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February 2021 Revenue Update

Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$1,645.9 million in February 2021, \$524.7 million more than in February 2020. For the fiscal year-to-date, collections in FY 2020-21 were \$1,175.9 million (or 15.1%) higher than during FY 2019-20.

Net income tax revenue totaled \$563.7 million in February 2021, and for FY 2020-21 collections through February were \$572.4 million more than the same period during FY 2019-20. Year-to-date gross income tax collections in FY 2020-21 were \$259.3 million higher than one year ago as all three components exceeded FY 2019-20 levels. In addition, year-to-date refunds are substantially lower than one year ago, which has boosted net income tax collections. However, because the processing of tax returns didn't begin until mid-February, refunds are expected to pick up as processing increases.

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 \$225.8 million higher through February 2021 than a year ago. MBT refunds through February 2021 are less than last year at this point, while CIT collections over the same period were \$102.2 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 \$908.1 million in February 2021, and were collectively \$298.4 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 almost all of the differential.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in February 2021 were \$19.1 million and \$36.8 million, respectively. The transfer from the lottery to the School Aid Fund was \$90.0 million in February 2021, and year-to-date transfers were \$60.2 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 \$597.8 million in February 2021, about \$472.5 million above the projection established at the January 2021 consensus revenue estimating conference (CREC). Income tax withholding, significantly lower than expected refunds, and use tax revenue were the primary components.

Year-to-date GF/GP tax revenue for FY 2020-21 is about \$601.3 million above the expected amount, although almost half of that is due to projected refunds that have yet to be paid. The remaining differential can be attributed to use tax collections, withholding, and estimated income tax payments.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes was estimated¹ to be \$945.8 million in February 2021, about \$102.9 million above the amount established at the January 2021 CREC. Sales tax, use tax, and gross income tax revenues accruing to the SAF were the primary factors.

Year-to-date SAF revenue for FY 2020-21 was \$279.2 million above the consensus revenue projections. Higher than expected sales tax, use tax, and gross income tax collections all contributed to SAF revenue exceeding the target estimate. Lottery transfers to the SAF also continued to exceed projections.

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

FY 2020-21 February Revenue Collections

Millions of Dollars

Major Taxes	FY 2020-21	Year-to-Date Collections		Change from		FY 2020-21 Estimates	
	February	FY 2019-20	FY 2020-21	FY 2019-20 Year-to-Date	FY 2019-20 Year-to-Date	(January 2021 CREC)	(January 2021 CREC)
				Dollar	% Change	Dollar	% Change
Individual Income Tax							
Withholding	\$866.5	\$3,584.5	\$3,747.5	\$163.0	4.5%	\$10,364.5	(1.3%)
Quarterly Income Tax	11.4	410.1	493.1	83.0	20.2%	976.4	(19.2%)
Annual Income Tax	<u>25.9</u>	<u>75.2</u>	<u>88.6</u>	<u>13.3</u>	17.7%	<u>1,229.6</u>	(5.3%)
Gross Income Tax	903.9	4,069.9	4,329.2	259.3	6.4%	12,570.5	(3.4%)
Less: Income Tax Refunds	<u>340.2</u>	<u>724.3</u>	<u>411.2</u>	<u>(313.1)</u>	(43.2%)	<u>2,416.4</u>	(4.0%)
Net Income Tax	563.7	3,345.6	3,918.1	572.4	17.1%	10,154.1	(3.2%)
Business Taxes							
Single Business Tax	(0.0)	(3.1)	(0.1)	3.0		0.0	
Michigan Business Tax	(0.8)	(508.6)	(365.7)	143.0		(626.9)	
Corporate Income Tax	23.2	350.8	453.0	102.2	29.1%	1,074.4	(2.8%)
Insurance Company Taxes	<u>(11.8)</u>	<u>105.4</u>	<u>82.9</u>	<u>(22.4)</u>	(21.3%)	<u>398.7</u>	(12.7%)
Subtotal	10.6	(55.6)	170.1	225.8	(405.9%)	846.2	(15.6%)
Consumption Taxes							
Sales Tax	672.1	2,780.2	2,797.6	17.4	(0.6%)	8,406.0	1.2%
Use Tax (excluding LCSA levy)	170.1	417.2	716.6	299.5	71.8%	1,476.2	5.7%
Beer and Wine Taxes	1.0	16.2	13.6	(2.6)	(15.9%)	53.0	3.1%
Liquor Excise Tax	0.1	44.7	26.4	(18.4)	(41.0%)	135.6	(5.8%)
Tobacco Taxes	<u>64.9</u>	<u>285.0</u>	<u>287.5</u>	<u>2.5</u>	0.9%	<u>879.0</u>	(2.8%)
Subtotal	908.1	3,543.2	3,841.7	298.4	8.4%	10,949.8	1.4%
Other Miscellaneous Taxes							
State Education Tax	19.1	392.3	384.5	(7.8)	(2.0%)	2,237.6	2.2%
Real Estate Transfer Tax	36.8	124.5	156.8	32.3	25.9%	363.6	(41.6%)
Essential Services Assessment	0.2	0.5	0.8	0.3	50.9%	126.0	3.3%
Industrial & Commercial Facilities Taxes	1.5	5.2	6.2	0.9	17.4%	37.0	(9.5%)
Casino Wagering Tax	7.0	40.0	20.0	(20.0)	(49.9%)	116.5	73.9%
Recreational Marihuana Excise Tax	2.2	0.1	18.3	18.2		75.0	
Gas and Oil Severance Tax	1.1	7.2	5.3	(1.9)	(26.6%)	12.0	(6.3%)
Telephone and Telegraph Tax	0.0	10.3	9.1	(1.2)	(11.7%)	32.0	(1.2%)
Penalties and Interest	5.7	30.4	28.7	(1.7)	(5.6%)	120.0	32.3%
Lottery Transfer to School Aid Fund	<u>90.0</u>	<u>351.8</u>	<u>412.0</u>	<u>60.2</u>	17.1%	<u>1,058.1</u>	(10.3%)
Subtotal	163.6	962.4	1,041.7	79.3	8.2%	4,177.8	(4.1%)
TOTAL	\$1,645.9	\$7,795.6	\$8,971.5	\$1,175.9	15.1%	\$26,127.9	(2.0%)

Note: Numbers may not add due to rounding.