

ECONOMIC AND REVENUE FORECASTS

FY 2025 • FY 2026 • FY 2027



CONSENSUS REVENUE ESTIMATING CONFERENCE (CREC)

JANUARY 10, 2025

OUTLINE

- **Recent Economic and Revenue Updates**
Eric Bussis, Department of Treasury
- **Revenue Estimates for Major Taxes**
Ben Gielczyk, House Fiscal Agency
- **Revenue Estimates by Fund**
David Zin, Senate Fiscal Agency

ECONOMIC OUTLOOK

- U.S. Economy

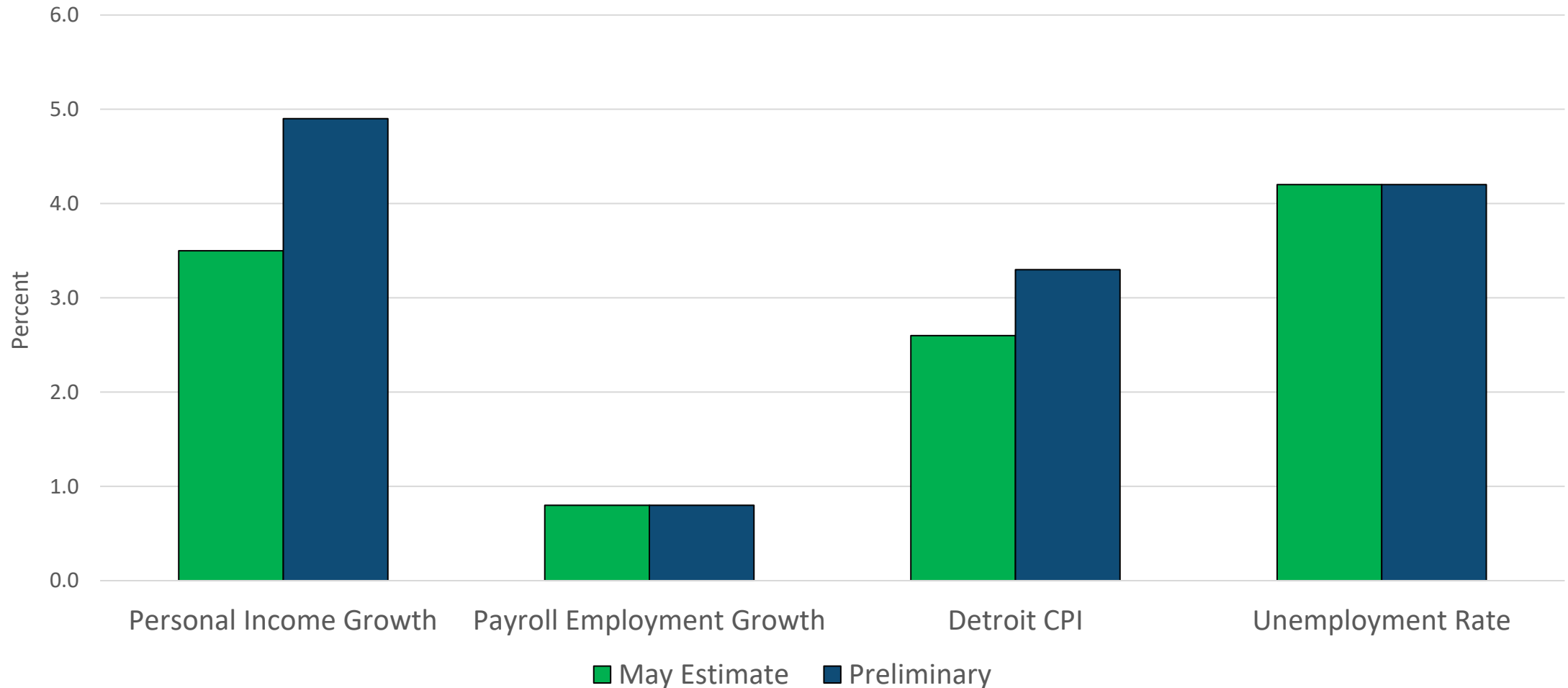
- All three forecasts estimate that Gross Domestic Product (GDP) will grow at modest rates
- Wage and salary employment growth remains positive but slow
- Inflation is expected to level off compared to recent highs

- Michigan Economy

- Michigan economic outlook expected to track national growth
- Michigan Personal Income growth expected through the next three years, even after adjusting for inflation

