

July 2017 Revenue Update

Major Taxes

Cash collections from Michigan major taxes, penalties and interest, and lottery transfers totaled \$2,027.7 million in July 2017, \$85.0 million more than in July 2016. For the fiscal year-to-date, collections in FY 2016-17 are \$986.0 million (or 6.3%) higher than during FY 2015-16.

Net income tax revenue totaled \$772.1 million in July 2017, and for FY 2016-17 collections through July were \$200.2 million (or 2.9%) higher than the same period during FY 2015-16. Year-to-date collections in FY 2016-17 from withholding and estimated payments are higher by \$190.0 million and \$99.8 million than one year ago, while annual payments are lower by \$29.7 million. Year-to-date income tax refunds in FY 2016-17 are \$59.9 million higher than during FY 2015-16, although it should be noted that higher refunds reduce net revenue.

Net business taxes are the sum of the single business tax (SBT), the Michigan business tax (MBT), the corporate income tax (CIT), and insurance company taxes. Because of the uncertainty over when existing certificated MEGA credits will be claimed and the inherent volatility of corporate income taxes, monthly collections of business taxes can display significant fluctuations that diverge from historical patterns. On a fiscal year-to-date basis, net business taxes are \$357.3 million higher through July 2017 than a year ago, with the gains spread across all four components.

Collections from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$936.3 million in July 2017, and are collectively \$348.3 million higher than in FY 2015-16 on a year-to-date basis. Year-to-date sales tax and use tax revenue continue to exceed the consensus estimates, and more than offset sub-par growth in the other components.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in July 2017 were \$12.8 million and \$35.6 million, respectively, and on a year-to-date basis are well above the consensus estimates. Transfers from the lottery to the School Aid Fund were \$79.0 million in July 2017, and are virtually equal to FY 2015-16 transfers on a year-to-date basis.

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

General Fund revenue from Michigan major taxes is estimated¹ to be \$963.7 million in July 2017, about \$43.4 million below the projection established at the May 2017 consensus revenue estimating conference (CREC). Although sales tax collections exceeded the projected amount, collections from the corporate income tax and individual income tax withholding were weaker than anticipated, and more than offset the strong growth in the sales tax.

Year-to-date GF/GP tax revenue for FY 2016-17 is \$92.9 million above the projected amount, although a large portion of the difference is due to net business taxes which tend to be volatile.

School Aid Fund Revenue

School Aid Fund revenue from Michigan major taxes is estimated¹ to be \$945.2 million in July 2017, about \$9.0 million above the amount established at the May 2017 consensus revenue estimating conference. Sales tax revenue accruing to the SAF was \$33.2 million above target, but was partially offset by lower than anticipated individual income tax collections and lottery transfers.

Year-to-date SAF revenue for FY 2016-17 is about \$14.2 million above the May 2017 projections.

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

FY 2016-17 July Revenue Collections
Millions of Dollars

<u>Major Taxes</u>	FY 2016-17 <u>July</u>	Year-to-Date Collections		Change from FY 2015-16 Year-to-Date		FY 2016-17 Estimates (May 2017 CREC)	
		<u>FY 2015-16</u>	<u>FY 2016-17</u>	<u>Dollar</u>	<u>% Change</u>	<u>Dollar</u>	<u>% Change</u>
Individual Income Tax							
Withholding	\$771.6	\$6,969.0	\$7,159.0	\$190.0	2.7%	\$9,530.0	2.9%
Quarterly Income Tax	18.9	780.8	880.6	99.8	12.8%	1,157.8	8.7%
Annual Income Tax	13.4	<u>836.2</u>	<u>806.5</u>	<u>(29.7)</u>	-3.6%	<u>887.6</u>	-2.7%
Gross Income Tax	803.9	8,586.0	8,846.1	260.1	3.0%	11,575.4	3.0%
Less: Income Tax Refunds	31.8	<u>1,727.8</u>	<u>1,787.8</u>	<u>59.9</u>	3.5%	<u>1,879.0</u>	0.3%
Net Income Tax	772.1	6,858.1	7,058.3	200.2	2.9%	9,696.4	3.5%
Business Taxes							
Single Business Tax	6.1	(3.2)	9.5	12.8		(5.0)	
Michigan Business Tax	(7.2)	(889.1)	(704.0)	185.1		(922.8)	
Corporate Income Tax	57.1	686.9	829.3	142.4	20.7%	1,078.0	15.9%
Insurance Company Taxes	<u>88.7</u>	<u>246.3</u>	<u>263.3</u>	<u>17.0</u>	6.9%	<u>366.3</u>	11.3%
Subtotal	144.7	40.9	398.2	357.3	873.5%	516.5	37.9%
Consumption Taxes							
Sales Tax	738.3	5,389.3	5,785.8	396.4	7.4%	7,694.9	5.4%
Use Tax	106.4	1,001.6	969.4	(32.2)	-3.2%	1,185.0	-16.6%
Beer and Wine Taxes	5.4	37.5	37.2	(0.3)	-0.8%	52.0	0.4%
Liquor Excise Tax	0.1	78.1	69.3	(8.9)	-11.3%	105.6	0.9%
Tobacco Taxes	<u>86.1</u>	<u>699.8</u>	<u>693.0</u>	<u>(6.8)</u>	-1.0%	<u>944.4</u>	-0.2%
Subtotal	936.3	7,206.4	7,554.7	348.3	4.8%	9,981.9	1.6%
Other Miscellaneous Taxes							
State Education Tax	12.8	359.7	392.4	32.6	9.1%	1,945.9	2.6%
Real Estate Transfer Tax	35.6	190.6	223.5	32.9	17.2%	312.7	8.1%
Essential Services Assessment	12.8	13.7	17.0	3.3	24.0%	78.0	15.4%
Industrial & Commercial Facilities Taxes	0.8	20.1	20.8	0.7	3.4%	35.0	7.7%
Casino Wagering Tax	9.6	85.3	86.0	0.7	0.9%	114.0	1.0%
Gas and Oil Severance Tax	0.6	14.0	17.1	3.1	22.0%	24.8	31.2%
Telephone and Telegraph Tax	19.9	34.5	33.7	(0.8)	-2.4%	36.6	5.5%
Penalties and Interest	3.3	70.3	77.1	6.8	9.6%	114.3	-8.1%
Lottery Transfer to SAF	<u>79.0</u>	<u>681.0</u>	<u>682.0</u>	<u>1.0</u>	0.1%	<u>887.0</u>	-0.2%
Subtotal	174.6	1,469.3	1,549.6	80.3	5.5%	3,548.3	2.4%
TOTAL	\$2,027.7	\$15,574.7	\$16,560.7	\$986.0	6.3%	\$23,743.1	3.1%

Note: Numbers may not add due to rounding.