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June 2021 Revenue Update

Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$2,727.2 million in June 2021, \$657.2 million more than in June 2020. For the fiscal year-to-date, collections in FY 2020-21 were \$4,450.8 million (or 31.1%) higher than during FY 2019-20.

Net income tax revenue totaled \$1,143.0 million in June 2021, and for FY 2020-21 collections through June were \$2,059.1 million more than the same period during FY 2019-20. Year-to-date gross income tax collections in FY 2020-21 were \$2,277.9 million higher than one year ago as all three components exceeded FY 2019-20 levels. Quarterly payments in June were the third highest on record for any single month trailing only January 2018 and January 2021 collections. Income tax refunds were less than anticipated, which boosted net income tax collections.

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 \$548.9 million higher through June 2021 than one year ago as CIT collections continued to come in strong. Quarterly payments in June 2021 were about \$170.0 million higher than June 2020.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$1,165.9 million in June 2021, and were collectively \$1,550.0 million higher than in FY 2019-20 on a year-to-date basis. The difference is almost entirely due to sales and use tax collections, which remain strong, in part due to remote sales. E-commerce, which spiked during the pandemic, continues to grow faster than the long-term trend.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in June 2021 were \$28.9 million and \$30.3 million, respectively. Collections from the RET through June 2021 are \$93.1 million higher than last year at this point, which illustrates the continuing strength in the housing market. The transfer from the lottery to the School Aid Fund was \$90.0 million in June 2021, and year-to-date transfers were \$95.2 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 \$1,375.1 million in June 2021, about \$314.5 million above the projection established at the May 2021 consensus revenue estimating conference (CREC). Quarterly individual income tax and CIT payments accounted for almost all of the differential.

Year-to-date GF/GP tax revenue for FY 2020-21 is about \$1,066.4 million above the projected amount, primarily due to higher than expected individual income tax and business tax collections.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes was estimated¹ to be \$1,214.9 million in June 2021, about \$97.3 million above the amount established at the May 2021 CREC, almost entirely due to higher than projected sales tax collections and quarterly individual income tax payments.

Year-to-date SAF revenue for FY 2020-21 is about \$356.0 million above the consensus revenue projections, largely for the same reasons as June collections.

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

FY 2020-21 June Revenue Collections Millions of Dollars

| Major Taxes | FY 2020-21 | Year-to-Date Collections | | Change from FY 2019-20 Year-to-Date | | FY 2020-21 Estimates (May 2021 CREC) | |
|--|------------------|--------------------------|-------------------|--|---------------|---|--------------|
| | June | FY 2019-20 | FY 2020-21 | Dollar | % Change | Dollar | % Change |
| Individual Income Tax | | | | | | | |
| Withholding | \$861.9 | \$7,065.5 | \$7,458.4 | \$392.9 | 5.6% | \$11,014.5 | 4.9% |
| Quarterly Income Tax | 342.5 | 586.5 | 1,214.3 | 627.8 | 107.0% | 1,358.4 | 12.4% |
| Annual Income Tax | <u>38.8</u> | <u>366.7</u> | <u>1,623.9</u> | <u>1,257.2</u> | 342.8% | <u>1,017.4</u> | (21.6%) |
| Gross Income Tax | 1,243.2 | 8,018.7 | 10,296.6 | 2,277.9 | 28.4% | 13,390.3 | 2.9% |
| Less: Income Tax Refunds | <u>100.2</u> | <u>1,964.4</u> | <u>2,183.2</u> | <u>218.8</u> | 11.1% | <u>2,738.4</u> | 8.8% |
| Net Income Tax | 1,143.0 | 6,054.3 | 8,113.4 | 2,059.1 | 34.0% | 10,651.9 | 1.5% |
| Business Taxes | | | | | | | |
| Single Business Tax | (0.4) | 4.7 | (0.3) | (5.0) | | 0.0 | |
| Michigan Business Tax | 13.3 | (496.5) | (509.4) | (12.9) | | (626.9) | |
| Corporate Income Tax | 234.6 | 516.5 | 1,135.3 | 618.8 | 119.8% | 1,384.1 | 25.3% |
| Insurance Company Taxes | <u>(8.7)</u> | <u>192.9</u> | <u>140.8</u> | <u>(52.0)</u> | (27.0%) | <u>390.0</u> | (14.6%) |
| Subtotal | 238.8 | 217.6 | 766.5 | 548.9 | 252.3% | 1,147.2 | 14.4% |
| Consumption Taxes | | | | | | | |
| Sales Tax | 912.7 | 5,047.8 | 6,025.3 | 977.5 | 19.4% | 8,906.0 | 7.2% |
| Use Tax (excluding LCSA levy) | 156.0 | 825.6 | 1,380.6 | 555.0 | 67.2% | 1,986.2 | 46.0% |
| Beer and Wine Taxes | 1.4 | 25.9 | 25.7 | (0.2) | (0.9%) | 53.0 | 3.1% |
| Liquor Excise Tax | 12.8 | 87.5 | 99.0 | 11.5 | 13.2% | 135.6 | (5.8%) |
| Tobacco Taxes | <u>83.0</u> | <u>569.8</u> | <u>576.0</u> | <u>6.2</u> | 1.1% | <u>896.0</u> | (0.9%) |
| Subtotal | 1,165.9 | 6,556.6 | 8,106.6 | 1,550.0 | 23.6% | 11,976.8 | 11.2% |
| Other Miscellaneous Taxes | | | | | | | |
| State Education Tax | 28.9 | 468.4 | 478.3 | 9.9 | 2.1% | 2,267.6 | 3.5% |
| Real Estate Transfer Tax | 30.3 | 198.1 | 291.3 | 93.1 | 47.0% | 433.6 | 29.3% |
| Essential Services Assessment | 2.9 | 4.6 | 8.1 | 3.4 | 74.2% | 126.0 | 3.3% |
| Industrial & Commercial Facilities Taxes | 4.6 | 21.8 | 23.7 | 1.8 | 8.3% | 37.0 | (9.5%) |
| Casino Wagering Tax | 8.7 | 44.7 | 55.3 | 10.7 | 23.9% | 134.9 | 101.3% |
| Recreational Marihuana Excise Tax | 2.4 | 5.3 | 45.5 | 40.2 | | 75.0 | |
| Gas and Oil Severance Tax | 1.9 | 9.7 | 12.6 | 2.9 | 29.6% | 14.0 | 9.4% |
| Telephone and Telegraph Tax | 0.0 | 10.3 | 9.1 | (1.2) | (11.7%) | 32.0 | (1.2%) |
| Penalties and Interest | 9.9 | 48.1 | 84.9 | 36.8 | 76.6% | 130.0 | 43.3% |
| Lottery Transfer to School Aid Fund | <u>90.0</u> | <u>666.8</u> | <u>762.0</u> | <u>95.2</u> | 14.3% | <u>1,208.1</u> | 2.4% |
| Subtotal | 179.5 | 1,477.9 | 1,770.7 | 292.8 | 19.8% | 4,458.2 | 9.5% |
| TOTAL | \$2,727.2 | \$14,306.4 | \$18,757.2 | \$4,450.8 | 31.1% | \$28,234.1 | 7.2% |

Note: Numbers may not add due to rounding.