THE MICHIGAN ECONOMY SINCE MAY CREC

- In 2024, Inflation and Income Higher but Labor Market on Target



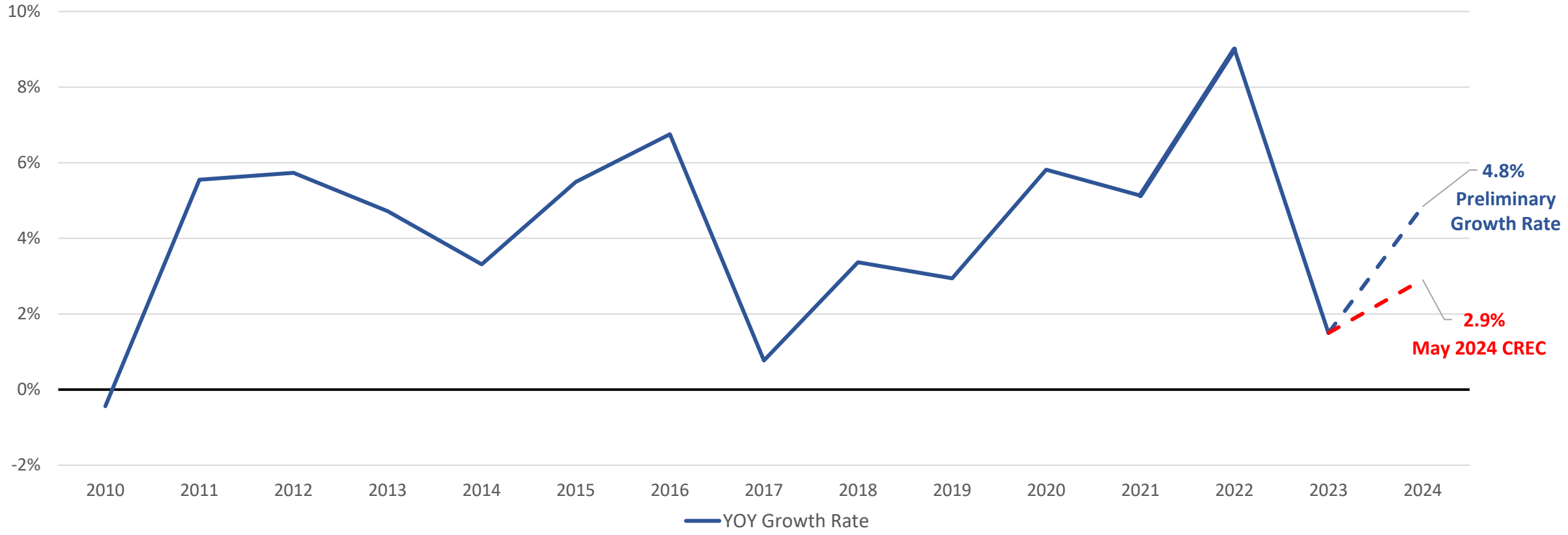
REVENUE SINCE MAY CREC— MAJOR TAXES ON TARGET

- Preliminary FY 2024 collections are slightly above May 2024 CREC estimates

	CREC Forecast Growth Rate	Preliminary Growth Rate	Preliminary Difference from May CREC (In Millions)
Income Tax Withholding	2.9%	4.8%	+\$236.1
Sales and Use	-0.6%	-0.3%	+\$39.9
Corporate Income Tax	1.0%	-1.6%	-\$51.0
State Education Tax (SET)	6.1%	8.1%	+\$51.7
Total of 5 Tax Components			+\$276.7

