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## January 2020 Revenue Update

### Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$2,246.3 million in January 2020, \$145.7 million less than in January 2019. For the fiscal year-to-date, collections in FY 2019-20 were \$257.4 million (or 4.0%) higher than during FY 2018-19.

Net income tax revenue totaled \$1,289.3 million in January 2020, and for FY 2019-20 collections through January were \$195.9 million more than the same period during FY 2018-19. Year-to-date gross income tax collections in FY 2019-20 were \$215.8 million higher than one year ago as all three components exceeded FY 2018-19 levels through January 2020. Withholding payments accounted for most of the differential, although this was partially due to January 2019 collections being the lowest January collections in the past four years.

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 \$180.3 million lower through January 2020 than a year ago as MBT collections in January 2020 reflected several large, but expected, refunds. Although CIT revenue through January 2020 was \$31.8 million higher than last year's collections, overall collections are still below projections.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$964.9 million in January 2020, and were collectively \$124.2 million higher than in FY 2018-19 on a year-to-date basis. Sales tax collections, aided by the Wayfair decision and the expansion to marketplace facilitators, accounted for almost all of the differential.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in January 2020 were \$12.6 million and \$28.5 million, respectively. Transfers from the lottery to the School Aid Fund were \$110.0 million in January 2020, and were \$21.8 million higher than FY 2018-19 on a year-to-date basis.

### 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 \$1,019.5 million in January 2020, about \$63.2 million below the projection established at the January 2020 consensus revenue estimating conference (CREC). While the portions of the individual income tax accruing to the General Fund and business taxes were below estimates, they were partially offset by higher use tax collections.

Because January collections are the only monthly revenues since the most recent CREC, year-to-date GF/GP tax revenue for FY 2019-20 was also about \$63.2 million below the projected amount.

### School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes was estimated<sup>1</sup> to be \$1,113.2 million in January 2020, about \$12.2 million above the amount established at the January 2020 CREC. The higher than projected lottery transfer more than offset the portion of gross income tax revenue accruing to the SAF, which was below the target estimate.

For the same reason as with year-to-date GF/GP revenue, year-to-date SAF revenue for FY 2019-20 was also about \$12.2 million above the consensus revenue projections.

