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January Revenue Update

Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$2,923.4 million in January 2023, \$6.3 million less than in January 2022. For the fiscal year-to-date, collections in FY 2022-23 were \$196.0 million (or 2.3%) lower than during FY 2021-22.

Net income tax revenue totaled \$1,622.4 million in January 2023, and for FY 2022-23 collections through January were \$410.8 million less than the same period during FY 2021-22. Year-to-date gross income tax collections in FY 2022-23 were \$197.7 million lower than one year ago primarily due to quarterly collections and collections from the new flow through entity tax.

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 \$74.8 million higher through January 2023 than a year ago. MBT refunds through January 2023 are in line with last year at this point, while CIT collections over the same period were \$53.6 million (or 11.0%) 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 \$1,237.1 million in January 2023, and were collectively \$117.7 million higher than in FY 2021-22 on a year-to-date basis. Sales tax collections remained strong and accounted for most of the differential.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in January 2023 were \$22.1 million and \$26.9 million, respectively. The transfer from the lottery to the School Aid Fund was \$104.4 million in January 2023, and year-to-date transfers were \$4.0 million lower than FY 2021-22.

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

General Fund/General Purpose revenue from Michigan's major taxes was estimated¹ to be \$1,353.1 million in January 2023, about \$347.6 million below the projection established at the January 2023 consensus revenue estimating conference (CREC). Net income tax collections, along with sales and use tax revenue, exceeded the CREC estimates. While that was offset by much lower than projected net business taxes, it was almost exclusively due to the timing of MBT refunds, which were fully anticipated to be claimed at some point in the fiscal year. Removing the effect of MBT refunds, GF/GP revenue would have been \$33.3 million above the projected amount.

Because January collections are the only monthly revenues since the most recent CREC, year-to-date GF/GP tax revenue for FY 2022-23 was also about \$347.6 million below the projected amount.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes was estimated¹ to be \$1,388.0 million in January 2023, about \$25.1 million above the amount established at the January 2023 CREC. Gross income tax collections and both sales and use tax revenues accruing to the SAF primarily contributed to the differential.

For the same reason as with year-to-date GF/GP revenue, year-to-date SAF revenue for FY 2022-23 was also about \$25.1 million above the consensus revenue projections.

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

FY 2022-23 January Revenue Collections

Millions of Dollars

Major Taxes	FY 2022-23	Year-to-Date Collections		Change from		FY 2022-23 Estimates	
	<u>January</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2021-22 Year-to-Date</u>	<u>Dollar</u>	<u>% Change</u>	<u>(January 2023 CREC)</u>
							<u>Dollar</u> <u>% Change</u>
Individual Income Tax							
Withholding	\$1,274.8	\$3,186.4	\$3,258.7	\$72.3	2.3%	\$12,480.1	3.6%
Flow Through Entity Tax	109.6	479.4	284.9	(194.5)	(40.6%)	1,041.5	(41.6%)
Quarterly Income Tax	293.6	464.8	375.9	(88.8)	(19.1%)	990.0	(28.0%)
Annual Income Tax	<u>17.2</u>	<u>43.3</u>	<u>56.6</u>	<u>13.3</u>	30.7%	<u>1,415.7</u>	(24.9%)
Gross Income Tax	\$1,695.2	\$4,173.9	\$3,976.2	(\$197.7)	(4.7%)	\$15,927.3	(6.8%)
Less: Income Tax Refunds	<u>72.8</u>	<u>108.3</u>	<u>321.4</u>	<u>213.1</u>	196.8%	<u>2,432.8</u>	(22.7%)
Net Income Tax	\$1,622.4	\$4,065.6	\$3,654.8	(\$410.8)	(10.1%)	\$13,494.5	(3.2%)
Business Taxes							
Single Business Tax	(0.2)	(0.5)	(0.2)	0.3		0.0	
Michigan Business Tax	(411.8)	(476.7)	(471.1)	5.6		(527.0)	
Corporate Income Tax	135.9	485.1	538.7	53.6	11.0%	1,760.0	(13.3%)
Insurance Company Taxes	<u>98.0</u>	<u>86.5</u>	<u>101.7</u>	<u>15.3</u>	17.7%	<u>415.0</u>	(1.2%)
Subtotal	(\$178.1)	\$94.5	\$169.2	\$74.8	79.2%	\$1,648.0	(15.5%)
Consumption Taxes							
Sales Tax	942.2	2,574.9	2,755.6	180.7	7.0%	10,812.0	0.3%
Use Tax (excluding LCSA levy)	211.0	570.4	531.8	(38.6)	(6.8%)	1,991.7	(3.0%)
Beer and Wine Taxes	9.4	12.4	11.5	(0.9)	(7.2%)	49.0	(0.4%)
Liquor Excise Tax	14.1	41.8	41.4	(0.4)	(1.0%)	129.6	(17.1%)
Tobacco Taxes	<u>60.5</u>	<u>204.0</u>	<u>180.9</u>	<u>(23.2)</u>	(11.3%)	<u>779.5</u>	(2.3%)
Subtotal	\$1,237.1	\$3,403.6	\$3,521.3	\$117.7	3.5%	\$13,761.8	(0.6%)
Other Miscellaneous Taxes							
State Education Tax	22.1	378.5	423.2	44.7	11.8%	2,590.0	6.1%
Real Estate Transfer Tax	26.9	142.8	103.9	(38.8)	(27.2%)	435.0	(20.4%)
Essential Services Assessment	0.1	0.7	0.6	(0.2)	(21.9%)	143.0	5.6%
Industrial & Commercial Facilities Taxes	2.3	4.2	5.8	1.6	39.3%	42.0	1.4%
Casino Wagering Tax	8.4	25.7	25.4	(0.4)	(1.4%)	106.0	1.8%
iGaming, Sports Betting, Fantasy Sports	27.0	79.3	77.5	(1.8)	(2.3%)	284.0	9.0%
Recreational Marihuana Excise Tax	41.1	37.2	58.2	21.0	56.3%	79.6	14.7%
Gas and Oil Severance Tax	3.2	9.0	8.6	(0.4)	(4.8%)	35.0	(17.1%)
Telephone and Telegraph Tax	0.0	7.2	7.1	(0.1)	(1.4%)	34.0	(2.9%)
Penalties and Interest	6.5	20.5	21.3	0.8	3.9%	140.0	0.1%
Lottery Transfer to the School Aid Fund	<u>104.4</u>	<u>288.3</u>	<u>284.4</u>	<u>(4.0)</u>	(1.4%)	<u>1,190.0</u>	(0.1%)
Subtotal	\$241.9	\$993.5	\$1,015.9	\$22.4	2.3%	\$5,078.6	1.4%
TOTAL	\$2,923.4	\$8,557.2	\$8,361.2	(\$196.0)	(2.3%)	\$33,982.9	(2.2%)

Note: Numbers may not add due to rounding.