

Economic and Revenue Update

U.S. Economy

** Real Gross Domestic Product (GDP) increased at an annual rate of 1.0% in the fourth quarter of 2015, and at a 2.4% rate for 2015 as a whole. Fourth quarter growth was driven by broad-based gains in personal consumption, which offset declines in business investment, exports of goods, and government purchases.

** The February nonfarm employment report showed seasonally adjusted job gains of 242,000 following an upwardly revised increase of 172,000 in January. More than 95% of the employment gains are increases in private sector payrolls. The number of long-term unemployed (those jobless for 27 weeks or more) remained at 2.2 million and represents about 27.7% of the unemployed.

** Light motor vehicle sales totaled 1.34 million in February 2016, which translates to a seasonally adjusted annual rate of 17.5 million units. Relative to February 2015, passenger car sales increased by 17.9% while light truck sales grew by 16.4%, dropping the overall share of light trucks to 58.4% of total light vehicle sales.

** The University of Michigan consumer sentiment index dipped 0.3 points to 91.7 in February as expectations of future economic conditions remained relatively unchanged.

Michigan Economy

** Michigan's seasonally adjusted payroll employment increased by 18,800 in January 2016 following a gain of 13,100 in December 2015. As a result, the unemployment rate in Michigan decreased from 5.1% in December 2015 to 4.9% in January 2016. Relative to January 2015, nonfarm employment was up 2.1%, or 87,300 jobs. The gains were concentrated in the manufacturing, financial activity, and business services sectors while job losses occurred in the construction, information, and state government sectors.

State Revenue

** Fiscal year-to-date revenue for Michigan's major taxes through February collections was \$6.8 billion, about 1.5% higher than one year ago. Fiscal year-to-date net income tax revenue was up 14.2% as withholding payments reflect employment increases and quarterly payments remain robust, more than offsetting the reduction in major business taxes (which is largely attributable to the irregular timing of the existing certificated MBT credits). Sales tax revenue continues to lag behind FY 2014-15 collections, due in part to the decline in motor fuel prices.

** Based on January 2016 consensus revenue estimates for FY 2015-16, House Fiscal Agency targets indicate that General Fund revenue through February is down about \$16 million, the majority of which can be accounted for by reduced business tax collections. School Aid Fund revenue is up roughly \$25 million as increased lottery payments more than offset weaker than anticipated sales tax collections.

Revenue Review: FY 2015-16, February

Millions of Dollars

Major Taxes	FY 2015-16	FY 2014-15	FY 2015-16	Change from		January 2016 CREC	
	Collections	Collections	Collections	FY 2014-15 Year-to-Date	FY 2014-15 Year-to-Date	FY 2015-16 Estimates	FY 2015-16 Estimates
	February	Year-to-Date	Year-to-Date	Dollar	% Change	Dollar	% Change
Individual Income Tax							
Withholding	\$765.4	\$2,933.3	\$3,181.1	\$247.8	8.4%	\$9,003.8	3.8%
Quarterly Income Tax	8.2	212.2	390.5	178.2	84.0%	1,048.4	1.0%
Annual Income Tax	<u>30.4</u>	<u>63.8</u>	<u>75.1</u>	<u>11.3</u>	17.7%	<u>895.0</u>	-6.4%
Gross Income Tax	804.1	3,209.3	3,646.6	437.3	13.6%	10,947.2	2.6%
Less: Income Tax Refunds	<u>454.4</u>	<u>491.4</u>	<u>543.8</u>	<u>52.4</u>	10.7%	<u>1,744.0</u>	3.0%
Net Income Tax	349.6	2,717.9	3,102.7	384.9	14.2%	9,203.2	2.5%
Consumption Taxes							
Sales Tax	512.8	2,361.7	2,332.2	(29.4)	-1.2%	7,530.0	3.9%
Use Tax	104.6	431.3	460.9	29.6	6.9%	1,348.5	-6.0%
Beer and Wine Taxes	3.0	14.3	16.2	1.9	13.4%	52.0	11.3%
Liquor Excise Tax	6.4	34.3	35.8	1.5	4.4%	102.6	4.0%
Tobacco Taxes	<u>70.0</u>	<u>302.2</u>	<u>303.0</u>	<u>0.8</u>	0.3%	<u>941.7</u>	-1.2%
Subtotal	696.9	3,143.7	3,148.2	4.5	0.1%	9,974.8	2.4%
Business Taxes							
Single Business Tax	(23.4)	(8.5)	(10.9)	(2.4)	N/A	(10.0)	N/A
Michigan Business Tax	(156.7)	(211.8)	(431.2)	(219.4)	N/A	(1,031.0)	N/A
Corporate Income Tax	18.0	352.0	269.9	(82.1)	-23.3%	1,116.0	3.6%
Insurance Taxes	<u>6.1</u>	<u>90.9</u>	<u>75.7</u>	<u>(15.3)</u>	-16.8%	<u>310.0</u>	-3.8%
Subtotal	(156.0)	222.6	(96.6)	(319.2)	-143.4%	385.0	-41.2%
Other Miscellaneous Taxes							
State Education Tax	15.0	251.7	255.5	3.8	1.5%	1,890.1	1.7%
Real Estate Transfer Tax	18.6	84.3	85.8	1.5	1.8%	273.0	5.7%
Essential Services Assessment	0.0	0.0	0.0	0.0	--	55.0	N/A
Lottery Transfer to SAF	135.0	268.8	300.0	31.2	11.6%	820.0	4.6%
Casino Wagering Tax	9.4	36.5	37.2	0.7	2.1%	112.0	1.1%
Gas and Oil Severance Tax	<u>1.1</u>	<u>13.6</u>	<u>6.3</u>	<u>(7.2)</u>	-53.2%	<u>30.4</u>	0.0%
Subtotal	179.1	654.8	684.9	30.1	4.6%	3,180.5	5.2%
TOTAL	\$1,069.6	\$6,739.0	\$6,839.3	\$100.2	1.5%	\$22,743.5	5.2%

Note: Numbers may not add due to rounding.