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

## FY 2019-20 January Revenue Collections

Millions of Dollars

| <u>Major Taxes</u>                       | FY 2019-20       | Year-to-Date Collections |                   | Change from             |                         | FY 2019-20 Estimates |                     |
|--|------------------|--------------------------|-------------------|-------------------------|-------------------------|----------------------|---------------------|
|  | <u>January</u>   | <u>FY 2018-19</u>        | <u>FY 2019-20</u> | FY 2019-20 Year-to-Date | FY 2019-20 Year-to-Date | (January 2020 CREC)  | (January 2020 CREC) |
|  |                  |                          |                   | <u>Dollar</u>           | <u>% Change</u>         | <u>Dollar</u>        | <u>% Change</u>     |
| Individual Income Tax                    |                  |                          |                   |                         |                         |                      |                     |
| Withholding                              | \$991.0          | \$2,562.0                | \$2,759.3         | \$197.3                 | 7.7%                    | \$10,194.0           | 5.6%                |
| Quarterly Income Tax                     | 318.8            | 386.7                    | 399.8             | 13.1                    | 3.4%                    | 1,371.4              | (9.4%)              |
| Annual Income Tax                        | <u>14.7</u>      | <u>41.0</u>              | <u>46.4</u>       | <u>5.4</u>              | 13.1%                   | <u>1,176.5</u>       | 18.6%               |
| <b>Gross Income Tax</b>                  | <b>1,324.4</b>   | <b>2,989.7</b>           | <b>3,205.5</b>    | <b>215.8</b>            | <b>7.2%</b>             | <b>12,741.9</b>      | <b>4.8%</b>         |
| Less: Income Tax Refunds                 | <u>35.1</u>      | <u>77.9</u>              | <u>97.8</u>       | <u>19.9</u>             | 25.5%                   | <u>2,163.3</u>       | 8.4%                |
| <b>Net Income Tax</b>                    | <b>1,289.3</b>   | <b>2,911.7</b>           | <b>3,107.6</b>    | <b>195.9</b>            | <b>6.7%</b>             | <b>10,578.6</b>      | <b>4.1%</b>         |
| Business Taxes                           |                  |                          |                   |                         |                         |                      |                     |
| Single Business Tax                      | (2.5)            | (1.4)                    | (0.1)             | 1.3                     |                         | 0.0                  |                     |
| Michigan Business Tax                    | (339.9)          | (207.2)                  | (408.6)           | (201.4)                 |                         | (641.0)              |                     |
| Corporate Income Tax                     | 82.0             | 299.3                    | 331.1             | 31.8                    | 10.6%                   | 1,210.1              | 18.6%               |
| Insurance Company Taxes                  | <u>81.2</u>      | <u>97.0</u>              | <u>85.0</u>       | <u>(12.0)</u>           | (12.3%)                 | <u>361.8</u>         | (8.0%)              |
| <b>Subtotal</b>                          | <b>(179.2)</b>   | <b>187.7</b>             | <b>7.4</b>        | <b>(180.3)</b>          | <b>(96.1%)</b>          | <b>930.9</b>         | <b>21.7%</b>        |
| Consumption Taxes                        |                  |                          |                   |                         |                         |                      |                     |
| Sales Tax                                | 742.2            | 2,038.7                  | 2,158.4           | 119.7                   | 5.9%                    | 8,682.8              | 7.5%                |
| Use Tax (excluding LCSA levy)            | 132.2            | 332.6                    | 329.4             | (3.3)                   | (1.0%)                  | 1,359.5              | (5.2%)              |
| Beer and Wine Taxes                      | 4.5              | 13.3                     | 12.8              | (0.5)                   | (3.7%)                  | 52.0                 | 2.4%                |
| Liquor Excise Tax                        | 15.6             | 21.9                     | 34.8              | 12.9                    | 59.2%                   | 121.6                | 5.9%                |
| Tobacco Taxes                            | <u>70.5</u>      | <u>220.6</u>             | <u>215.8</u>      | <u>(4.7)</u>            | (2.1%)                  | <u>854.8</u>         | (6.9%)              |
| <b>Subtotal</b>                          | <b>964.9</b>     | <b>2,627.0</b>           | <b>2,751.2</b>    | <b>124.2</b>            | <b>4.7%</b>             | <b>11,070.7</b>      | <b>4.5%</b>         |
| Other Miscellaneous Taxes                |                  |                          |                   |                         |                         |                      |                     |
| State Education Tax                      | 12.6             | 287.6                    | 371.9             | 84.4                    | 29.3%                   | 2,170.9              | 9.2%                |
| Real Estate Transfer Tax                 | 28.5             | 81.5                     | 94.6              | 13.1                    | 16.0%                   | 361.0                | 3.1%                |
| Essential Services Assessment            | 0.2              | 0.0                      | 0.4               | 0.4                     |                         | 121.0                | 21.9%               |
| Industrial & Commercial Facilities Taxes | 1.3              | 3.6                      | 3.4               | (0.2)                   | (4.5%)                  | 38.5                 | 6.1%                |
| Casino Wagering Tax                      | 9.7              | 28.9                     | 30.1              | 1.2                     | 4.2%                    | 121.3                | 5.1%                |
| Gas and Oil Severance Tax                | 1.9              | 5.8                      | 5.2               | (0.7)                   | (11.8%)                 | 22.0                 | (16.0%)             |
| Telephone and Telegraph Tax              | 0.0              | 10.4                     | 10.3              | (0.1)                   | (1.0%)                  | 30.0                 | (0.3%)              |
| Penalties and Interest                   | 7.0              | 22.7                     | 20.4              | (2.3)                   | (10.1%)                 | 128.0                | (27.0%)             |
| Lottery Transfer to School Aid Fund      | <u>110.0</u>     | <u>250.0</u>             | <u>271.8</u>      | <u>21.8</u>             | 8.7%                    | <u>1,010.0</u>       | 3.1%                |
| <b>Subtotal</b>                          | <b>171.2</b>     | <b>690.6</b>             | <b>808.2</b>      | <b>117.6</b>            | <b>17.0%</b>            | <b>4,002.7</b>       | <b>(2.4%)</b>       |
| <b>TOTAL</b>                             | <b>\$2,246.3</b> | <b>\$6,417.0</b>         | <b>\$6,674.4</b>  | <b>\$257.4</b>          | <b>4.0%</b>             | <b>\$26,582.9</b>    | <b>3.8%</b>         |

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