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## October 2022 Revenue Update

### Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$3,742.7 million in October 2022, \$259.1 million more than in October 2021. Because October cash collections complete the fiscal year, prior year comparisons represent full fiscal year totals. Cash collections in FY 2021-22 were \$4,597.0 million (or 14.9%) higher than during FY 2020-21.

Net income tax revenue totaled \$1,090.0 million in October 2022, and for FY 2021-22, collections were \$2,528.7 million more than FY 2020-21. Gross income tax collections in FY 2021-22 were \$2,600.4 million higher than last year due primarily to withholding and collections from the new flow through entity (FTE) 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. For FY 2021-22, net business taxes were \$453.1 million higher than a year ago. CIT collections over the same period were \$300.1 million higher than last year's amount and insurance taxes also exceeded the FY 2020-21 total.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$1,180.2 million in October 2022, and were collectively \$1,194.9 million higher than in FY 2020-21. Sales tax revenue in October 2022 was \$923.4 million, marking the fifth consecutive month that sales tax collections exceeded \$900.0 million.

Revenue from recreational marijuana sales for FY 2021-22 was \$66.3 million higher than FY 2020-21, and both state education tax and real estate transfer tax revenues were higher than prior year amounts. On a monthly basis, collections from online gaming in October 2022 totaled \$22.7 million, and has been fairly consistent for the past five months.

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

General Fund/General Purpose revenue from Michigan's major taxes was estimated<sup>1</sup> to be \$1,315.4 million in October 2022, about \$83.7 million above the projection established at the May 2022 consensus revenue estimating conference (CREC). Most of the differential can be attributed to stronger than expected individual income tax withholding and insurance premiums tax payments.

General Fund/General Purpose cash collections for FY 2021-22 were about \$1,607.6 million above the projected amount. However, if several hundred million dollars in FTE refunds are claimed as expected and booked back to FY 2021-22, that amount would be substantially reduced. For FY 2021-22, individual income tax and sales tax collections accruing to the General Fund, along with business tax revenues, all exceeded CREC projections.

### School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes was estimated<sup>1</sup> to be \$2,244.2 million in October 2022, about \$32.3 million below the amount established at the May 2022 CREC. Lower than expected collections from the state education tax more than offset higher than projected sales tax collections and estimated income tax payments accruing to the SAF.

School Aid Fund revenue for FY 2021-22 was about \$317.9 million above the consensus revenue projections, primarily due to sales tax collections and individual income tax revenue accruing to the SAF, which more than compensated for lower than projected lottery transfers.

<sup>1</sup> Because of accruals and undistributed revenue, monthly fund splits are estimated.

