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January 2019 Revenue Update

Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$2,428.5 million in January 2019, \$262.1 million less than in January 2018. For the fiscal year-to-date, collections in FY 2018-19 are \$214.6 million (or 3.4%) higher than during FY 2017-18.

Net income tax revenue totaled \$1,199.8 million in January 2019, and for FY 2018-19 collections through January are \$329.1 million less than the same period during FY 2017-18. Year-to-date gross income tax collections in FY 2018-19 are \$350.3 million lower than one year ago as all three components have lagged behind FY 2017-18 levels. Quarterly (or estimated) payments account for most of the discrepancy, although this is primarily due to the fact that January 2018 collections were the highest on record as some taxpayers intentionally overpaid to take advantage of the state and local tax deduction at the federal level.

Net business taxes are composed of the single business tax (SBT), the Michigan business tax (MBT), the corporate income tax (CIT), and insurance company taxes. Because of their inherent volatility, monthly collections of business taxes can often display significant fluctuations that diverge from historical trends. On a fiscal year-to-date basis, net business taxes are \$169.2 million higher through January 2019 than a year ago as MBT collections have been less negative by \$101.9 million and CIT revenue through January 2019 is \$79.8 million higher than last year's collections.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$920.1 million in January 2019, and are collectively \$281.3 million higher than in FY 2017-18 on a year-to-date basis, almost all of which can be attributed to the amount of use tax levied by the Local Community Stabilization Authority (LCSA) used to reimburse municipalities for the personal property tax phase-out.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in January 2019 were \$23.7 million and \$24.5 million, respectively. Transfers from the lottery to the School Aid Fund were \$75.0 million in January 2019, and are \$44.5 million higher than FY 2017-18 on a year-to-date basis.

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

General Fund/General Purpose revenue from Michigan's major taxes is estimated¹ to be \$1,312.7 million in January 2019, about \$64.9 million below the projection established at the January 2019 consensus revenue estimating conference (CREC). While the portions of the individual income tax and sales tax accruing to the General Fund were below estimates, they were somewhat moderated by higher use tax collections.

Because January collections are the only monthly revenues since the most recent CREC, year-to-date GF/GP tax revenue for FY 2018-19 is also about \$64.9 million below the projected amount.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes is estimated¹ to be \$1,005.1 million in January 2019, about \$57.0 million below the amount established at the January 2019 CREC, primarily because of lower than anticipated sales taxes.

For the same reason as with year-to-date GF/GP revenue, year-to-date SAF revenue for FY 2018-19 is also \$57.0 million below the consensus revenue projections.

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

FY 2018-19 January Revenue Collections

Millions of Dollars

Major Taxes	FY 2018-19	Year-to-Date Collections		Change from		FY 2018-19 Estimates		
	<u>January</u>	<u>FY 2017-18</u>	<u>FY 2018-19</u>	<u>FY 2018-19 Year-to-Date</u>	<u>Dollar</u>	<u>% Change</u>	<u>Dollar</u>	<u>% Change</u>
Individual Income Tax								
Withholding	\$900.6	\$2,620.7	\$2,562.0	(\$58.8)	(2.2%)	\$10,090.0	4.5%	
Quarterly Income Tax	311.3	673.1	386.7	(286.4)	(42.5%)	1,339.1	(11.6%)	
Annual Income Tax	<u>12.6</u>	<u>46.2</u>	<u>41.0</u>	<u>(5.1)</u>	<u>(11.1%)</u>	<u>1,011.4</u>	1.9%	
Gross Income Tax	1,224.4	3,340.0	2,989.7	(350.3)	(10.5%)	12,440.5	2.3%	
Less: Income Tax Refunds	<u>24.6</u>	<u>99.1</u>	<u>77.9</u>	<u>(21.2)</u>	<u>(21.4%)</u>	<u>2,254.2</u>	12.9%	
Net Income Tax	1,199.8	3,240.8	2,911.7	(329.1)	(10.2%)	10,186.3	(0.2%)	
Business Taxes								
Single Business Tax	6.8	9.2	(1.4)	(10.6)		2.0		
Michigan Business Tax	(54.3)	(309.1)	(207.2)	101.9		(607.7)		
Corporate Income Tax	115.9	219.6	299.3	79.8	36.3%	1,081.4	4.6%	
Insurance Company Taxes	<u>94.8</u>	<u>98.9</u>	<u>97.0</u>	<u>(1.9)</u>	<u>(1.9%)</u>	<u>390.0</u>	<u>(0.8%)</u>	
Subtotal	163.1	18.5	187.7	169.2	912.5%	865.7	81.5%	
Consumption Taxes								
Sales Tax	678.1	1,991.8	2,038.7	46.9	2.4%	8,516.7	5.4%	
Use Tax (excluding LCSA levy)	158.0	178.4	428.2	249.8	140.1%	1,262.0	(12.0%)	
Beer and Wine Taxes	4.3	14.4	13.3	(1.1)	(7.4%)	52.0	2.4%	
Liquor Excise Tax	0.1	30.7	21.9	(8.8)	(28.8%)	116.6	1.6%	
Tobacco Taxes	<u>79.7</u>	<u>226.1</u>	<u>220.6</u>	<u>(5.5)</u>	<u>(2.4%)</u>	<u>919.1</u>	<u>(0.1%)</u>	
Subtotal	920.1	2,441.3	2,722.6	281.3	11.5%	10,866.4	5.0%	
Other Miscellaneous Taxes								
State Education Tax	23.7	235.5	287.6	52.1	22.1%	2,085.5	4.9%	
Real Estate Transfer Tax	24.5	80.5	81.5	1.0	1.2%	352.9	0.7%	
Essential Services Assessment	0.0	0.1	0.0	(0.1)	(89.0%)	107.7	7.8%	
Industrial & Commercial Facilities Taxes	1.3	3.2	3.6	0.4	12.3%	37.5	3.3%	
Casino Wagering Tax	9.1	27.6	28.9	1.3	4.8%	115.0	(0.3%)	
Gas and Oil Severance Tax	2.1	6.6	5.8	(0.7)	(11.0%)	27.0	3.1%	
Telephone and Telegraph Tax	0.0	14.6	10.4	(4.2)	(28.7%)	32.0	6.3%	
Penalties and Interest	9.8	23.7	22.7	(1.0)	(4.2%)	128.0	(27.0%)	
Lottery Transfer to School Aid Fund	<u>75.0</u>	<u>205.5</u>	<u>250.0</u>	<u>44.5</u>	21.7%	<u>942.0</u>	(3.9%)	
Subtotal	145.4	597.3	690.6	93.3	15.6%	3,826.8	2.0%	
TOTAL	\$2,428.5	\$6,297.9	\$6,512.6	\$214.6	3.4%	\$25,745.2	3.9%	

Note: Numbers may not add due to rounding.