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October 2019 Revenue Update

Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$3,017.1 million in October 2019, \$6.8 million less than in October 2018. October cash collections complete the fiscal year, so prior year comparisons represent full fiscal year totals. Collections in FY 2018-19 were \$587.3 million (or 2.3%) higher than in FY 2017-18.

Net income tax revenue totaled \$871.6 million in October 2019, and for FY 2018-19 collections were \$225.6 million higher than during FY 2017-18. Fiscal year 2018-19 gross income tax collections were \$423.6 million higher than FY 2017-18 as higher withholding and annual payments more than offset lower quarterly payments.

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. For FY 2018-19, net business taxes were \$175.6 million higher than last year. The primary contributors were MBT collections, which were less negative by \$74.4 million, and CIT revenue, which was \$241.5 million higher than FY 2017-18. Combined, they more than offset negative SBT collections.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$917.0 million in October 2019, and was collectively \$170.4 million higher than in FY 2017-18. FY 2018-19 sales tax collections were larger than last year's amount by \$321.4 million, in line with the most recent consensus estimate. Correspondingly, use tax revenue tracked well below the consensus estimate.

Revenues from the state education tax (SET) and the real estate transfer tax in October 2019 were \$1,034.5 million and \$29.0 million, respectively. There was no transfer from the lottery to the School Aid Fund in October 2019, leaving the lottery transfer \$43.5 million below the FY 2017-18 total.

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

General Fund/General Purpose revenue from Michigan's major taxes was estimated¹ to be \$987.4 million in October 2019, about \$39.6 million below the projection established at the May 2019 consensus revenue estimating conference (CREC).

General Fund/General Purpose tax revenue for FY 2018-19 was about \$132.1 million above the projected amount, primarily due to continued strong individual income tax and business tax collections.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes was estimated¹ to be \$1,911.6 million in October 2019, about \$43.7 million below the amount established at the May 2019 CREC. October 2019 collections were lower than expected primarily due to the lack of a lottery transfer.

School Aid Fund revenue for FY 2018-19 was \$117.7 million below the consensus revenue projections, mostly due to lower than expected SET collections and lottery transfers. Consumption taxes accruing to the SAF were also less than projected.

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

FY 2018-19 October Revenue Collections

Millions of Dollars

Major Taxes	FY 2018-19 October	Year-to-Date Collections		Change from FY 2017-18 Year-to-Date		FY 2018-19 Estimates (May 2019 CREC)	
		FY 2017-18	FY 2018-19	Dollar	% Change	Dollar	% Change
Individual Income Tax							
Withholding	\$845.2	\$9,667.5	\$9,994.2	\$326.7	3.4%	\$9,887.0	2.5%
Quarterly Income Tax	31.4	1,518.8	1,282.9	(235.9)	(15.5%)	1,264.1	(16.5%)
Annual Income Tax	<u>68.6</u>	<u>993.7</u>	<u>1,326.6</u>	<u>332.8</u>	33.5%	<u>1,311.4</u>	32.2%
Gross Income Tax	945.2	12,180.1	12,603.7	423.6	3.5%	12,462.5	2.5%
Less: Income Tax Refunds	<u>73.6</u>	<u>1,938.5</u>	<u>2,136.6</u>	<u>198.0</u>	10.2%	<u>2,184.2</u>	9.4%
Net Income Tax	871.6	10,241.5	10,467.1	225.6	2.2%	10,278.3	1.2%
Business Taxes							
Single Business Tax	(6.8)	17.0	(98.5)	(115.5)		(65.0)	
Michigan Business Tax	(43.5)	(649.2)	(574.8)	74.4		(607.7)	
Corporate Income Tax	97.9	978.8	1,220.4	241.5	24.7%	1,186.4	16.3%
Insurance Company Taxes	<u>90.4</u>	<u>394.7</u>	<u>369.9</u>	<u>(24.8)</u>	(6.3%)	<u>376.5</u>	(4.2%)
Subtotal	138.0	741.4	917.0	175.6	23.7%	890.2	16.4%
Consumption Taxes							
Sales Tax	720.4	7,969.6	8,291.0	321.4	4.0%	8,298.7	2.7%
Use Tax (adjusted for LCSA levy)	117.4	1,435.8	1,291.3	(144.4)	(10.1%)	1,352.0	(5.7%)
Beer and Wine Taxes	4.1	51.8	50.9	(0.9)	(1.8%)	52.0	2.4%
Liquor Excise Tax	0.2	84.8	111.5	26.7	31.5%	116.6	1.6%
Tobacco Taxes	<u>75.0</u>	<u>920.3</u>	<u>887.8</u>	<u>(32.4)</u>	(3.5%)	<u>905.1</u>	(1.4%)
Subtotal	917.0	10,462.2	10,632.6	170.4	1.6%	10,724.4	1.2%
Other Miscellaneous Taxes							
State Education Tax	1,034.5	1,962.5	2,020.9	58.4	3.0%	2,099.6	5.6%
Real Estate Transfer Tax	29.0	344.7	344.5	(0.2)	(0.1%)	350.9	0.2%
Essential Services Assessment	0.3	98.9	111.2	12.4	12.5%	107.0	7.8%
Industrial & Commercial Facilities Taxes	5.5	39.7	43.0	3.3	8.4%	36.5	0.6%
Casino Wagering Tax	9.8	115.7	117.2	1.5	1.3%	118.3	2.5%
Gas and Oil Severance Tax	1.5	26.7	22.9	(3.9)	(14.5%)	26.0	(0.8%)
Telephone and Telegraph Tax	1.1	34.3	30.8	(3.4)	(10.0%)	32.0	6.3%
Penalties and Interest	9.1	150.4	141.6	(8.8)	(5.9%)	143.0	(18.4%)
Lottery Transfer to School Aid Fund	<u>0.0</u>	<u>930.5</u>	<u>887.0</u>	<u>(43.5)</u>	(4.7%)	<u>982.0</u>	0.2%
Subtotal	1,090.6	3,703.4	3,719.1	15.8	0.4%	3,895.3	2.5%
TOTAL	\$3,017.1	\$25,148.5	\$25,735.8	\$587.3	2.3%	\$25,788.2	1.8%

Note: Numbers may not add due to rounding.