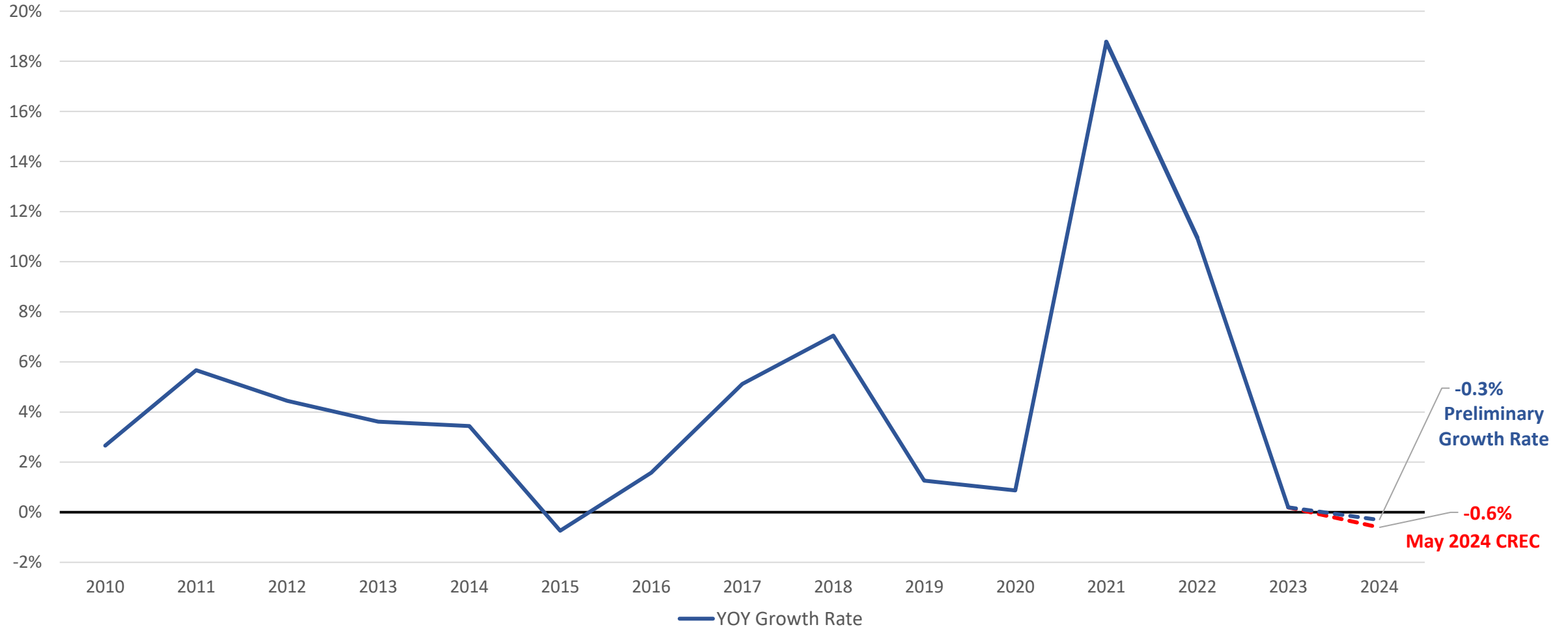
INDIVIDUAL INCOME TAX WITHHOLDING GROWTH RATE

Income Tax Withholding Fiscal Year-Over-Year Growth Rate



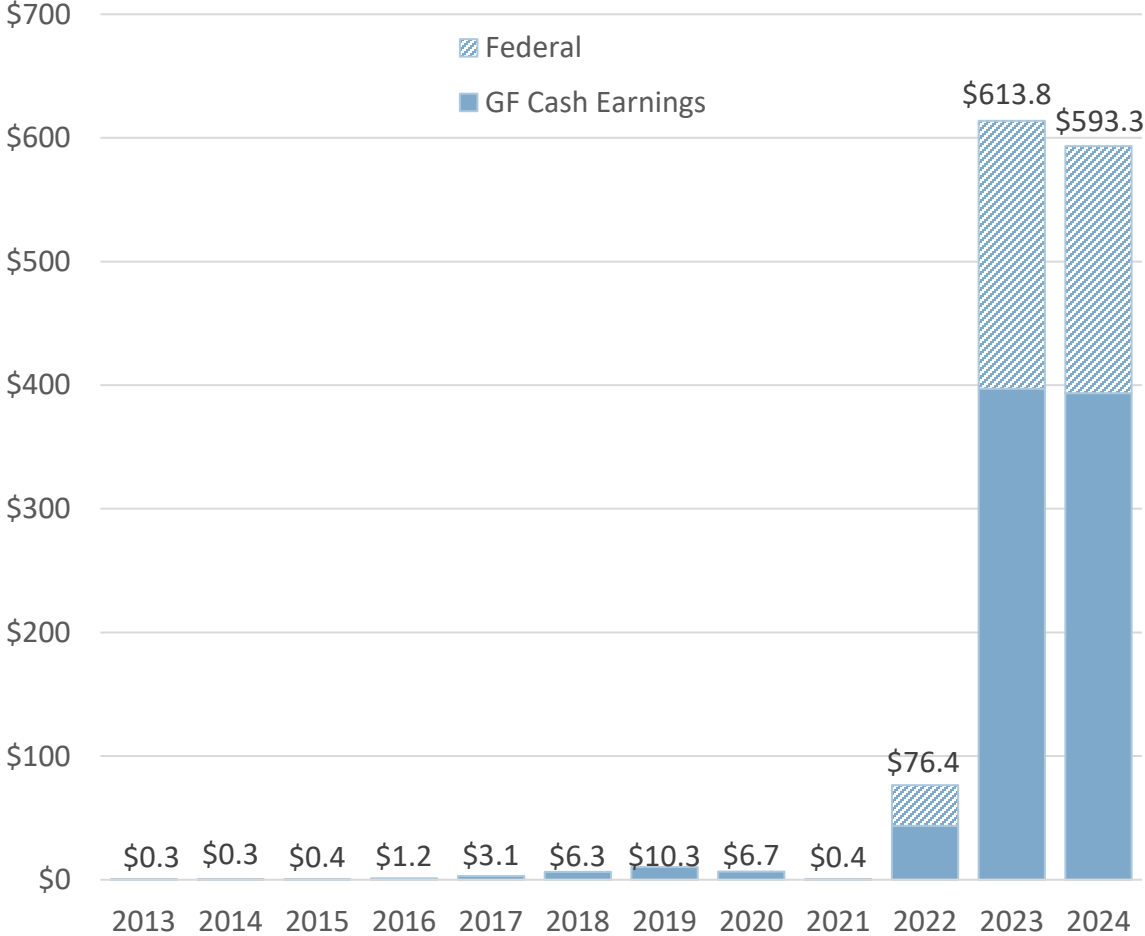
