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January 2024 Revenue Update

Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$3,214.1 million in January 2024, \$290.8 million more than in January 2023. For the fiscal year-to-date, collections in FY 2023-24 were \$458.4 million (or 5.5%) higher than during FY 2022-23.

Net income tax revenue totaled \$1,629.1 million in January 2024, and for FY 2023-24 collections through January were \$183.3 million more than the same period during FY 2022-23. Year-to-date gross income tax collections in FY 2023-24 were \$6.6 million lower than one year ago primarily due to quarterly collections.

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 \$324.8 million higher through January 2024 than a year ago. MBT refunds through January 2024 are substantially lower at this point, while CIT collections and insurance taxes over the same period were \$29.3 million (or 5.4%) and \$25.5 million (or 25.0%), respectively, 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 \$1,201.7 million in January 2024, and were collectively \$56.3 million lower than in FY 2022-23 on a year-to-date basis. Strong use tax collections were more than offset by weaker sales tax and tobacco tax collections.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in January 2024 were \$20.3 million and \$31.9 million, respectively. Recreational marijuana revenue was \$16.1 million (or 27.7%) higher than last year and online gaming revenue was \$13.8 million (or 17.9%) higher than last year, 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 estimated¹ to be \$1,666.4 million in January 2024, about \$14.2 million above the projection established at the January 2024 consensus revenue estimating conference (CREC). Net income tax collections, along with use tax revenue, exceeded the CREC estimates. That was offset by lower than projected net business taxes.

Because January collections are the only monthly revenues since the most recent CREC, year-to-date GF/GP tax revenue for FY 2023-24 was also about \$14.2 million above the projected amount.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes was estimated¹ to be \$1,355.4 million in January 2024, about \$12.7 million below the amount established at the January 2024 CREC. Below forecast lottery revenues and slightly weaker gross income tax collections state education tax collections more than offset stronger recreational marijuana excise tax revenues.

For the same reason as with year-to-date GF/GP revenue, year-to-date SAF revenue for FY 2023-24 was also about \$12.7 million below the consensus revenue projections.

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

FY 2023-24 January Revenue Collections

Millions of Dollars

Major Taxes	FY 2023-24	Year-to-Date Collections		Change from		FY 2023-24 Estimates	
	January	FY 2022-23	FY 2023-24	FY 2022-23 Year-to-Date	% Change	(January 2024 CREC)	% Change
				Dollar		Dollar	
Individual Income Tax							
Withholding	\$1,256.5	\$3,258.7	\$3,268.9	\$10.2	0.3%	\$12,381.9	2.8%
Flow Through Entity Tax	140.4	284.9	308.3	23.4	8.2%	972.8	(45.8%)
Quarterly Income Tax	263.9	375.9	336.3	(39.6)	(10.5%)	1,109.0	(19.3%)
Annual Income Tax	<u>8.5</u>	<u>56.6</u>	<u>55.9</u>	<u>(0.7)</u>	(1.2%)	<u>1,222.5</u>	(35.2%)
Gross Income Tax	\$1,669.2	\$3,976.2	\$3,969.5	(\$6.6)	(0.2%)	\$15,686.2	(8.3%)
Less: Income Tax Refunds	40.1	321.4	131.4	(190.0)	(59.1%)	3,347.0	(205.6%)
Net Income Tax	\$1,629.1	\$3,654.8	\$3,838.1	\$183.3	5.0%	\$12,339.2	(39.1%)
Business Taxes							
Single Business Tax	0.0	(0.2)	0.0	0.2		0.0	
Michigan Business Tax	(169.1)	(471.1)	(201.3)	269.8		(494.6)	
Corporate Income Tax	185.1	538.7	568.1	29.3	5.4%	1,525.0	(24.9%)
Insurance Company Taxes	<u>123.0</u>	<u>101.7</u>	<u>127.2</u>	<u>25.5</u>	25.0%	<u>478.0</u>	13.8%
Subtotal	\$138.9	\$169.2	\$494.0	\$324.8	191.9%	\$2,108.4	8.1%
Consumption Taxes							
Sales Tax	912.7	2,755.6	2,663.8	(91.9)	(3.3%)	10,777.3	(0.1%)
Use Tax (excluding LCSA levy)	211.2	531.8	582.5	50.7	9.5%	2,108.3	2.6%
Beer and Wine Taxes	8.8	11.5	11.2	(0.3)	(2.7%)	48.0	(2.4%)
Liquor Excise Tax	14.9	41.4	42.6	1.2	2.9%	146.7	3.7%
Tobacco Taxes	<u>54.1</u>	<u>180.9</u>	<u>164.9</u>	<u>(16.0)</u>	(8.9%)	<u>716.0</u>	(10.2%)
Subtotal	\$1,201.7	\$3,521.3	\$3,465.0	(\$56.3)	(1.6%)	\$13,796.3	(0.2%)
Other Miscellaneous Taxes							
State Education Tax	20.3	423.2	393.7	(29.5)	(7.0%)	2,710.0	11.1%
Real Estate Transfer Tax	31.9	103.9	97.2	(6.7)	(6.5%)	370.0	(32.3%)
Essential Services Assessment	(0.9)	0.6	(0.7)	(1.3)	(221.9%)	150.0	10.8%
Industrial & Commercial Facilities Taxes	1.1	5.8	6.9	1.1	18.7%	45.0	8.7%
Casino Wagering Tax	7.6	25.4	23.1	(2.3)	(9.0%)	104.8	0.7%
iGaming, Sports Betting, Fantasy Sports	32.1	77.5	91.4	13.8	17.9%	348.4	33.7%
Recreational Marihuana Excise Tax	53.1	58.2	74.3	16.1	27.7%	108.0	(45.5%)
Gas and Oil Severance Tax	2.5	8.6	7.3	(1.3)	(14.9%)	30.0	(28.9%)
Telephone and Telegraph Tax	0.1	7.1	13.4	6.2	87.2%	34.0	(2.9%)
Penalties and Interest	6.6	21.3	24.1	2.8	13.1%	143.0	2.3%
Lottery Transfer to the School Aid Fund	<u>90.0</u>	<u>284.4</u>	<u>292.0</u>	<u>7.6</u>	2.7%	<u>1,300.0</u>	4.1%
Subtotal	\$244.4	\$1,015.9	\$1,022.6	\$6.6	0.7%	\$5,343.2	2.9%
TOTAL	\$3,214.1	\$8,361.2	\$8,819.6	\$458.4	5.5%	\$33,587.1	(18.6%)

Note: Numbers may not add due to rounding.