

August 2017 Revenue Update

Major Taxes

Cash collections from Michigan major taxes, penalties and interest, and lottery transfers totaled \$1,946.9 million in August 2017, \$33.3 million more than in August 2016. For the fiscal year-to-date, collections in FY 2016-17 are \$1,019.3 million (or 5.8%) higher than during FY 2015-16.

Net income tax revenue totaled \$702.8 million in August 2017, and for FY 2016-17 collections through August were \$120.2 million (or 1.6%) higher than the same period during FY 2015-16. Although year-to-date collections in FY 2016-17 from withholding are higher than one year ago by \$111.9 million, they are well below the May 2017 consensus estimate for the fiscal year. Conversely, year-to-date income tax refunds in FY 2016-17 are \$59.7 million higher than during FY 2015-16 and are above the fiscal year consensus estimate, although it should be noted that higher refunds reduce net revenue.

Net business taxes are the sum of the single business tax (SBT), the Michigan business tax (MBT), the corporate income tax (CIT), and insurance company taxes. Because of the uncertainty over when (or even if) existing certificated MEGA credits will be claimed and the inherent volatility of corporate income taxes, monthly collections of business taxes can display significant fluctuations that diverge from historical patterns. On a fiscal year-to-date basis, net business taxes are \$443.5 million higher through August 2017 than a year ago, with the gains spread across all four components.

Collections from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$890.8 million in August 2017, and are collectively \$370.6 million higher than FY 2015-16 on a year-to-date basis. Year-to-date sales tax, use tax, and liquor tax revenues continue to exceed the consensus estimates, and more than offset sub-par growth in the other components.

Revenues from the state education tax (SET), the real estate transfer tax (RET), and the essential services assessment in August 2017 were \$145.7 million, \$30.6 million and \$66.1 million, respectively, and on a year-to-date basis are well above the consensus estimates. Transfers from the lottery to the School Aid Fund were \$80.0 million in August 2017, and are virtually equal to FY 2015-16 transfers on a year-to-date basis.

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

General Fund revenue from Michigan major taxes is estimated¹ to be \$822.9 million in August 2017, about \$13.7 million above the projection established at the May 2017 consensus revenue estimating conference (CREC). Higher than anticipated revenues from the liquor tax, essential services assessment, and the corporate income tax more than offset below-target collections from the individual income tax.

Year-to-date GF/GP tax revenue for FY 2016-17 is \$106.1 million above the projected amount, although a large portion of the difference is due to net business taxes which tend to be volatile.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan major taxes is estimated¹ to be \$1,014.2 million in August 2017, about \$4.2 million above the amount established at the May 2017 consensus revenue estimating conference. Similar to GF/GP revenue, liquor tax and revenue boosted SAF revenue in August, and helped to offset weaker than anticipated individual income tax collections and lottery transfers.

Year-to-date SAF revenue for FY 2016-17 is about \$13.4 million above the May 2017 projections.

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

FY 2016-17 August Revenue Collections
Millions of Dollars

<u>Major Taxes</u>	FY 2016-17 <u>August</u>	Year-to-Date Collections		Change from FY 2015-16 Year-to-Date		FY 2016-17 Estimates (May 2017 CREC)	
		<u>FY 2015-16</u>	<u>FY 2016-17</u>	<u>Dollar</u>	<u>% Change</u>	<u>Dollar</u>	<u>% Change</u>
Individual Income Tax							
Withholding	\$708.2	\$7,755.2	\$7,867.2	\$111.9	1.4%	\$9,530.0	2.9%
Quarterly Income Tax	20.5	798.7	901.2	102.5	12.8%	1,157.8	8.7%
Annual Income Tax	15.5	856.4	821.9	(34.5)	-4.0%	887.6	-2.7%
Gross Income Tax	744.2	9,410.4	9,590.2	179.9	1.9%	11,575.4	3.0%
Less: Income Tax Refunds	41.3	1,769.4	1,829.1	59.7	3.4%	1,879.0	0.3%
Net Income Tax	702.8	7,641.0	7,761.2	120.2	1.6%	9,696.4	3.5%
Business Taxes							
Single Business Tax	(0.2)	(4.4)	9.3	13.7		(5.0)	
Michigan Business Tax	(27.4)	(978.0)	(731.4)	246.6		(922.8)	
Corporate Income Tax	28.4	699.1	857.7	158.6	22.7%	1,078.0	15.9%
Insurance Company Taxes	4.1	242.7	267.5	24.7	10.2%	366.3	11.3%
Subtotal	4.9	(40.5)	403.0	443.5		516.5	37.9%
Consumption Taxes							
Sales Tax	673.1	6,021.0	6,458.8	437.8	7.3%	7,694.9	5.4%
Use Tax	96.4	1,142.2	1,065.9	(76.3)	-6.7%	1,185.0	-16.6%
Beer and Wine Taxes	4.6	42.2	41.8	(0.4)	-1.0%	52.0	0.4%
Liquor Excise Tax	31.2	86.4	100.5	14.1	16.4%	105.6	0.9%
Tobacco Taxes	85.4	783.1	778.4	(4.7)	-0.6%	944.4	-0.2%
Subtotal	890.8	8,074.9	8,445.4	370.6	4.6%	9,981.9	1.6%
Other Miscellaneous Taxes							
State Education Tax	145.7	517.5	538.0	20.5	4.0%	1,945.9	2.6%
Real Estate Transfer Tax	30.6	222.0	254.1	32.1	14.5%	312.7	8.1%
Essential Services Assessment	66.1	63.4	83.1	19.7	31.1%	78.0	15.4%
Industrial & Commercial Facilities Taxes	4.9	24.3	25.7	1.4	5.6%	35.0	7.7%
Casino Wagering Tax	9.0	94.6	95.0	0.4	0.4%	114.0	1.0%
Gas and Oil Severance Tax	2.3	15.8	19.4	3.6	22.7%	24.8	31.2%
Telephone and Telegraph Tax	1.0	36.5	34.7	(1.8)	-4.8%	36.6	5.5%
Penalties and Interest	8.9	83.0	86.0	3.0	3.6%	114.3	-8.1%
Lottery Transfer to SAF	80.0	756.0	762.0	6.0	0.8%	887.0	-0.2%
Subtotal	348.5	1,813.1	1,898.0	85.0	4.7%	3,548.3	2.4%
TOTAL	\$1,946.9	\$17,488.4	\$18,507.6	\$1,019.3	5.8%	\$23,743.1	3.1%

Note: Numbers may not add due to rounding.