



Mary Ann Cleary, Director
Jim Stansell, Senior Economist

February 2019 Revenue Update

Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$1,055.1 million in February 2019, just \$4.0 million more than in February 2018. For the fiscal year-to-date, collections in FY 2018-19 are \$17.4 million (or 0.2%) higher than during FY 2017-18.

Net income tax revenue totaled \$312.4 million in February 2019, and for FY 2018-19 collections through February are \$362.4 million less than the same period during FY 2017-18. Year-to-date gross income tax collections in FY 2018-19 are \$292.9 million lower than one year ago as all three components continue to lag behind FY 2017-18 levels. Quarterly (or estimated) payments account for most of the discrepancy, although this is primarily due to the fact that January 2018 collections were the highest on record, thus increasing the YTD amounts. This differential is expected to smooth out over the next few months.

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. On a fiscal year-to-date basis, net business taxes are \$277.4 million higher through February 2019 than a year ago as MBT collections have been less negative by \$224.5 million and CIT revenue through February 2019 is \$62.8 million higher than last year's collections.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$755.9 million in February 2019, and is collectively \$57.2 million higher than in FY 2017-18 on a year-to-date basis. Although YTD sales tax collections in the current fiscal year are ahead of last year's amount by \$55.3 million, it should be noted that the YTD growth rate is still well below the consensus estimate.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in February 2019 were \$14.4 million and \$28.0 million, respectively. The transfer from the lottery to the School Aid Fund was \$82.0 million in February 2019, and is \$16.5 million higher than FY 2017-18 on a year-to-date basis.

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

General Fund/General Purpose revenue from Michigan's major taxes is estimated¹ to be \$136.2 million in February 2019, about \$100.0 million below the projection established at the January 2019 consensus revenue estimating conference (CREC). Almost all of the difference can be attributed to the timing of MBT credits, which were partially offset by lower than expected income tax refunds.

Year-to-date GF/GP tax revenue for FY 2018-19 is about \$191.3 million below the projected amount, but as already noted, much of this is due to the timing of MBT credits.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes is estimated¹ to be \$827.2 million in February 2019, about \$20.7 million below the amount established at the January 2019 CREC, primarily because of sales tax collections that are below the consensus estimate.

Year-to-date SAF revenue for FY 2018-19 is \$90.9 million below the consensus revenue projections. Again, lower than expected sales taxes are the primary reason, although gross income tax collections are also below the target estimate.

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

FY 2018-19 February Revenue Collections

Millions of Dollars

<u>Major Taxes</u>	FY 2018-19	Year-to-Date Collections		Change from		FY 2018-19 Estimates	
	<u>February</u>	<u>FY 2017-18</u>	<u>FY 2018-19</u>	<u>FY 2017-18 Year-to-Date</u>	<u>Year-to-Date</u>	<u>(January 2019 CREC)</u>	<u>(January 2019 CREC)</u>
				<u>Dollar</u>	<u>% Change</u>	<u>Dollar</u>	<u>% Change</u>
Individual Income Tax							
Withholding	\$798.2	\$3,366.3	\$3,360.1	(\$6.2)	(0.2%)	\$10,090.0	4.5%
Quarterly Income Tax	11.2	680.7	397.8	(282.9)	(41.6%)	1,339.1	(11.6%)
Annual Income Tax	<u>25.0</u>	<u>69.9</u>	<u>66.1</u>	<u>(3.8)</u>	<u>(5.4%)</u>	<u>1,011.4</u>	<u>1.9%</u>
Gross Income Tax	834.4	4,116.9	3,824.0	(292.9)	(7.1%)	12,440.5	2.3%
Less: Income Tax Refunds	<u>522.0</u>	<u>530.4</u>	<u>599.9</u>	<u>69.5</u>	<u>13.1%</u>	<u>2,254.2</u>	<u>12.9%</u>
Net Income Tax	312.4	3,586.5	3,224.1	(362.4)	(10.1%)	10,186.3	(0.2%)
Business Taxes							
Single Business Tax	(1.5)	6.5	(2.9)	(9.4)		2.0	
Michigan Business Tax	(185.6)	(617.4)	(392.9)	224.5		(607.7)	
Corporate Income Tax	15.4	252.0	314.8	62.8	24.9%	1,081.4	4.6%
Insurance Company Taxes	<u>13.3</u>	<u>110.8</u>	<u>110.3</u>	<u>(0.5)</u>	<u>(0.5%)</u>	<u>390.0</u>	<u>(0.8%)</u>
Subtotal	(158.4)	(248.1)	29.3	277.4	(111.8%)	865.7	81.5%
Consumption Taxes							
Sales Tax	560.0	2,543.4	2,598.7	55.3	2.2%	8,516.7	5.4%
Use Tax (adjusted for LCSA levy)	100.3	436.2	432.9	(3.3)	(0.8%)	1,262.0	(12.0%)
Beer and Wine Taxes	3.3	17.5	16.6	(0.9)	(5.4%)	52.0	2.4%
Liquor Excise Tax	20.5	30.7	42.4	11.7	37.9%	116.6	1.6%
Tobacco Taxes	<u>71.8</u>	<u>297.9</u>	<u>292.3</u>	<u>(5.5)</u>	<u>(1.9%)</u>	<u>919.1</u>	<u>(0.1%)</u>
Subtotal	755.9	3,325.7	3,382.9	57.2	1.7%	10,866.4	5.0%
Other Miscellaneous Taxes							
State Education Tax	14.4	254.7	302.0	47.3	18.6%	2,085.4	4.9%
Real Estate Transfer Tax	28.0	104.4	109.5	5.1	4.8%	352.9	0.7%
Essential Services Assessment	0.0	0.1	0.0	(0.2)	(108.4%)	107.0	7.8%
Industrial & Commercial Facilities Taxes	1.2	5.3	4.8	(0.5)	(8.9%)	37.5	3.3%
Casino Wagering Tax	9.3	36.5	38.2	1.7	4.6%	115.0	(0.3%)
Gas and Oil Severance Tax	2.9	8.3	8.7	0.4	4.7%	27.0	3.1%
Telephone and Telegraph Tax	0.0	14.6	10.4	(4.2)	(28.7%)	32.0	6.3%
Penalties and Interest	7.4	51.1	30.1	(20.9)	(41.0%)	128.0	(27.0%)
Lottery Transfer to School Aid Fund	<u>82.0</u>	<u>315.5</u>	<u>332.0</u>	<u>16.5</u>	<u>5.2%</u>	<u>942.0</u>	<u>(3.9%)</u>
Subtotal	145.2	790.5	835.8	45.2	5.7%	3,826.8	2.0%
TOTAL	\$1,055.1	\$7,454.7	\$7,472.1	\$17.4	0.2%	\$25,745.2	3.9%

Note: Numbers may not add due to rounding.