

September 2017 Revenue Update

Major Taxes

Cash collections from Michigan major taxes, penalties and interest, and lottery transfers totaled \$2,596.2 million in September 2017, \$156.3 million more than in September 2016. For the fiscal year-to-date, collections in FY 2016-17 are \$1,175.5 million (or 5.9%) higher than during FY 2015-16.

Net income tax revenue totaled \$986.3 million in September 2017, and for FY 2016-17 collections through September were \$138.3 million (or 1.6%) higher than the same period during FY 2015-16. Although year-to-date collections in FY 2016-17 from withholding are higher than one year ago by \$95.1 million, the growth rate is well below the May 2017 consensus estimate for the fiscal year. Conversely, year-to-date income tax refunds in FY 2016-17 are \$44.4 million higher than during FY 2015-16 and are growing faster than the fiscal year consensus estimate, 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 premiums taxes. Because of the uncertainty over when (or even if) 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 \$504.2 million higher through September 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 \$896.6 million in September 2017, and are collectively \$377.5 million higher than FY 2015-16 on a year-to-date basis. Year-to-date sales tax, use tax, and liquor tax revenues continue to exceed the consensus estimate growth rates, and more than offset sub-par growth in the other components.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in September 2017 were \$437.1 million and \$41.0 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 \$85.0 million in September 2017, and are \$28.0 million higher than FY 2015-16 transfers 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 \$1,075.5 million in September 2017, about \$30.9 million above the projection established at the May 2017 consensus revenue estimating conference (CREC). Higher than anticipated revenues from business taxes (primarily the MBT) more than offset below-target collections from the individual income tax.

Year-to-date GF/GP tax revenue for FY 2016-17 is \$137.1 million above the projected amount, although a large portion of the difference is due to net business taxes which tend to be volatile.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan major taxes is estimated¹ to be \$1,406.5 million in September 2017, about \$65.4 million above the amount established at the May 2017 consensus revenue estimating conference. Continued strong sales tax revenue combined with higher than expected SET collections boosted SAF revenue in September, and helped to offset weaker than anticipated individual income tax collections.

Year-to-date SAF revenue for FY 2016-17 is about \$78.7 million above the May 2017 projections.

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

FY 2016-17 September Revenue Collections
Millions of Dollars

<u>Major Taxes</u>	<u>FY 2016-17 September</u>	<u>Year-to-Date Collections</u>		<u>Change from FY 2015-16 Year-to-Date</u>		<u>FY 2016-17 Estimates (May 2017 CREC)</u>	
		<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	\$717.2	\$8,489.2	\$8,584.4	\$95.1	1.1%	\$9,530.0	2.9%
Quarterly Income Tax	266.1	1,044.8	1,167.2	122.4	11.7%	1,157.8	8.7%
Annual Income Tax	<u>20.2</u>	<u>877.0</u>	<u>842.2</u>	<u>(34.9)</u>	-4.0%	<u>887.6</u>	-2.7%
Gross Income Tax	1,003.5	10,411.0	10,593.7	182.7	1.8%	11,575.4	3.0%
Less: Income Tax Refunds	<u>17.1</u>	<u>1,801.9</u>	<u>1,846.2</u>	<u>44.4</u>	2.5%	<u>1,879.0</u>	0.3%
Net Income Tax	986.3	8,609.2	8,747.5	138.3	1.6%	9,696.4	3.5%
Business Taxes							
Single Business Tax	3.7	(0.8)	13.0	13.8		(5.0)	
Michigan Business Tax	(2.7)	(1,013.1)	(734.1)	279.0		(922.8)	
Corporate Income Tax	111.9	793.9	969.6	175.7	22.1%	1,078.0	15.9%
Insurance Company Premiums Taxes	<u>2.1</u>	<u>233.8</u>	<u>269.5</u>	<u>35.8</u>	15.3%	<u>366.3</u>	11.3%
Subtotal	115.0	13.8	518.0	504.2		516.5	37.9%
Consumption Taxes							
Sales Tax	699.0	6,666.4	7,157.8	491.4	7.4%	7,694.9	5.4%
Use Tax	91.9	1,280.1	1,157.7	(122.4)	-9.6%	1,185.0	-16.6%
Beer and Wine Taxes	5.1	47.2	46.9	(0.4)	-0.7%	52.0	0.4%
Liquor Excise Tax	11.4	96.8	112.0	15.2	15.7%	105.6	0.9%
Tobacco Taxes	<u>89.3</u>	<u>874.0</u>	<u>867.7</u>	<u>(6.3)</u>	-0.7%	<u>944.4</u>	-0.2%
Subtotal	896.6	8,964.5	9,342.1	377.5	4.2%	9,981.9	1.6%
Other Miscellaneous Taxes							
State Education Tax	437.1	926.2	975.1	48.9	5.3%	1,945.9	2.6%
Real Estate Transfer Tax	41.0	249.9	295.1	45.3	18.1%	312.7	8.1%
Essential Services Assessment	0.6	66.5	83.7	17.2	25.9%	78.0	15.4%
Industrial & Commercial Facilities Taxes	8.9	31.6	34.6	3.0	9.5%	35.0	7.7%
Casino Wagering Tax	8.1	103.1	103.1	0.0	0.0%	114.0	1.0%
Gas and Oil Severance Tax	2.0	18.0	21.4	3.4	18.7%	24.8	31.2%
Telephone and Telegraph Tax	0.0	36.5	34.7	(1.8)	-4.8%	36.6	5.5%
Penalties and Interest	15.6	90.2	101.5	11.3	12.5%	114.3	-8.1%
Lottery Transfer to SAF	<u>85.0</u>	<u>819.0</u>	<u>847.0</u>	<u>28.0</u>	3.4%	<u>887.0</u>	-0.2%
Subtotal	598.3	2,340.8	2,496.3	155.5	6.6%	3,548.3	2.4%
TOTAL	\$2,596.2	\$19,928.3	\$21,103.9	\$1,175.5	5.9%	\$23,743.1	3.1%

Note: Numbers may not add due to rounding.