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January 2021 Revenue Update

Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$2,771.7 million in January 2021, \$525.4 million more than in January 2020. For the fiscal year-to-date, collections in FY 2020-21 were \$651.2 million (or 9.8%) higher than during FY 2019-20.

Net income tax revenue totaled \$1,447.5 million in January 2021, and for FY 2020-21 collections through January were \$246.8 million more than the same period during FY 2019-20. Year-to-date gross income tax collections in FY 2020-21 were \$219.9 million higher than one year ago as all three components exceeded FY 2019-20 levels. In addition, year-to-date refunds are lower than one year ago, which has boosted net income tax collections. However, this is likely a timing issue that will reverse itself once the processing of tax year 2020 returns begins.

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 often display significant fluctuations that diverge from historical trends. On a fiscal year-to-date basis, net business taxes were \$152.2 million higher through January 2021 than a year ago. MBT refunds through January 2021 are smaller than last year at this point, while CIT collections over the same period were \$98.7 million higher than last year's amount.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$1,062.2 million in January 2021, and were collectively \$182.3 million higher than in FY 2019-20 on a year-to-date basis. Use tax collections, which have increased due to Wayfair decision and the expansion to marketplace facilitators, accounted for much of the differential.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in January 2021 were \$25.2 million and \$38.0 million, respectively. The transfer from the lottery to the School Aid Fund was \$142.0 million in January 2021, and year-to-date transfers were \$50.2 million higher than FY 2019-20.

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

General Fund/General Purpose revenue from Michigan's major taxes was estimated¹ to be \$1,430.2 million in January 2021, about \$128.7 million above the projection established at the January 2021 consensus revenue estimating conference (CREC). Net income tax collections, aided by lower than expected refunds, and use tax revenue more than offset lower than projected business tax collections.

Because January collections are the only monthly revenues since the most recent CREC, year-to-date GF/GP tax revenue for FY 2020-21 was also about \$128.7 million above the projected amount.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes was estimated¹ to be \$1,216.7 million in January 2021, about \$176.3 million above the amount established at the January 2021 CREC. Gross income tax collections, both sales and use tax revenues accruing to the SAF, and the higher than projected lottery transfer all contributed to the differential.

For the same reason as with year-to-date GF/GP revenue, year-to-date SAF revenue for FY 2020-21 was also about \$176.3 million above the consensus revenue projections.

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

FY 2020-21 January Revenue Collections

Millions of Dollars

<u>Major Taxes</u>	FY 2020-21 <u>January</u>	Year-to-Date Collections		Change from FY 2019-20 Year-to-Date		FY 2020-21 Estimates (January 2021 CREC)	
		<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>Dollar</u>	<u>% Change</u>	<u>Dollar</u>	<u>% Change</u>
Individual Income Tax							
Withholding	\$1,045.9	\$2,759.3	\$2,881.0	\$121.7	4.4%	\$10,364.5	(1.3%)
Quarterly Income Tax	388.2	399.8	481.7	81.9	20.5%	976.4	(19.2%)
Annual Income Tax	<u>31.3</u>	<u>46.4</u>	<u>62.7</u>	<u>16.3</u>	35.0%	<u>1,229.6</u>	(5.3%)
Gross Income Tax	1,465.4	3,205.5	3,425.3	219.9	6.9%	12,570.5	(3.4%)
Less: Income Tax Refunds	<u>17.9</u>	<u>97.8</u>	<u>70.9</u>	<u>(26.9)</u>	(27.5%)	<u>2,416.4</u>	(4.0%)
Net Income Tax	1,447.5	3,107.6	3,354.4	246.8	7.9%	10,154.1	(3.2%)
Business Taxes							
Single Business Tax	(0.8)	(0.1)	(0.1)	0.0		0.0	
Michigan Business Tax	(174.3)	(408.6)	(364.9)	43.7		(626.9)	
Corporate Income Tax	109.4	331.1	429.9	98.7	29.8%	1,074.4	(2.8%)
Insurance Company Taxes	<u>90.1</u>	<u>85.0</u>	<u>94.7</u>	<u>9.7</u>	11.4%	<u>398.7</u>	(12.7%)
Subtotal	24.4	7.4	159.6	152.2	2,058.7%	846.2	(15.6%)
Consumption Taxes							
Sales Tax	755.6	2,158.4	2,125.5	(32.9)	(1.5%)	8,406.0	1.2%
Use Tax (excluding LCSA levy)	221.1	329.4	546.5	217.2	65.9%	1,476.2	5.7%
Beer and Wine Taxes	10.1	12.8	12.6	(0.2)	(1.4%)	53.0	3.1%
Liquor Excise Tax	0.3	34.8	26.3	(8.5)	(24.5%)	135.6	(5.8%)
Tobacco Taxes	<u>74.9</u>	<u>215.8</u>	<u>222.6</u>	<u>6.8</u>	3.1%	<u>879.0</u>	(2.8%)
Subtotal	1,062.2	2,751.2	2,933.5	182.3	6.6%	10,949.8	1.4%
Other Miscellaneous Taxes							
State Education Tax	25.2	371.9	365.4	(6.6)	(1.8%)	2,237.6	2.2%
Real Estate Transfer Tax	38.0	94.6	120.1	25.5	27.0%	363.6	(41.6%)
Essential Services Assessment	0.1	0.4	0.6	0.2	44.2%	126.0	3.3%
Industrial & Commercial Facilities Taxes	1.1	3.4	4.7	1.2	36.5%	37.0	(9.5%)
Casino Wagering Tax	7.2	30.1	13.0	(17.1)	(56.8%)	116.5	73.9%
Recreational Marihuana Excise Tax	13.0	0.0	16.1	16.1		75.0	
Gas and Oil Severance Tax	1.6	5.2	4.2	(1.0)	(18.5%)	12.0	(6.3%)
Telephone and Telegraph Tax	0.8	10.3	9.1	(1.2)	(11.7%)	32.0	(1.2%)
Penalties and Interest	8.7	20.4	23.0	2.6	12.6%	120.0	32.3%
Lottery Transfer to School Aid Fund	<u>142.0</u>	<u>271.8</u>	<u>322.0</u>	<u>50.2</u>	18.5%	<u>1,058.1</u>	(10.3%)
Subtotal	237.7	808.2	878.1	70.0	8.7%	4,177.8	(4.1%)
TOTAL	\$2,771.7	\$6,674.4	\$7,325.6	\$651.2	9.8%	\$26,127.9	(2.0%)

Note: Numbers may not add due to rounding.