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February 2022 Revenue Update

Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$1,753.4 million in February 2022, \$107.3 million more than in February 2021. For the fiscal year-to-date, collections in FY 2021-22 were \$1,338.3 million (or 14.9%) higher than during FY 2020-21.

Net income tax revenue totaled \$575.0 million in February 2022, and for FY 2021-22 collections through February were \$722.6 million more than the same period during FY 2020-21. Year-to-date gross income tax collections in FY 2021-22 were \$825.2 million higher than one year ago primarily due to withholding, collections from the new flow through entity tax, and refunds, which are smaller than expected due to filing delays.

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 \$20.2 million lower through February 2022 than a year ago. MBT refunds through February 2022 were larger than last year at this point while CIT collections over the same period were \$72.2 million higher than last year's amount.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$924.4 million in February 2022, and were collectively \$486.4 million higher than in FY 2020-21 on a year-to-date basis. Sales tax collections remained strong and accounted for most of the differential.

Revenue from the real estate transfer tax in February 2022 was \$48.0 million and collections from online gaming totaled \$20.7 million. The transfer from the lottery to the School Aid Fund was \$90.0 million in February 2022, and year-to-date transfers were \$33.7 million lower than FY 2020-21.

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

General Fund/General Purpose revenue from Michigan's major taxes was estimated¹ to be \$610.2 million in February 2022, about \$484.3 million above the projection established at the January 2022 consensus revenue estimating conference (CREC). Net income tax collections, primarily due to lower than estimated refunds, along with combined business tax revenue, exceeded the CREC estimates and accounted for the majority of the differential.

Year-to-date GF/GP tax revenue for FY 2021-22 was about \$355.5 million above the expected amount, although almost half of the differential is due to projected refunds that have yet to be paid. The remaining differential can be attributed to sales and use tax collections, withholding, and estimated income tax payments.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes was estimated¹ to be \$1,015.6 million in February 2022, about \$42.1 million above the amount established at the January 2022 CREC. Sales tax revenues accruing to the SAF and higher than projected gross income tax revenue contributed to the differential.

Year-to-date SAF revenue for FY 2021-22 was \$179.4 million above the consensus revenue projections. Higher than expected sales tax, gross income tax collections, and real estate transfer taxes all contributed to SAF revenue exceeding the target estimate.

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

FY 2021-22 February Revenue Collections

Millions of Dollars

Major Taxes	FY 2021-22	Year-to-Date Collections		Change from		FY 2021-22 Estimates		
	February	FY 2020-21	FY 2021-22	FY 2020-21 Year-to-Date	Dollar	% Change	(January 2022 CREC)	
							Dollar	% Change
Individual Income Tax								
Withholding	\$929.3	\$3,747.5	\$4,115.7	\$368.2	9.8%		\$11,564.5	4.5%
Flow Through Entity Tax	9.7	0.0	489.1	489.1			1,193.5	
Quarterly Income Tax	15.1	493.1	479.9	(13.2)	(2.7%)		785.2	(54.0%)
Annual Income Tax	<u>26.4</u>	<u>88.6</u>	<u>69.7</u>	<u>(18.8)</u>	(21.3%)		<u>1,184.0</u>	(33.5%)
Gross Income Tax	980.5	4,329.2	5,154.5	825.2	19.1%		14,727.2	1.2%
Less: Income Tax Refunds	<u>405.5</u>	<u>411.2</u>	<u>513.8</u>	<u>102.7</u>	25.0%		<u>2,838.2</u>	5.2%
Net Income Tax	575.0	3,918.1	4,640.6	722.6	18.4%		11,889.0	0.3%
Business Taxes								
Single Business Tax	0.0	(0.1)	(0.5)	(0.4)			0.0	
Michigan Business Tax	(2.4)	(365.7)	(479.1)	(113.4)			(594.3)	
Corporate Income Tax	40.1	453.0	525.2	72.2	15.9%		1,461.6	(13.9%)
Insurance Company Taxes	<u>17.8</u>	<u>82.9</u>	<u>104.3</u>	<u>21.3</u>	25.7%		<u>380.0</u>	7.1%
Subtotal	55.5	170.1	150.0	(20.2)	(11.9%)		1,247.3	24.4%
Consumption Taxes								
Sales Tax	729.2	2,797.6	3,304.2	506.6	18.1%		9,412.6	0.1%
Use Tax (excluding LCSA levy)	127.0	716.6	697.4	(19.3)	(2.7%)		2,017.0	(5.5%)
Beer and Wine Taxes	0.8	13.6	13.2	(0.4)	(2.8%)		52.0	1.0%
Liquor Excise Tax	9.3	26.4	51.1	24.8	94.0%		153.6	(4.4%)
Tobacco Taxes	<u>58.2</u>	<u>287.5</u>	<u>262.2</u>	<u>(25.3)</u>	(8.8%)		<u>878.0</u>	(1.4%)
Subtotal	924.4	3,841.7	4,328.0	486.4	12.7%		12,513.2	16.2%
Other Miscellaneous Taxes								
State Education Tax	15.0	384.5	393.5	9.0	2.3%		2,360.0	4.2%
Real Estate Transfer Tax	48.0	156.8	190.8	33.9	21.6%		487.5	(0.6%)
Essential Services Assessment	0.1	0.8	0.8	0.1	9.6%		135.0	7.3%
Industrial & Commercial Facilities Taxes	2.0	6.2	6.2	0.0	0.5%		40.0	(4.5%)
Casino Wagering Tax	7.7	20.0	33.5	13.4	67.1%		93.0	2.6%
iGaming, Sports Betting, Fantasy Sports	20.7	0.7	100.1	99.3			134.0	
Recreational Marihuana Excise Tax	3.8	18.3	41.0	22.7	123.8%		50.0	1.4%
Gas and Oil Severance Tax	2.7	5.3	11.7	6.4	121.1%		22.0	5.3%
Telephone and Telegraph Tax	0.0	9.1	7.2	(1.9)	(20.5%)		32.0	(1.2%)
Penalties and Interest	8.3	28.7	28.8	0.1	0.4%		136.0	1.0%
Lottery Transfer to School Aid Fund	<u>90.0</u>	<u>412.0</u>	<u>378.3</u>	<u>(33.7)</u>	(8.2%)		<u>1,280.0</u>	(9.8%)
Subtotal	198.4	1,042.4	1,192.0	149.5	14.3%		4,769.5	17.2%
TOTAL	\$1,753.4	\$8,972.3	\$10,310.6	\$1,338.3	14.9%		\$30,419.0	15.5%

Note: Numbers may not add due to rounding.