

June 2016 Revenue Update

Major Taxes

Cash collections from Michigan major taxes, penalties and interest, and lottery transfers totaled \$1,876.7 million in June 2016, \$1.8 million less than in June 2015. However, for the fiscal year to date, collections in FY 2015-16 are \$394.0 million (or 3.0%) higher than during FY 2014-15.

Net income tax revenue totaled \$891.5 million in June 2016, and for FY 2015-16 collections through June are \$584.5 million (or 10.6%) 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 \$386.0 million and \$311.8 million respectively. Refunds are also about \$102.0 million higher, although some of this can be attributed to enhanced processing of returns.

Net business taxes, which 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, were slightly negative in June. 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 \$230.3 million (or 150.6%) lower through June 2016 than a year ago. Almost half of this differential is due to reduced CIT collections.

Collections from consumption taxes, made up of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$838.2 million in June 2016, and are collectively \$10.5 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 June 2016 was \$31.0 million and \$23.3 million, respectively. Transfers from the lottery to the School Aid Fund were \$79.0 million in June 2016, and when compared to FY 2014-15 on a year-to-date basis, are \$67.2 million (or 12.4%) 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 estimated¹ to be \$834.5 million in June 2016, roughly \$88.2 million below the projection established at the May 2016 consensus revenue estimating conference (CREC). Net income tax revenue was \$28.3 million below target, primarily due to higher refunds. Net business taxes were \$45.0 million less than anticipated.

Year-to date for FY 2015-16, GF/GP tax revenue is \$79.5 million below the projected amount, more than half 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 estimated¹ to be \$937.4 million in June 2016, about \$0.7 million below the amount established at the May 2016 consensus revenue estimating conference. Sales tax collections accruing to the SAF were \$15.2 million above target, but were more than offset by lower than anticipated levels of other taxes.

Year-to date for FY 2015-16, SAF revenue is \$13.7 million below projections, although no single revenue source was substantially above or below the expected amount.

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

FY 2015-16 June Revenue Collections
Millions of Dollars

Major Taxes	FY 2015-16 June	Year-to-Date Collections		Change from FY 2014-15 Year-to-Date		FY 2015-16 Estimates (May 2016 CREC)	
		FY 2014-15	FY 2015-16	Dollar	% Change	Dollar	% Change
Individual Income Tax							
Withholding	\$719.5	\$5,839.5	\$6,225.5	\$386.0	6.6%	\$9,216.8	6.2%
Quarterly Income Tax	208.4	454.3	766.1	311.8	68.6%	1,058.4	2.0%
Annual Income Tax	19.9	835.3	823.8	(11.5)	-1.4%	900.0	-5.9%
Gross Income Tax	947.7	7,129.1	7,815.4	686.3	9.6%	11,175.2	4.7%
Less: Income Tax Refunds	56.3	1,623.3	1,725.1	101.7	6.3%	1,774.0	4.8%
Net Income Tax	891.5	5,505.8	6,090.3	584.5	10.6%	9,401.2	4.7%
Business Taxes							
Single Business Tax	(5.7)	9.6	(9.2)	(18.8)		(10.0)	
Michigan Business Tax	(114.7)	(766.7)	(851.5)	(84.8)		(1,031.0)	
Corporate Income Tax	114.3	728.7	625.3	(103.4)	-14.2%	932.0	-13.5%
Insurance Company Taxes	2.1	181.4	158.0	(23.4)	-12.9%	316.0	-2.0%
Subtotal	(4.0)	153.0	(77.4)	(230.3)	-150.6%	207.0	-68.4%
Consumption Taxes							
Sales Tax	645.1	4,706.8	4,724.1	17.2	0.4%	7,310.0	0.9%
Use Tax	100.9	893.8	875.1	(18.7)	-2.1%	1,343.6	-6.3%
Beer and Wine Taxes	4.5	25.7	32.1	6.4	24.8%	52.0	11.3%
Liquor Excise Tax	6.6	64.1	62.3	(1.7)	-2.7%	102.6	4.0%
Tobacco Taxes	81.0	604.0	611.3	7.3	1.2%	957.1	0.4%
Subtotal	838.2	6,294.5	6,304.9	10.5	0.2%	9,765.3	0.2%
Other Miscellaneous Taxes							
State Education Tax	31.0	336.1	349.7	13.6	4.0%	1,894.1	2.0%
Real Estate Transfer Tax	23.3	155.9	163.0	7.1	4.6%	276.0	6.8%
Essential Services Assessment	0.4	0.0	0.8	0.8		55.0	
Industrial Facilities/Commercial Forest Taxes	1.1	18.4	17.8	(0.7)	-3.5%	36.0	3.7%
Casino Wagering Tax	8.8	74.9	75.7	0.8	1.0%	112.0	1.1%
Gas and Oil Severance Tax	1.6	22.3	12.3	(10.0)	-45.0%	20.4	-32.9%
Telephone and Telegraph Tax	0.0	20.2	14.9	(5.3)	-26.0%	42.0	0.5%
Penalties and Interest	5.7	108.4	64.2	(44.2)	-40.8%	115.0	-7.7%
Lottery Transfer to SAF	79.0	543.8	611.0	67.2	12.4%	850.0	8.4%
Subtotal	151.0	1,280.1	1,309.4	29.3	2.3%	3,400.5	6.1%
TOTAL	\$1,876.7	\$13,233.3	\$13,627.3	\$394.0	3.0%	\$22,774.0	4.4%

Note: Numbers may not add due to rounding.