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## February 2023 Revenue Update

### Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$1,576.4 million in February 2023, \$177.0 million less than in February 2022. For the fiscal year-to-date, collections in FY 2022-23 were \$373.0 million (or 3.6%) lower than during FY 2021-22.

Net income tax revenue totaled \$338.5 million in February 2023, and for FY 2022-23 collections through February were \$647.4 million less than the same period during FY 2021-22. Refunds are 89.0% higher than at this point last year. Year-to-date gross income tax collections in FY 2022-23 were \$189.9 million lower than one year ago primarily due to collections from the new flow through entity tax and quarterly income tax payments.

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 \$71.7 million higher through February 2023 than a year ago. CIT and insurance tax collections over the same period were \$49.3 million (or 9.4%) and \$23.9 million (or 22.9%) higher, respectively, 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 \$990.9 million in February 2023, and were collectively \$184.1 million higher than in FY 2021-22 on a year-to-date basis. Sales tax collections remained strong and accounted for the differential.

Revenue from the state education tax (SET) and real estate transfer tax (RET) in February 2023 were \$19.9 million and \$28.6 million, respectively. Collections from recreational marihuana were \$8.5 million in February 2023 and were \$25.7 million higher on a year-to-date basis. The transfer from the lottery to the School Aid Fund was \$90.0 million in February 2023, and year-to-date transfers were \$4.0 million lower than FY 2021-22.

### 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 \$379.7 million in February 2023, about \$24.7 million above the projection established at the January 2023 consensus revenue estimating conference (CREC). Lower net income tax collections, primarily due to higher than estimated refunds, were offset by higher than expected combined business taxes.

Year-to-date GF/GP tax revenue for FY 2022-23 was about \$322.9 million below the expected amount, although much of that differential can be explained by the timing of MBT refunds, which were fully anticipated to be claimed at some point in the fiscal year. The remaining differential can be attributed to individual income tax refunds being higher than anticipated.

### School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes was estimated<sup>1</sup> to be \$1,053.8 million in February 2023, about \$1.7 million below the amount established at the January 2023 CREC. While sales tax revenues accruing to the SAF remained strong, they were offset by weaker than anticipated use tax collections and a lower lottery transfer.

Year-to-date SAF revenue for FY 2022-23 was \$23.3 million above the consensus revenue projections. Higher than expected sales tax, use tax, and gross income tax collections more than offset lower collections from SET, RET, online gaming, and the lottery.

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

## FY 2022-23 February Revenue Collections

Millions of Dollars

<b>Major Taxes</b>	FY 2022-23	Year-to-Date Collections		Change from		FY 2022-23 Estimates		
	<b>February</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>FY 2021-22 Year-to-Date</b>	<b>Dollar</b>	<b>% Change</b>	<b>(January 2023 CREC)</b>	
							<b>Dollar</b>	<b>% Change</b>
Individual Income Tax								
Withholding	\$930.4	\$4,115.7	\$4,189.2	\$73.5	1.8%		\$12,480.1	3.6%
Flow Through Entity Tax	9.9	489.1	294.8	(194.3)	(39.7%)		1,041.5	(41.6%)
Quarterly Income Tax	11.9	479.9	387.9	(92.0)	(19.2%)		990.0	(28.0%)
Annual Income Tax	<u>36.1</u>	<u>69.7</u>	<u>92.7</u>	<u>23.0</u>	32.9%		<u>1,415.7</u>	(24.9%)
<b>Gross Income Tax</b>	<b>\$988.4</b>	<b>\$5,154.5</b>	<b>\$4,964.6</b>	<b>(\$189.9)</b>	<b>(3.7%)</b>		<b>\$15,927.3</b>	<b>(6.8%)</b>
Less: Income Tax Refunds	649.9	513.8	971.3	457.5	89.0%		<u>2,432.8</u>	(22.7%)
<b>Net Income Tax</b>	<b>\$338.5</b>	<b>\$4,640.6</b>	<b>\$3,993.2</b>	<b>(\$647.4)</b>	<b>(14.0%)</b>		<b>\$13,494.5</b>	<b>(3.2%)</b>
Business Taxes								
Single Business Tax	(3.3)	(0.5)	(3.5)	(3.0)			0.0	
Michigan Business Tax	(6.5)	(479.1)	(477.5)	1.5			(527.0)	
Corporate Income Tax	35.8	525.2	574.6	49.3	9.4%		1,760.0	(13.3%)
Insurance Company Taxes	<u>26.4</u>	<u>104.3</u>	<u>128.1</u>	<u>23.9</u>	22.9%		<u>415.0</u>	(1.2%)
<b>Subtotal</b>	<b>\$52.5</b>	<b>\$150.0</b>	<b>\$221.7</b>	<b>\$71.7</b>	<b>47.8%</b>		<b>\$1,648.0</b>	<b>(15.5%)</b>
Consumption Taxes								
Sales Tax	794.7	3,304.2	3,550.4	246.2	7.5%		10,812.0	0.3%
Use Tax (excluding LCSA levy)	129.6	697.4	661.4	(35.9)	(5.2%)		1,991.7	(3.0%)
Beer and Wine Taxes	0.9	13.2	12.5	(0.7)	(5.6%)		49.0	(0.4%)
Liquor Excise Tax	10.0	51.1	51.4	0.3	0.5%		129.6	(17.1%)
Tobacco Taxes	<u>55.6</u>	<u>262.2</u>	<u>236.5</u>	<u>(25.7)</u>	(9.8%)		<u>779.5</u>	(2.3%)
<b>Subtotal</b>	<b>\$990.9</b>	<b>\$4,328.0</b>	<b>\$4,512.2</b>	<b>\$184.1</b>	<b>4.3%</b>		<b>\$13,761.8</b>	<b>(0.6%)</b>
Other Miscellaneous Taxes								
State Education Tax	19.9	393.5	443.1	49.6	12.6%		2,590.0	6.1%
Real Estate Transfer Tax	28.6	190.8	132.5	(58.3)	(30.5%)		435.0	(20.4%)
Essential Services Assessment	0.3	0.8	0.9	0.1	6.6%		143.0	5.6%
Industrial & Commercial Facilities Taxes	1.6	6.2	7.4	1.2	19.6%		42.0	1.4%
Casino Wagering Tax	8.5	33.5	33.9	0.4	1.2%		106.0	1.8%
iGaming, Sports Betting, Fantasy Sports	23.6	100.1	101.1	1.0	1.0%		284.0	9.0%
Recreational Marihuana Excise Tax	8.5	41.0	66.7	25.7	62.6%		79.6	14.7%
Gas and Oil Severance Tax	2.6	11.7	11.2	(0.5)	(4.5%)		35.0	(17.1%)
Telephone and Telegraph Tax	0.0	7.2	7.1	(0.1)	(1.4%)		34.0	(2.9%)
Penalties and Interest	11.0	28.8	32.3	3.5	12.0%		140.0	0.1%
Lottery Transfer to School Aid Fund	<u>90.0</u>	<u>378.3</u>	<u>374.4</u>	<u>(4.0)</u>	(1.0%)		<u>1,190.0</u>	(0.1%)
<b>Subtotal</b>	<b>\$194.6</b>	<b>\$1,192.0</b>	<b>\$1,210.5</b>	<b>\$18.6</b>	<b>1.6%</b>		<b>\$5,078.6</b>	<b>1.4%</b>
<b>TOTAL</b>	<b>\$1,576.4</b>	<b>\$10,310.6</b>	<b>\$9,937.6</b>	<b>(\$373.0)</b>	<b>(3.6%)</b>		<b>\$33,982.9</b>	<b>(2.2%)</b>

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