SALES AND USE TAX GROWTH RATE

Sales and Use Tax Fiscal Year-Over-Year Growth Rate

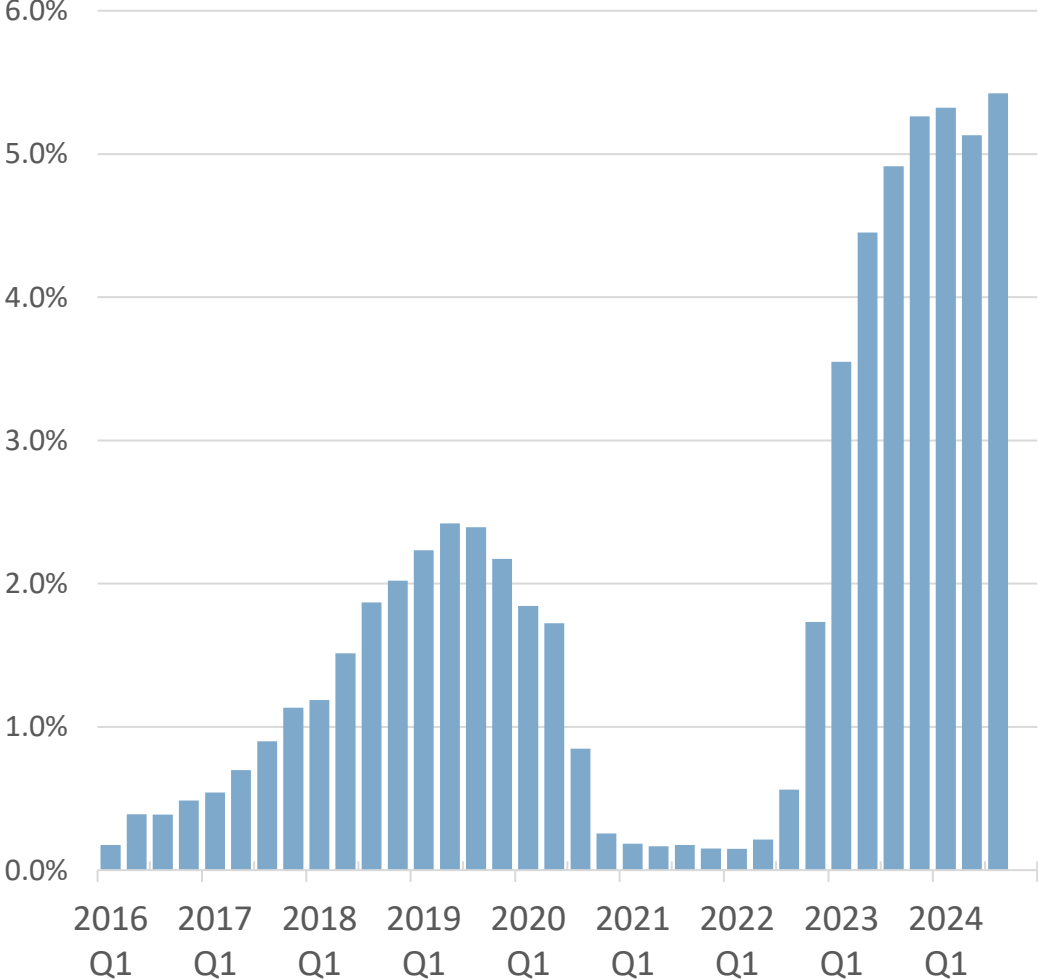


GENERAL FUND COMMON CASH EARNINGS

