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September 2021 Revenue Update

Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$3,282.3 million in September 2021, \$360.4 million more than in September 2020. For the fiscal year-to-date, collections in FY 2020-21 were \$4,216.0 million (or 18.3%) higher than during FY 2019-20.

Net income tax revenue totaled \$1,190.5 million in September 2021, and for FY 2020-21 collections through September were \$1,337.7 million more than the same period during FY 2019-20. Year-to-date gross income tax collections in FY 2020-21 were \$1,480.3 million higher than one year ago as all three components continued to exceed FY 2019-20 levels by between \$480.0 million to \$500.0 million. Income tax refunds continued to be smaller 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 \$544.4 million higher through September 2021 than one year ago as CIT collections remain strong, exceeding the May 2021 projections by just under \$325.0 million. Smaller than expected MBT refunds also contributed to higher net business tax revenue.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$1,118.6 million in September 2021, and were collectively \$1,881.7 million higher than in FY 2019-20 on a year-to-date basis. Sales tax and, to a lesser degree, use tax collections continued to exceed expectations as consumers purchase taxable goods at a higher rate (relative to generally untaxed services) than before the onset of the pandemic. In addition, sales and use tax collections from vehicle sales remained significantly higher than pre-pandemic levels.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in September 2021 were \$468.1 million and \$53.0 million, respectively. Collections from the RET through September 2021 were \$152.1 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 September 2021, and year-to-date transfers were \$100.2 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 \$1,510.6 million in September 2021, about \$319.4 million above the projection established at the May 2021 consensus revenue estimating conference (CREC). Individual income tax, CIT, and use tax collections accounted for almost all of the differential.

Year-to-date GF/GP tax revenue for FY 2020-21 is about \$1,664.6 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 \$1,644.1 million in September 2021, about \$91.5 million above the amount established at the May 2021 CREC, almost entirely due to higher than projected sales and use tax collections.

Year-to-date SAF revenue for FY 2020-21 is about \$621.5 million above the consensus revenue projections, largely because of higher than estimated sales and gross income tax collections.

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

FY 2020-21 September Revenue Collections

Millions of Dollars

Major Taxes	FY 2020-21 September	Year-to-Date Collections		Change from FY 2019-20 Year-to-Date		FY 2020-21 Estimates (May 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	\$846.6	\$9,661.7	\$10,144.3	\$482.6	5.0%	\$11,014.5	4.9%
Quarterly Income Tax	402.7	1,174.9	1,674.3	499.5	42.5%	1,358.4	12.4%
Annual Income Tax	<u>36.1</u>	<u>1,210.6</u>	<u>1,708.9</u>	<u>498.3</u>	41.2%	<u>1,017.4</u>	(21.6%)
Gross Income Tax	1,285.4	12,047.1	13,527.5	1,480.3	12.3%	13,390.3	2.9%
Less: Income Tax Refunds	<u>94.9</u>	<u>2,269.9</u>	<u>2,412.5</u>	<u>142.6</u>	6.3%	<u>2,738.4</u>	8.8%
Net Income Tax	1,190.5	9,777.2	11,115.0	1,337.7	13.7%	10,651.9	1.5%
Business Taxes							
Single Business Tax	(0.0)	1.9	(0.3)	(2.2)		0.0	
Michigan Business Tax	8.7	(496.3)	(496.0)	0.3		(626.9)	
Corporate Income Tax	287.5	999.7	1,593.1	593.4	59.4%	1,384.1	25.3%
Insurance Company Taxes	<u>2.4</u>	<u>304.8</u>	<u>257.6</u>	<u>(47.2)</u>	(15.5%)	<u>390.0</u>	(14.6%)
Subtotal	298.5	810.1	1,354.5	544.4	67.2%	1,147.2	14.4%
Consumption Taxes							
Sales Tax	837.8	7,479.0	8,616.3	1,137.3	15.2%	8,906.0	7.2%
Use Tax (excluding LCSA levy)	188.1	1,219.1	1,964.6	745.5	61.1%	1,986.2	46.0%
Beer and Wine Taxes	1.5	40.7	40.1	(0.6)	(1.5%)	53.0	3.1%
Liquor Excise Tax	13.4	130.1	142.5	12.4	9.5%	135.6	(5.8%)
Tobacco Taxes	<u>77.8</u>	<u>826.7</u>	<u>813.9</u>	<u>(12.8)</u>	(1.5%)	<u>896.0</u>	(0.9%)
Subtotal	1,118.6	9,695.7	11,577.4	1,881.7	19.4%	11,976.8	11.2%
Other Miscellaneous Taxes							
State Education Tax	468.1	1,125.7	1,172.8	47.1	4.2%	2,267.6	3.5%
Real Estate Transfer Tax	53.0	291.4	443.5	152.1	52.2%	433.6	29.3%
Essential Services Assessment	1.8	121.2	126.0	4.8	4.0%	126.0	3.3%
Industrial & Commercial Facilities Taxes	7.9	34.0	38.5	4.5	13.2%	37.0	(9.5%)
Casino Wagering Tax	8.3	57.2	82.2	24.9	43.6%	134.9	101.3%
Recreational Marihuana Excise Tax	4.7	17.3	80.7	63.4		75.0	
Gas and Oil Severance Tax	2.6	12.9	19.9	7.0	54.7%	14.0	9.4%
Telephone and Telegraph Tax	0.5	31.4	31.3	(0.1)	(0.3%)	32.0	(1.2%)
Penalties and Interest	37.8	89.7	137.9	48.2	53.7%	130.0	43.3%
Lottery Transfer to School Aid Fund	<u>90.0</u>	<u>931.8</u>	<u>1,032.0</u>	<u>100.2</u>	10.7%	<u>1,208.1</u>	2.4%
Subtotal	674.7	2,712.7	3,164.8	452.1	16.7%	4,458.2	9.5%
TOTAL	\$3,282.3	\$22,995.7	\$27,211.7	\$4,216.0	18.3%	\$28,234.1	7.2%

Note: Numbers may not add due to rounding.