

May 2017 Revenue Update

Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$1,855.6 million in May 2017, \$180.3 million more than in May 2016. For the fiscal year-to-date, collections in FY 2016-17 are \$619.7 million (or 5.3%) higher than during FY 2015-16.

Net income tax revenue totaled \$817.8 million in May 2017, and for FY 2016-17 collections through May were \$137.1 million (or 2.6%) higher than the same period during FY 2015-16. Year-to-date collections in FY 2016-17 from withholding and estimated payments are higher by \$144.0 million and \$70.9 million than one year ago, while annual payments are lower by \$30.3 million. Year-to-date income tax refunds in FY 2016-17 are \$47.5 million higher than during FY 2015-16, although it should be noted that higher refunds reduce net revenue.

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 are \$204.0 million higher through May 2017 than a year ago, with the gains spread across all four components.

Collections from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$853.4 million in May 2017, and are collectively \$216.7 million higher than in FY 2015-16 on a year-to-date basis. Year-to-date sales tax revenue has grown faster than the consensus estimate, and is the reason for the overall increase in consumption taxes.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in May 2017 were \$18.7 million and \$24.9 million, respectively, and on a year-to-date basis are well above the consensus estimates. Transfers from the lottery to the School Aid Fund were \$76.0 million in May 2017, but remain slightly below FY 2015-16 on a year-to-date basis.

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

General Fund revenue from Michigan's major taxes is estimated¹ to be \$806.8 million in May 2017, roughly \$70.0 million above the projection established at the May 2017 consensus revenue estimating conference (CREC), primarily because of stronger than anticipated income tax revenue. Although negative, net MBT collections were less negative than estimated, and as such were less of a drag on overall May 2017 GF/GP revenue.

Because May collections are the only monthly revenues since the most recent CREC, year-to-date GF/GP tax revenue for FY 2016-17 is also \$70.0 million above the projected amount.

School Aid Fund Revenue

School Aid Fund (SAF) revenue from Michigan's major taxes is estimated¹ to be \$947.8 million in May 2017, about \$7.4 million above the amount established at the May 2017 consensus revenue estimating conference. Gross income tax collections accruing to the SAF were \$19.4 million above target, but were partially offset by lower than anticipated use tax collections and lottery transfers.

For the same reason as with year-to-date GF/GP revenue, year-to-date SAF revenue for FY 2016-17 is \$7.4 million above the consensus revenue projections.

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

FY 2016-17 May Revenue Collections
Millions of Dollars

| <u>Major Taxes</u> | FY 2016-17 <u>May</u> | Year-to-Date Collections | | Change from FY 2015-16 Year-to-Date | | FY 2016-17 Estimates (May 2017 CREC) | |
|--|--------------------------|--------------------------|-------------------|--|-----------------|---|-----------------|
| | | <u>FY 2015-16</u> | <u>FY 2016-17</u> | <u>Dollar</u> | <u>% Change</u> | <u>Dollar</u> | <u>% Change</u> |
| Individual Income Tax | | | | | | | |
| Withholding | \$790.6 | \$5,506.0 | \$5,650.0 | \$144.0 | 2.6% | \$9,530.0 | 2.9% |
| Quarterly Income Tax | 32.1 | 557.7 | 628.6 | 70.9 | 12.7% | 1,157.8 | 8.7% |
| Annual Income Tax | <u>160.8</u> | <u>803.9</u> | <u>773.6</u> | <u>(30.3)</u> | -3.8% | <u>887.6</u> | -2.7% |
| Gross Income Tax | 983.5 | 6,867.6 | 7,052.3 | 184.6 | 2.7% | 11,575.4 | 3.0% |
| Less: Income Tax Refunds | <u>165.7</u> | <u>1,668.8</u> | <u>1,716.3</u> | <u>47.5</u> | 2.8% | <u>1,879.0</u> | 0.3% |
| Net Income Tax | 817.8 | 5,198.8 | 5,336.0 | 137.1 | 2.6% | 9,696.4 | 3.5% |
| Business Taxes | | | | | | | |
| Single Business Tax | (0.1) | (3.5) | 0.6 | 4.1 | | (5.0) | |
| Michigan Business Tax | (6.1) | (736.8) | (696.1) | 40.7 | | (922.8) | |
| Corporate Income Tax | 37.4 | 511.0 | 653.9 | 143.0 | 28.0% | 1,078.0 | 15.9% |
| Insurance Company Taxes | <u>(0.5)</u> | <u>155.9</u> | <u>172.2</u> | <u>16.3</u> | 10.4% | <u>366.3</u> | 11.3% |
| Subtotal | 30.7 | (73.4) | 130.7 | 204.0 | -278.0% | 516.5 | 37.9% |
| Consumption Taxes | | | | | | | |
| Sales Tax | 648.0 | 4,079.0 | 4,362.0 | 283.0 | 6.9% | 7,694.9 | 5.4% |
| Use Tax | 122.2 | 774.2 | 715.9 | (58.3) | -7.5% | 1,185.0 | -16.6% |
| Beer and Wine Taxes | 4.0 | 27.6 | 27.0 | (0.5) | -2.0% | 52.0 | 0.4% |
| Liquor Excise Tax | 8.0 | 58.9 | 60.6 | 1.7 | 3.0% | 105.6 | 0.9% |
| Tobacco Taxes | <u>71.2</u> | <u>530.3</u> | <u>521.1</u> | <u>(9.3)</u> | -1.7% | <u>944.4</u> | -0.2% |
| Subtotal | 853.4 | 5,470.0 | 5,686.6 | 216.7 | 4.0% | 9,981.9 | 1.6% |
| Other Miscellaneous Taxes | | | | | | | |
| State Education Tax | 18.7 | 318.7 | 350.2 | 31.5 | 9.9% | 1,945.9 | 2.6% |
| Real Estate Transfer Tax | 24.9 | 139.7 | 164.9 | 25.2 | 18.1% | 312.7 | 8.1% |
| Essential Services Assessment | 1.0 | 0.3 | 1.6 | 1.2 | | 78.0 | 15.4% |
| Industrial & Commercial Facilities Taxes | 3.7 | 16.7 | 18.5 | 1.8 | 10.9% | 35.0 | 7.7% |
| Casino Wagering Tax | 9.7 | 66.9 | 67.2 | 0.4 | 0.5% | 114.0 | 1.0% |
| Gas and Oil Severance Tax | 2.2 | 10.7 | 13.9 | 3.3 | 30.6% | 24.8 | 31.2% |
| Telephone and Telegraph Tax | 0.0 | 14.9 | 13.8 | (1.2) | -7.7% | 36.6 | 5.5% |
| Penalties and Interest | 17.5 | 58.5 | 65.0 | 6.5 | 11.2% | 114.3 | -8.1% |
| Lottery Transfer to SAF | <u>76.0</u> | <u>532.0</u> | <u>525.0</u> | <u>(7.0)</u> | -1.3% | <u>887.0</u> | -0.2% |
| Subtotal | 153.7 | 1,158.4 | 1,220.2 | 61.8 | 5.3% | 3,548.3 | 2.4% |
| TOTAL | \$1,855.6 | \$11,753.8 | \$12,373.4 | \$619.7 | 5.3% | \$23,743.1 | 3.1% |

Note: Numbers may not add due to rounding.