General Fund Cash Earnings



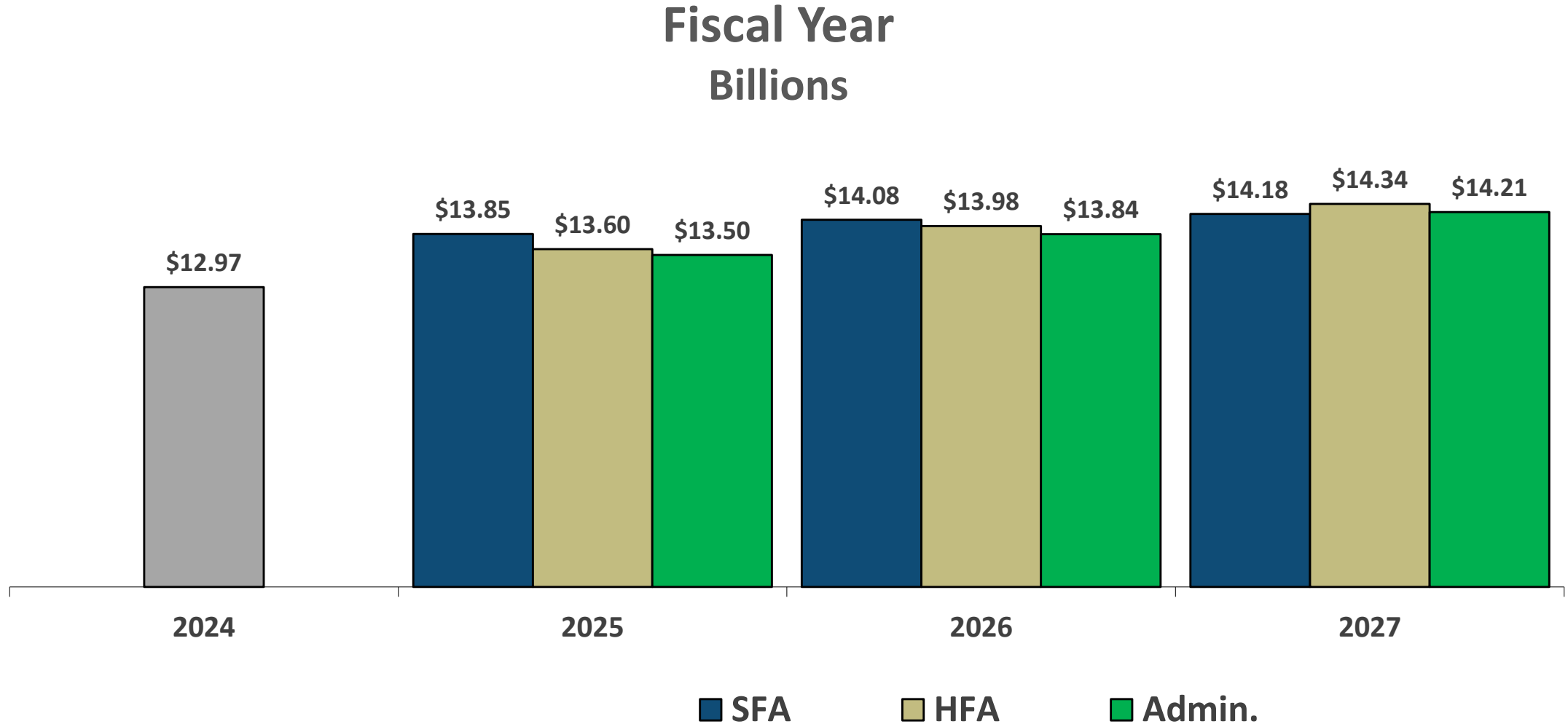
Common Cash Interest Rate



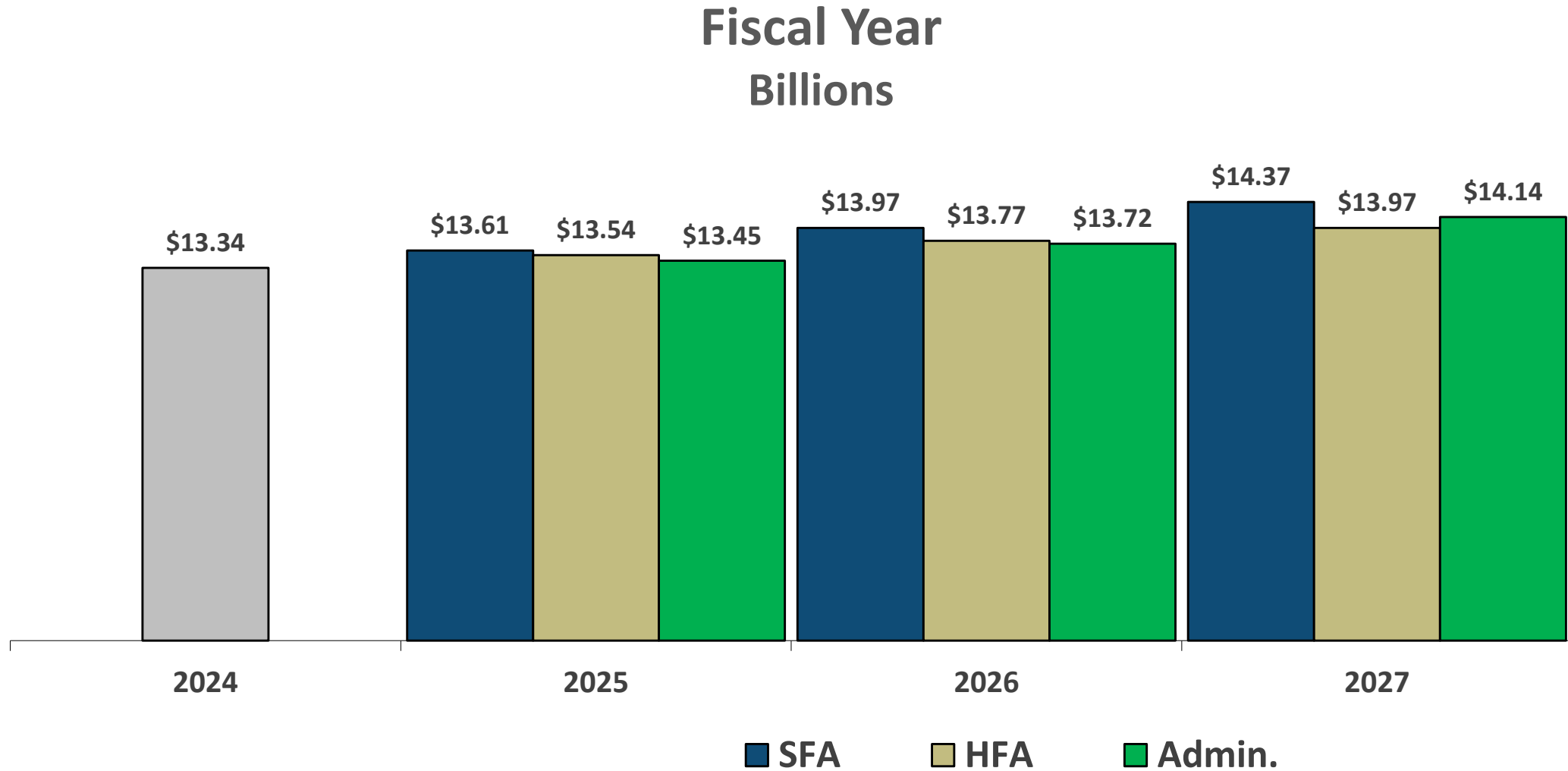
Source: Michigan Department of Treasury, 01/07/2025.

