

October 2016 Revenue Update

Major Taxes

Cash collections from Michigan major taxes, penalties and interest, and lottery transfers totaled \$2,854.9 million in October 2016, \$96.7 million more than in October 2015. For the fiscal year to date, collections in FY 2015-16 are \$331.0 million (or 1.5%) higher than during FY 2014-15.

Net income tax revenue totaled \$815.2 million in October 2016, and for FY 2015-16 collections through October are \$476.5 million (or 5.3%) 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 \$584.2 million and \$27.4 million respectively, although refunds are \$111.8 million higher, which reduces the revenue gains.

Net business taxes 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. 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 \$338.4 million (or 63.6%) lower through October 2016 than a year ago. Net business taxes in October 2016 were \$180.2 million.

Collections from consumption taxes, made up of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$831.5 million in October 2016, and are collectively \$56.3 million higher in FY 2015-16 on a year-to-date basis. Sales tax revenue remains slightly below the consensus estimate, although use tax collections remain stronger than forecast.

Revenue from the state education tax (SET) and the real estate transfer tax (RET) in October 2016 was \$936.9 million and \$31.2 million, respectively. Transfers from the lottery to the School Aid Fund were \$34.0 million in October 2016, and when compared to FY 2014-15 on a year-to-date basis, are \$101.1 million (or 13.5%) higher than one year ago.

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

General Fund revenue from Michigan major taxes is estimated¹ to be \$967.4 million in October 2016, roughly \$31.5 million above the projection established at the May 2016 consensus revenue estimating conference (CREC). Net income tax revenue accruing to the General Fund was \$15.5 million below target, primarily due to stronger than anticipated refunds, although net business taxes in October 2016 were \$57.0 million more than anticipated.

Year-to date GF/GP tax revenue for FY 2015-16 is just \$0.7 million below the projected amount, as higher than anticipated use tax collections more than offset reduced collections from net business taxes.

School Aid Fund Revenue

School Aid Fund revenue from Michigan major taxes is estimated¹ to be \$1,784.4 million in October 2016, about \$10.9 million below the amount established at the May 2016 consensus revenue estimating conference. Income and use tax collections accruing to the SAF, which were collectively \$2.9 million above target, were more than offset by lower than anticipated sales tax collections.

Year-to-date SAF revenue for FY 2015-16 is \$2.2 million below the May 2016 projections.

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

FY 2015-16 October Revenue Collections
Millions of Dollars

<u>Major Taxes</u>	<u>FY 2015-16</u> <u>October</u>	<u>Year-to-Date Collections</u>		<u>Change from</u> <u>FY 2014-15 Year-to-Date</u>		<u>FY 2015-16 Estimates</u> <u>(May 2016 CREC)</u>	
		<u>FY 2014-15</u>	<u>FY 2015-16</u>	<u>Dollar</u>	<u>% Change</u>	<u>Dollar</u>	<u>% Change</u>
Individual Income Tax							
Withholding	\$803.1	\$8,708.1	\$9,292.3	\$584.2	6.7%	\$9,216.8	6.2%
Quarterly Income Tax	18.8	1,036.2	1,063.6	27.4	2.6%	1,058.4	2.0%
Annual Income Tax	45.2	945.7	922.2	(23.4)	-2.5%	900.0	-5.9%
Gross Income Tax	867.1	10,689.9	11,278.1	588.2	5.5%	11,175.2	4.7%
Less: Income Tax Refunds	51.9	1,742.0	1,853.8	111.8	6.4%	1,774.0	4.8%
Net Income Tax	815.2	8,947.9	9,424.3	476.5	5.3%	9,401.2	4.7%
Business Taxes							
Single Business Tax	6.1	(5.2)	5.3	10.6		(10.0)	
Michigan Business Tax	2.1	(861.7)	(1,011.0)	(149.3)		(1,031.0)	
Corporate Income Tax	91.5	1,057.3	885.3	(172.0)	-16.3%	932.0	-13.5%
Insurance Company Taxes	80.5	342.0	314.3	(27.7)	-8.1%	316.0	-2.0%
Subtotal	180.2	532.4	194.0	(338.4)	-63.6%	207.0	-72.9%
Consumption Taxes							
Sales Tax	619.4	7,268.5	7,285.9	17.4	0.2%	7,310.0	0.9%
Use Tax	117.3	1,377.0	1,397.4	20.5	1.5%	1,343.6	-6.3%
Beer and Wine Taxes	4.5	45.0	51.7	6.7	15.0%	52.0	11.3%
Liquor Excise Tax	6.6	90.2	88.9	(1.3)	-1.4%	102.6	4.0%
Tobacco Taxes	83.7	944.7	957.6	13.0	1.4%	957.1	0.4%
Subtotal	831.5	9,725.3	9,781.5	56.3	0.6%	9,765.3	-0.2%
Other Miscellaneous Taxes							
State Education Tax	936.9	1,854.7	1,863.1	8.3	0.4%	1,894.1	2.0%
Real Estate Transfer Tax	31.2	261.5	281.1	19.6	7.5%	276.0	6.8%
Essential Services Assessment	1.6	25.0	68.1	43.1		55.0	
Industrial Facilities/Commercial Forest Taxes	4.9	37.3	36.5	(0.8)	-2.1%	36.0	3.7%
Casino Wagering Tax	9.6	110.7	112.7	2.0	1.8%	112.0	1.1%
Gas and Oil Severance Tax	1.9	30.8	19.9	(10.9)	-35.3%	20.4	-32.9%
Telephone and Telegraph Tax	0.1	44.9	36.5	(8.4)	-18.7%	42.0	0.5%
Penalties and Interest	7.7	115.4	98.0	(17.4)	-15.1%	115.0	-7.7%
Lottery Transfer to SAF	34.0	751.9	853.0	101.1	13.5%	850.0	8.4%
Subtotal	1,028.0	3,232.2	3,368.9	136.6	4.2%	3,400.5	4.9%
TOTAL	\$2,854.9	\$22,437.7	\$22,768.7	\$331.0	1.5%	\$22,774.0	0.0%

Note: Numbers may not add due to rounding.