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## November 2020 Revenue Update

### Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$2,203.8 million in November 2020, \$57.6 million more than in November 2019. Because November represents the first month of the fiscal year on a cash collections basis, the monthly amounts also represent the year-to-date totals.

Net income tax revenue totaled \$881.9 million in November 2020, and was \$97.7 million higher than during November 2019. November 2020 gross income tax collections were \$89.9 million higher than November 2019, almost entirely due to continued strong withholding payments. Quarterly and annual payments in November 2020 were similar to November 2019, and were slightly higher than the projected amounts at the August 2020 consensus revenue estimating conference (CREC).

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 can often display significant fluctuations that diverge from historical trends. For November 2020, net business taxes were \$16.2 million higher than last year as higher CIT collections were mostly offset by more negative MBT amounts.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$926.6 million in November 2020, and was collectively \$54.7 million higher than in November 2019. Higher use tax revenue was partially offset by lower sales tax revenue while the remaining components were all similar to last year's amounts.

Revenues from the state education tax (SET) and the real estate transfer tax in November 2020 were \$295.7 million and \$39.0 million, respectively. There was no transfer from the lottery to the School Aid Fund in November 2020.

### 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 \$931.3 million in November 2020, about \$190.6 million above the projection established at the August 2020 CREC. The primary factors were individual income tax withholding, corporate income tax collections, and use tax revenue all exceeding the consensus estimates.

As previously noted, November 2020 amounts and FY 2020-21 year-to-date amounts are the same. Therefore, GF/GP tax revenue for FY 2020-21 was also \$190.6 million above the projected amount.

### School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes was estimated<sup>1</sup> to be \$1,166.0 million in November 2020, about \$112.6 million more than the amount estimated at the August 2020 CREC. November 2020 collections were higher than expected primarily due to higher than anticipated withholding, use tax revenue, and SET collections.

For the reasons already noted, year-to-date SAF revenue was also \$112.6 million above the August 2020 consensus estimates.

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

## FY 2020-21 November Revenue Collections

Millions of Dollars

<u>Major Taxes</u>	<u>FY 2020-21 November</u>	<u>Year-to-Date Collections</u>		<u>Change from FY 2019-20 Year-to-Date</u>		<u>FY 2020-21 Estimates (August 2020 CREC)</u>	
		<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	\$876.4	\$792.0	\$876.4	\$84.4	10.7%	\$9,971.3	(4.2%)
Quarterly Income Tax	16.2	14.2	16.2	1.9	13.5%	1,019.5	(7.3%)
Annual Income Tax	<u>17.4</u>	<u>13.8</u>	<u>17.4</u>	<u>3.6</u>	26.0%	<u>1,147.6</u>	(10.0%)
<b>Gross Income Tax</b>	<b>909.9</b>	<b>820.0</b>	<b>909.9</b>	<b>89.9</b>	<b>11.0%</b>	<b>12,138.4</b>	<b>(5.0%)</b>
Less: Income Tax Refunds	<u>28.0</u>	<u>35.8</u>	<u>28.0</u>	<u>(7.8)</u>	(21.9%)	<u>2,366.9</u>	0.2%
<b>Net Income Tax</b>	<b>881.9</b>	<b>784.2</b>	<b>881.9</b>	<b>97.7</b>	<b>12.5%</b>	<b>9,771.5</b>	<b>(6.2%)</b>
Business Taxes							
Single Business Tax	0.6	0.1	0.6	0.6		0.0	
Michigan Business Tax	(69.0)	(25.2)	(69.0)	(43.8)		(643.9)	
Corporate Income Tax	104.8	45.5	104.8	59.3	130.2%	912.8	(12.7%)
Insurance Company Taxes	<u>0.8</u>	<u>0.7</u>	<u>0.8</u>	<u>0.1</u>	13.4%	<u>380.4</u>	8.1%
<b>Subtotal</b>	<b>37.2</b>	<b>21.1</b>	<b>37.2</b>	<b>16.2</b>	<b>76.9%</b>	<b>649.3</b>	<b>(14.1%)</b>
Consumption Taxes							
Sales Tax	594.4	687.1	594.4	(92.7)	(13.5%)	8,159.0	(0.8%)
Use Tax (adjusted for LCSA levy)	246.7	94.4	246.7	152.3	161.4%	1,230.5	(4.0%)
Beer and Wine Taxes	1.5	4.3	1.5	(2.9)	(66.3%)	50.5	5.2%
Liquor Excise Tax	6.8	9.5	6.8	(2.7)	(28.4%)	114.6	2.7%
Tobacco Taxes	<u>77.2</u>	<u>76.5</u>	<u>77.2</u>	<u>0.6</u>	0.8%	<u>847.1</u>	(3.8%)
<b>Subtotal</b>	<b>926.6</b>	<b>871.9</b>	<b>926.6</b>	<b>54.7</b>	<b>6.3%</b>	<b>10,401.7</b>	<b>(1.4%)</b>
Other Miscellaneous Taxes							
State Education Tax	295.7	306.5	295.7	(10.8)	(3.5%)	2,163.0	0.3%
Real Estate Transfer Tax	39.0	38.5	39.0	0.5	1.2%	325.0	8.1%
Essential Services Assessment	0.3	0.2	0.3	0.1	45.4%	127.0	5.0%
Industrial & Commercial Facilities Taxes	3.5	1.3	3.5	2.2	161.9%	33.0	(9.6%)
Casino Wagering Tax	4.0	10.1	4.0	(6.1)	(60.4%)	112.8	83.7%
Gas and Oil Severance Tax	0.6	1.3	0.6	(0.8)	(56.7%)	12.0	(14.3%)
Telephone and Telegraph Tax	8.0	9.6	8.0	(1.5)	(16.2%)	30.0	0.0%
Penalties and Interest	7.0	4.8	7.0	2.2	46.5%	127.0	27.0%
Lottery Transfer to School Aid Fund	<u>0.0</u>	<u>96.8</u>	<u>0.0</u>	<u>(96.8)</u>	(100.0%)	<u>1,026.8</u>	(9.1%)
<b>Subtotal</b>	<b>358.1</b>	<b>469.1</b>	<b>358.1</b>	<b>(111.0)</b>	<b>(23.7%)</b>	<b>3,956.6</b>	<b>8.7%</b>
<b>TOTAL</b>	<b>\$2,203.8</b>	<b>\$2,146.2</b>	<b>\$2,203.8</b>	<b>\$57.6</b>	<b>2.7%</b>	<b>\$24,779.1</b>	<b>(2.3%)</b>

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