



Mary Ann Cleary, Director
Jim Stansell, Senior Economist

September 2022 Revenue Update

Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$3,757.5 million in September 2022, \$464.9 million more than in September 2021. For the fiscal year-to-date, collections in FY 2021-22 were \$4,337.9 million (or 15.9%) higher than during FY 2020-21.

Net income tax revenue totaled \$1,443.0 million in September 2022, and for FY 2021-22 collections through September were \$2,432.5 million more than the same period during FY 2020-21. Year-to-date gross income tax collections in FY 2021-22 were \$2,424.9 million higher than last year at this point due 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. On a fiscal year-to-date basis, net business taxes were \$400.6 million higher through September 2022 than a year ago. CIT collections over the same period were \$312.7 million higher than last year's amount and year-to-date insurance taxes were also higher than a year ago.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$1,193.3 million in September 2022, and were collectively \$1,132.0 million higher than in FY 2020-21 on a year-to-date basis. Although lower than collections in each of the past three months, sales tax revenue in September 2022 remained well above last year's levels.

Year-to-date revenue from recreational marijuana sales through September 2022 was \$57.3 million higher than one year ago. On a monthly basis, collections from online gaming in September 2022 totaled \$22.9 million while the transfer from the lottery to the School Aid Fund was \$90.0 million.

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

General Fund/General Purpose revenue from Michigan's major taxes was estimated¹ to be \$1,733.5 million in September 2022, about \$324.3 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 quarterly individual income tax and corporate income tax payments. Combined sales and use tax collections also exceeded projections by more than \$60.0 million.

Year-to-date GF/GP tax revenue for FY 2021-22 was about \$1,523.9 million above the projected amount. Individual income tax collections accruing to the General Fund, substantially boosted by yet-to-be-claimed refunds against the FTE, accounted for roughly two-thirds of the differential. Business taxes also exceeded CREC projections.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes was estimated¹ to be \$1,864.5 million in September 2022, about \$124.7 million above the amount established at the May 2022 CREC. Much of the difference was due to higher than expected collections from the state education tax along with sales tax collections and estimated income tax payments accruing to the SAF.

Year-to-date SAF revenue for FY 2021-22 was about \$350.2 million above the consensus revenue projections, primarily due to sales tax collections and individual income tax revenue accruing to the SAF offsetting lower than projected lottery transfers.

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

FY 2021-22 September Revenue Collections

Millions of Dollars

Major Taxes	FY 2021-22	Year-to-Date Collections		Change from		FY 2021-22 Estimates		
	September	FY 2020-21	FY 2021-22	FY 2020-21 Year-to-Date	Dollar	% Change	(May 2022 CREC)	
							Dollar	% Change
Individual Income Tax								
Withholding	\$932.6	\$10,144.3	\$10,967.4	\$823.2	8.1%		\$11,954.5	8.2%
Flow Through Entity Tax	244.2	0.0	1,899.5	1,899.5			2,048.8	
Quarterly Income Tax	298.5	1,674.3	1,346.5	(327.8)	(19.6%)		983.9	(42.3%)
Annual Income Tax	<u>43.1</u>	<u>1,708.9</u>	<u>1,738.9</u>	<u>30.0</u>	1.8%		<u>1,740.0</u>	(2.3%)
Gross Income Tax	\$1,518.5	\$13,527.5	\$15,952.3	\$2,424.9	17.9%		\$16,727.2	15.1%
Less: Income Tax Refunds	75.5	<u>2,412.5</u>	<u>2,404.9</u>	<u>(7.6)</u>	(0.3%)		<u>3,244.2</u>	20.3%
Net Income Tax	\$1,443.0	\$11,115.0	\$13,547.5	\$2,432.5	21.9%		\$13,483.0	13.9%
Business Taxes								
Single Business Tax	0.0	(0.3)	1.6	1.8			0.0	
Michigan Business Tax	8.4	(496.0)	(453.4)	42.5			(594.3)	
Corporate Income Tax	358.7	1,593.1	1,905.8	312.7	19.6%		1,822.6	7.1%
Insurance Company Taxes	<u>1.9</u>	<u>257.6</u>	<u>301.2</u>	<u>43.6</u>	16.9%		<u>385.0</u>	8.5%
Subtotal	\$369.0	\$1,354.5	\$1,755.1	\$400.6	29.6%		\$1,613.3	60.9%
Consumption Taxes								
Sales Tax	933.0	8,616.3	9,858.4	1,242.2	14.4%		10,299.6	9.4%
Use Tax (excluding LCSA levy)	173.4	1,964.6	1,941.8	(22.8)	(1.2%)		2,082.0	(2.5%)
Beer and Wine Taxes	1.5	40.1	38.5	(1.5)	(3.8%)		52.0	1.0%
Liquor Excise Tax	12.2	142.5	141.1	(1.4)	(1.0%)		157.6	0.3%
Tobacco Taxes	<u>73.2</u>	<u>813.9</u>	<u>729.6</u>	<u>(84.3)</u>	(10.4%)		<u>830.7</u>	(6.9%)
Subtotal	\$1,193.3	\$11,577.4	\$12,709.4	\$1,132.0	9.8%		\$13,421.9	24.6%
Other Miscellaneous Taxes								
State Education Tax	561.0	1,172.8	1,281.4	108.6	9.3%		2,396.0	6.2%
Real Estate Transfer Tax	43.9	443.5	499.4	55.9	12.6%		527.0	7.5%
Essential Services Assessment	1.3	126.0	134.3	8.2	6.5%		135.0	7.3%
Industrial & Commercial Facilities Taxes	8.3	38.5	40.2	1.7	4.4%		42.0	0.2%
Casino Wagering Tax	7.6	82.2	94.3	12.2	14.8%		110.0	21.4%
iGaming, Sports Betting, Fantasy Contests	22.9	69.0	246.0	177.0			210.8	
Recreational Marihuana Excise Tax	5.6	80.7	138.0	57.3	71.0%		144.0	192.1%
Gas and Oil Severance Tax	4.5	19.9	38.9	19.0	95.8%		35.0	67.5%
Telephone and Telegraph Tax	(0.2)	31.3	34.1	2.8	9.0%		32.0	(1.2%)
Penalties and Interest	7.3	137.9	111.5	(26.4)	(19.1%)		140.0	4.0%
Lottery Transfer to School Aid Fund	<u>90.0</u>	<u>1,032.0</u>	<u>988.3</u>	<u>(43.7)</u>	(4.2%)		<u>1,240.0</u>	(12.7%)
Subtotal	\$752.3	\$3,233.8	\$3,606.5	\$372.7	11.5%		\$5,011.8	23.1%
TOTAL	\$3,757.5	\$27,280.7	\$31,618.6	\$4,337.9	15.9%		\$33,530.0	27.3%

Note: Numbers may not add due to rounding.