## FY 2021-22 October Revenue Collections

Millions of Dollars

<b>Major Taxes</b>	FY 2021-22	Year-to-Date Collections		Change from FY 2020-21 Year-to-Date		FY 2021-22 Estimates (May 2022 CREC)	
	<u>October</u>	<u>FY 2020-21</u>	<u>FY 2021-22</u>	<u>Dollar</u>	<u>% Change</u>	<u>Dollar</u>	<u>% Change</u>
Individual Income Tax							
Withholding	\$1,091.4	\$11,105.4	\$12,058.9	\$953.5	8.6%	\$11,954.5	8.2%
Flow Through Entity Tax	10.6	0.0	1,910.1	1,910.1		2,048.8	
Quarterly Income Tax	31.2	1,706.3	1,377.8	(328.5)	(19.3%)	983.9	(42.3%)
Annual Income Tax	<u>111.2</u>	<u>1,784.7</u>	<u>1,850.1</u>	<u>65.4</u>	3.7%	<u>1,740.0</u>	(2.3%)
<b>Gross Income Tax</b>	<b>\$1,244.5</b>	<b>\$14,596.4</b>	<b>\$17,196.8</b>	<b>\$2,600.4</b>	<b>17.8%</b>	<b>\$16,727.2</b>	<b>15.1%</b>
Less: Income Tax Refunds	<u>154.5</u>	<u>2,487.7</u>	<u>2,559.4</u>	<u>71.7</u>	2.9%	<u>3,244.2</u>	20.3%
<b>Net Income Tax</b>	<b>\$1,090.0</b>	<b>\$12,108.8</b>	<b>\$14,637.5</b>	<b>\$2,528.7</b>	<b>20.9%</b>	<b>\$13,483.0</b>	<b>13.9%</b>
Business Taxes							
Single Business Tax	0.0	1.0	1.6	0.6		0.0	
Michigan Business Tax	(2.7)	(544.1)	(456.1)	88.0		(594.3)	
Corporate Income Tax	122.6	1,728.3	2,028.4	300.1	17.4%	1,822.6	7.1%
Insurance Company Taxes	<u>118.0</u>	<u>354.8</u>	<u>419.2</u>	<u>64.4</u>	18.2%	<u>385.0</u>	8.5%
<b>Subtotal</b>	<b>\$237.9</b>	<b>\$1,539.9</b>	<b>\$1,993.0</b>	<b>\$453.1</b>	<b>29.4%</b>	<b>\$1,613.3</b>	<b>2.9%</b>
Consumption Taxes							
Sales Tax	923.4	9,483.9	10,781.9	1,298.0	13.7%	10,299.6	9.4%
Use Tax (excluding LCSA levy)	174.9	2,127.8	2,116.7	(11.1)	(0.5%)	2,082.0	(2.5%)
Beer and Wine Taxes	10.7	51.2	49.2	(2.0)	(3.8%)	52.0	1.0%
Liquor Excise Tax	1.2	143.3	142.3	(1.0)	(0.7%)	157.6	0.3%
Tobacco Taxes	<u>70.0</u>	<u>888.5</u>	<u>799.6</u>	<u>(89.0)</u>	(10.0%)	<u>830.7</u>	(6.9%)
<b>Subtotal</b>	<b>\$1,180.2</b>	<b>\$12,694.7</b>	<b>\$13,889.6</b>	<b>\$1,194.9</b>	<b>9.4%</b>	<b>\$13,421.9</b>	<b>6.1%</b>
Other Miscellaneous Taxes							
State Education Tax	1,092.4	2,244.1	2,373.9	129.7	5.8%	2,396.0	6.2%
Real Estate Transfer Tax	50.4	486.5	549.8	63.4	13.0%	527.0	7.5%
Essential Services Assessment	0.5	127.2	134.7	7.6	5.9%	135.0	7.3%
Industrial & Commercial Facilities Taxes	5.6	46.9	45.8	(1.1)	(2.3%)	42.0	0.2%
Casino Wagering Tax	8.9	91.8	103.2	11.4	12.4%	110.0	21.4%
iGaming, Sports Betting, Fantasy Contests	22.7	80.1	268.7	188.6		210.8	
Recreational Marihuana Excise Tax	40.6	112.2	178.6	66.3	59.1%	144.0	192.1%
Gas and Oil Severance Tax	4.7	22.8	43.6	20.9	91.7%	35.0	67.5%
Telephone and Telegraph Tax	0.6	34.2	34.7	0.4	1.3%	32.0	(1.2%)
Penalties and Interest	8.4	143.0	119.9	(23.1)	(16.2%)	140.0	4.0%
Lottery Transfer to School Aid Fund	<u>0.0</u>	<u>1,032.0</u>	<u>988.3</u>	<u>(43.7)</u>	(4.2%)	<u>1,240.0</u>	(12.7%)
<b>Subtotal</b>	<b>\$1,234.7</b>	<b>\$4,420.9</b>	<b>\$4,841.2</b>	<b>\$420.3</b>	<b>9.5%</b>	<b>\$5,011.8</b>	<b>5.5%</b>
<b>TOTAL</b>	<b>\$3,742.7</b>	<b>\$30,764.3</b>	<b>\$35,361.3</b>	<b>\$4,597.0</b>	<b>14.9%</b>	<b>\$33,530.0</b>	<b>8.8%</b>

*Note: Numbers may not add due to rounding.*