-18 <u>January</u>	Year-to-Date Collections		Change from FY 2016-17 Year-to-Date		FY 2017-18 Estimates (January 2018 CREC)	
		<u>FY 2016-17</u>	<u>FY 2017-18</u>	<u>Dollar</u>	<u>% Change</u>	<u>Dollar</u>	<u>% Change</u>
Individual Income Tax							
Withholding	\$1,015.0	\$2,479.4	\$2,620.7	\$141.3	5.7%	\$9,698.4	3.9%
Quarterly Income Tax	448.5	438.2	673.1	234.9	53.6%	1,241.1	3.9%
Annual Income Tax	<u>15.6</u>	<u>49.1</u>	<u>46.2</u>	<u>(3.0)</u>	(6.1%)	<u>950.6</u>	8.0%
Gross Income Tax	1,479.1	2,966.8	3,340.0	373.2	12.6%	11,890.1	4.2%
Less: Income Tax Refunds	<u>39.4</u>	<u>80.1</u>	<u>99.1</u>	<u>19.0</u>	23.7%	<u>1,990.1</u>	1.7%
Net Income Tax	1,439.7	2,886.6	3,240.8	354.2	12.3%	9,900.0	4.7%
Business Taxes							
Single Business Tax	5.4	9.0	9.2	0.2		5.0	
Michigan Business Tax	(15.8)	(140.2)	(309.1)	(169.0)		(757.9)	
Corporate Income Tax	91.3	312.9	219.6	(93.3)	(29.8%)	955.2	(13.6%)
Insurance Company Taxes	<u>91.3</u>	<u>74.6</u>	<u>98.9</u>	<u>24.3</u>	32.6%	<u>412.1</u>	11.2%
Subtotal	172.2	256.3	18.5	(237.7)	(92.8%)	614.4	(22.3%)
Consumption Taxes							
Sales Tax	684.2	1,987.8	1,991.8	4.0	0.2%	8,026.9	2.9%
Use Tax	110.0	291.8	282.4	(9.4)	(3.2%)	1,107.0	1.9%
Beer and Wine Taxes	5.4	12.6	14.4	1.7	13.6%	52.5	2.7%
Liquor Excise Tax	30.6	29.7	30.7	1.0	3.5%	111.6	2.4%
Tobacco Taxes	<u>72.5</u>	<u>231.8</u>	<u>226.1</u>	<u>(5.7)</u>	(2.5%)	<u>938.5</u>	(0.8%)
Subtotal	902.7	2,553.7	2,545.3	(8.4)	(0.3%)	10,236.5	2.5%
Other Miscellaneous Taxes							
State Education Tax	15.8	275.3	235.5	(39.8)	(14.5%)	2,027.1	3.2%
Real Estate Transfer Tax	23.7	75.0	80.5	5.5	7.3%	322.6	1.7%
Essential Services Assessment	0.0	0.1	0.1	0.0	0.0%	91.0	8.3%
Industrial & Commercial Facilities Taxes	0.8	4.2	3.2	(1.0)	(23.5%)	38.0	5.6%
Casino Wagering Tax	9.0	27.6	27.6	0.0	0.0%	113.0	(0.2%)
Gas and Oil Severance Tax	2.6	6.0	6.6	0.6	9.9%	25.0	6.4%
Telephone and Telegraph Tax	0.0	13.8	14.6	0.8	5.7%	35.0	(1.7%)
Penalties and Interest	9.1	19.1	23.7	4.6	24.3%	112.0	(0.7%)
Lottery Transfer to SAF	<u>80.0</u>	<u>219.0</u>	<u>205.5</u>	<u>(13.5)</u>	(6.2%)	<u>926.0</u>	0.2%
Subtotal	141.0	640.0	597.3	(42.7)	(6.7%)	3,689.7	2.2%
TOTAL	\$2,655.6	\$6,336.6	\$6,402.0	\$65.4	1.0%	\$24,440.6	2.5%

Note: Numbers January not add due to rounding.