FORECAST OF MAJOR TAXES

Net Individual Income Tax (IIT) Revenue Estimates

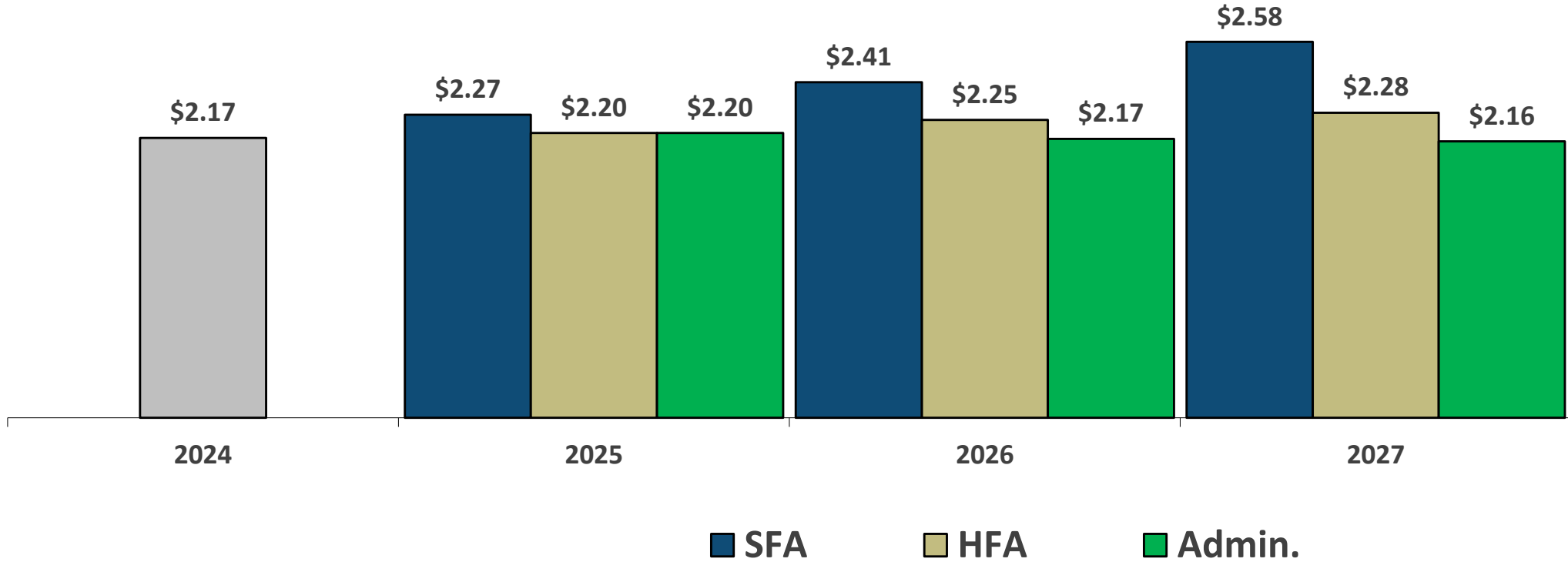


Net Sales and Use Taxes Revenue Estimates

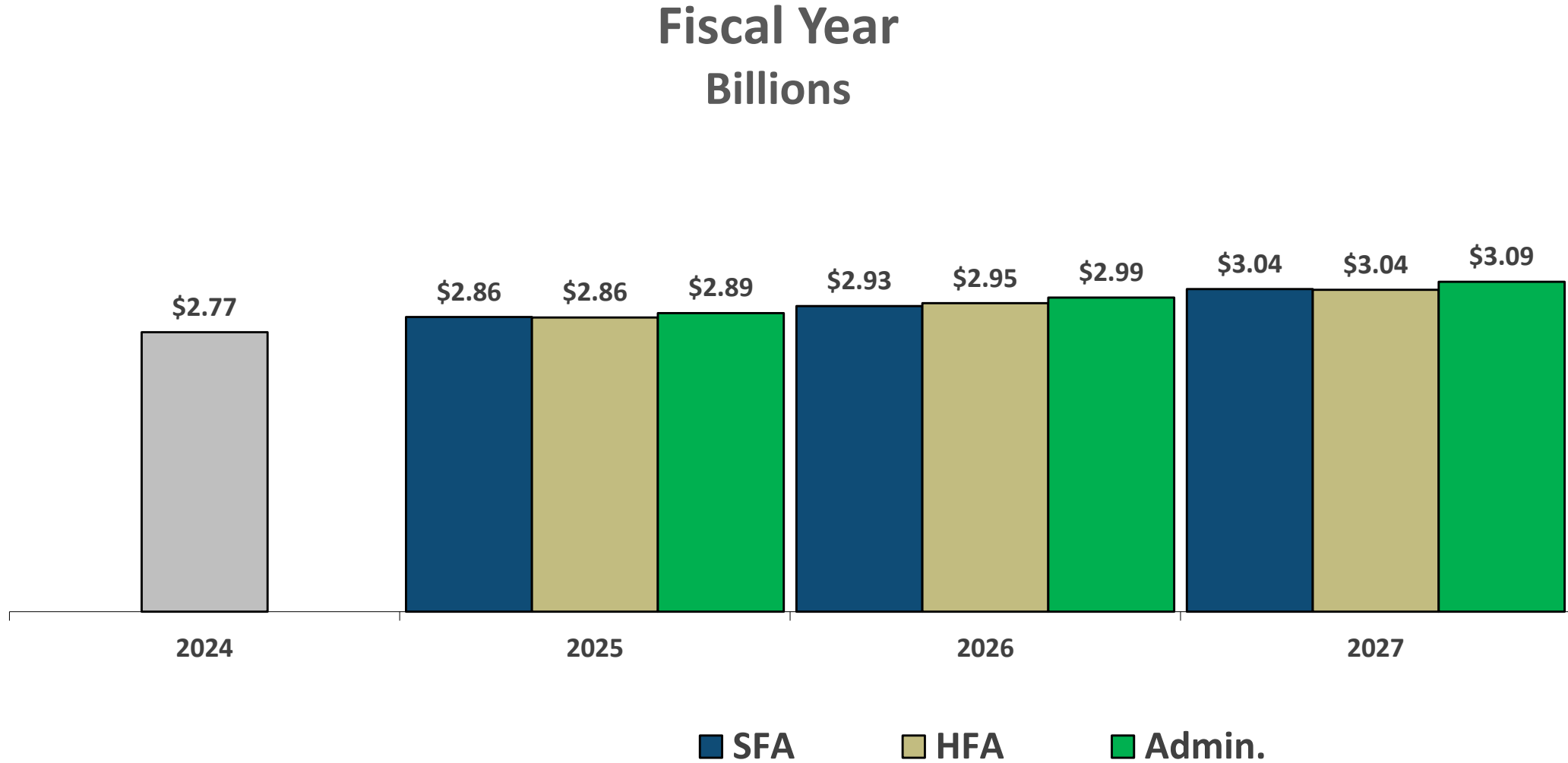


Net Corporate Income Tax (CIT) Revenue Estimates

Fiscal Year
Billions



Net State Education Tax (SET) Revenue Estimates



FY2026 Revenue Forecast Differences - Breakdown

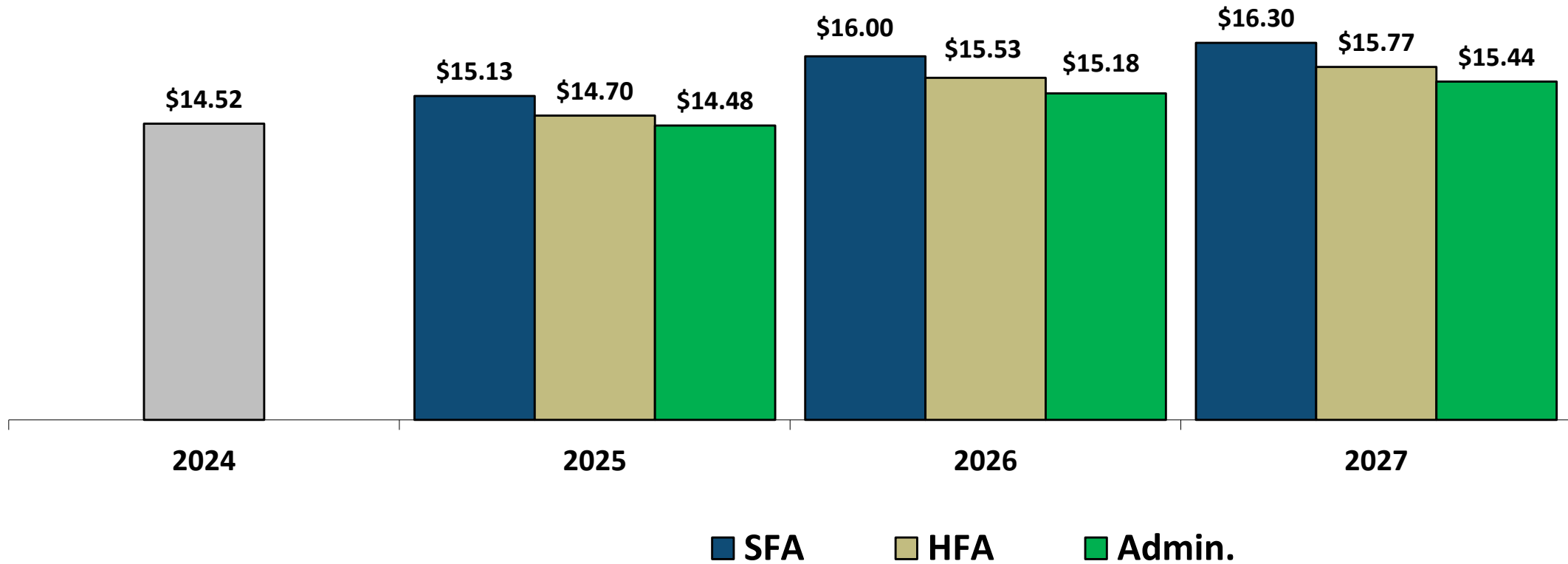
FY 2026	Admin	HFA	SFA
IIT Withholding	\$13,740.0	\$13,598.9	\$13,661.3
Sales	\$10,779.9	\$10,877.3	\$10,952.7
Use	\$2,942.1	\$2,889.2	\$3,014.9
Total	\$27,462.0	\$27,365.4	\$27,628.9

FY 2026	Admin	HFA	SFA
Corporate Income Tax	\$2,120.0	\$2,200.0	\$2,358.1
Interest Earnings	\$125.0	\$165.0	\$245.0
IIT Refunds	(\$3,308.5)	(\$3,173.5)	(\$3,134.9)
IIT Quarterly Payments	\$1,108.7	\$1,180.9	\$1,190.8
Insurance	\$568.0	\$570.0	\$603.6
Total	\$613.2	\$942.4	\$1,262.6

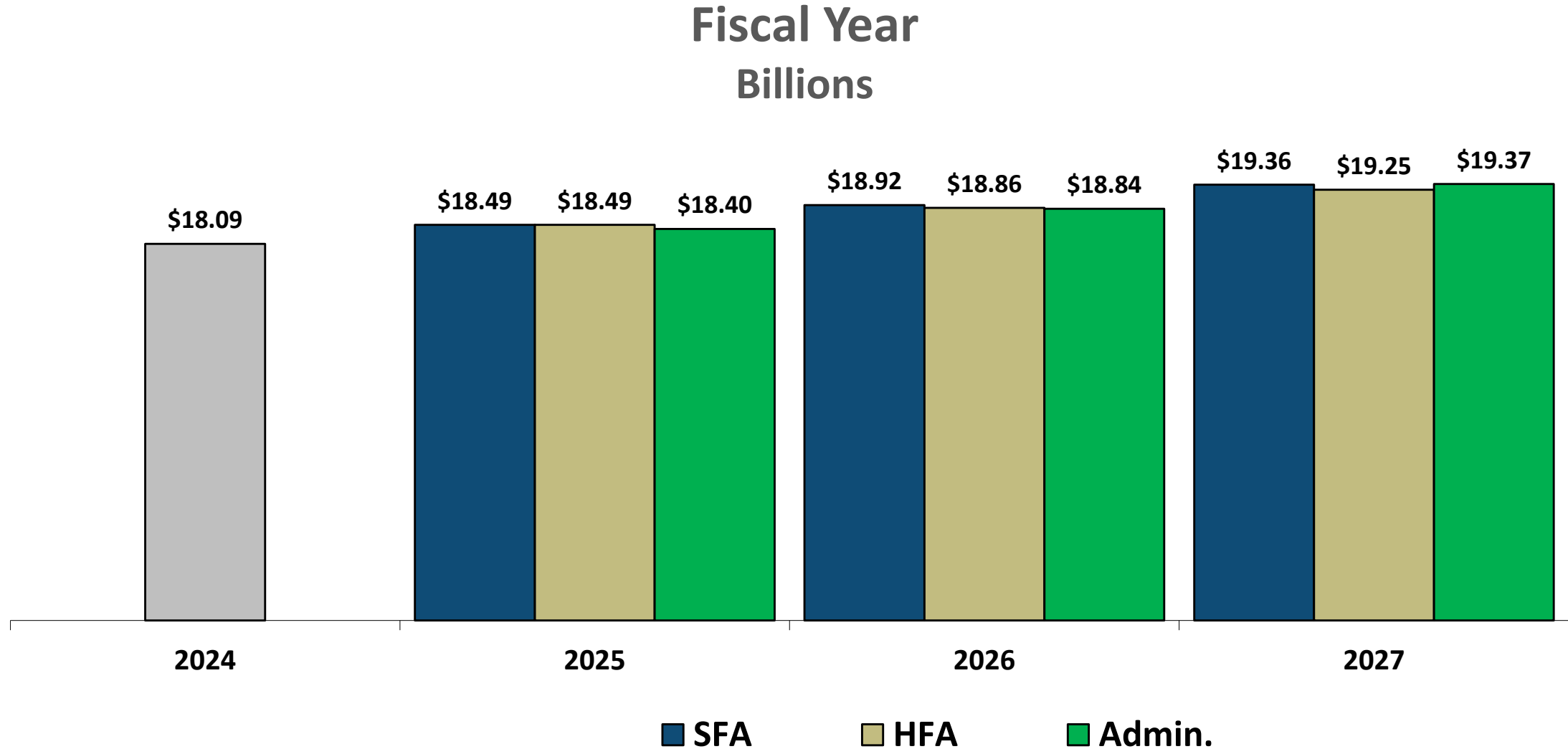
FORECAST OF GF-GP AND SCHOOL AID FUND

GF-GP Net Revenue Estimates

Fiscal Year
Billions



School Aid Fund Net Revenue Estimates



Revenue Forecast Comparison

Total Revenue (Values in Millions)									
	FY 2025			FY 2026			FY 2027		
	<u>SFA</u>	<u>HFA</u>	<u>Admin.</u>	<u>SFA</u>	<u>HFA</u>	<u>Admin.</u>	<u>SFA</u>	<u>HFA</u>	<u>Admin.</u>
GF-GP	\$15,128.1	\$14,695.4	\$14,479.4	\$16,003.2	\$15,527.5	\$15,184.2	\$16,295.8	\$15,767.8	\$15,444.7
School Aid Fund	\$18,491.8	\$18,492.5	\$18,404.7	\$18,917.9	\$18,857.6	\$18,838.0	\$19,357.5	\$19,249.4	\$19,368.3

Difference from May 2024 Consensus Estimates									
	FY 2025			FY 2026			FY 2027		
	<u>SFA</u>	<u>HFA</u>	<u>Admin.</u>	<u>SFA</u>	<u>HFA</u>	<u>Admin.</u>	<u>SFA</u>	<u>HFA</u>	<u>Admin.</u>
GF-GP	\$870.3	\$437.6	\$221.6	\$1,116.7	\$641.0	\$297.7			
School Aid Fund	\$344.9	\$345.6	\$257.8	\$345.4	\$285.1	\$265.5			
Combined	\$1,215.2	\$783.2	\$479.4	\$1,462.1	\$926.1	\$563.2			

Budget Stabilization Fund

Both pay-ins and pay-outs require an appropriation

The agency estimates calculate:

Pay-ins

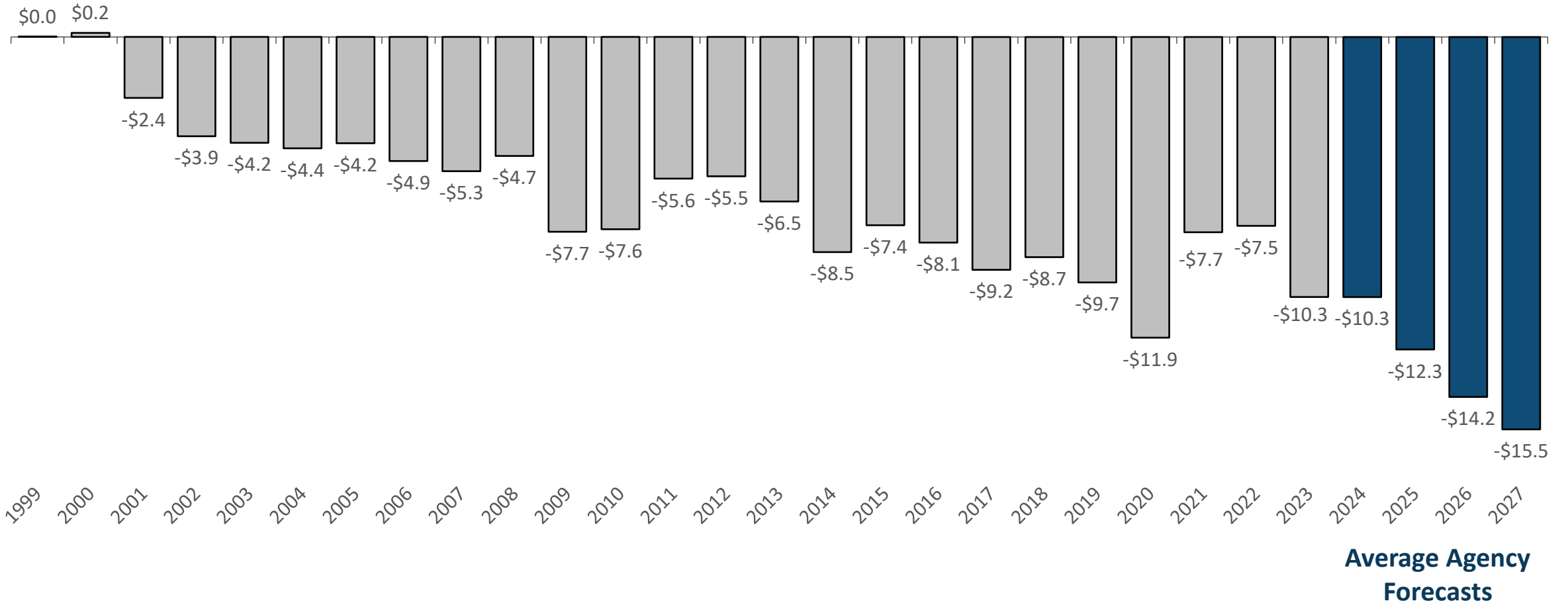
- No pay-ins during FY 2025 through FY 2027

Pay-outs

- No pay-outs during FY 2025 through FY 2027

Constitutional Revenue Limit Calculation

Amount Under/Over the Constitutional Revenue Limit Billions



MICHIGAN TAX REVENUE FORECAST RISKS

- Federal Policy Changes: Trade, Tariffs, and Tax Reforms may impact the forecast
 - Trade and Tariffs: Present uncertainty to the Michigan outlook
 - Tax Reforms: Many provisions in the Tax Cuts and Jobs Act sunset beginning in 2026
 - Some provisions that impact the Michigan tax base may lapse
- Potential changes to the revenue accrual process and standards
- Transformational Brownfield
 - Incentives awarded or in process of \$1.8 billion currently
 - Nearly all impacts are outside the forecast horizon

ECONOMIC AND REVENUE FORECASTS

FY 2025 • FY 2026 • FY 2027



CONSENSUS REVENUE ESTIMATING CONFERENCE

JANUARY 10, 2025