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## July 2019 Revenue Update

### Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$2,170.7 million in July 2019, \$54.5 million more than in July 2018. For the fiscal year-to-date, collections in FY 2018-19 are \$459.2 million (or 2.7%) higher than in FY 2017-18.

Net income tax revenue totaled \$857.8 million in July 2019, and for FY 2018-19 collections through July are \$86.7 million higher than the same period during FY 2017-18. Year-to-date (YTD) gross income tax collections in FY 2018-19 are \$250.3 million higher than one year ago as higher withholding and annual payments more than offset lower quarterly 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 can often display significant fluctuations that diverge from historical trends. On a fiscal year-to-date basis, net business taxes are \$183.3 million higher through July 2019 than a year ago as MBT collections have been less negative by \$83.6 million and CIT revenue through July 2019 is \$226.0 million higher than last year's collections. The large negative SBT amount reflects a correction for previously misclassified CIT revenue.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$950.5 million in July 2019, and is collectively \$116.4 million higher than in FY 2017-18 on a year-to-date basis. While year-to-date sales tax collections in the current fiscal year are larger than last year's amount by \$132.7 million, they are slightly below the most recent consensus estimates.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in July 2019 were \$14.6 million and \$44.6 million, respectively. The transfer from the lottery to the School Aid Fund was \$80.0 million in July 2019, and is \$6.5 million higher than FY 2017-18 on a year-to-date basis.

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

General Fund/General Purpose revenue from Michigan's major taxes is estimated<sup>1</sup> to be \$1,062.3 million in July 2019, about \$10.0 million below the projection established at the May 2019 consensus revenue estimating conference (CREC).

Year-to-date GF/GP tax revenue for FY 2018-19 is about \$127.8 million above the projected amount, mostly due to strong individual income tax collections. Despite falling below target in July, year-to-date business taxes are also above projections.

### School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes is estimated<sup>1</sup> to be \$994.8 million in July 2019, about \$15.9 million below the amount established at the May 2019 CREC, primarily attributable to a lower than anticipated sales tax collections.

Year-to-date SAF revenue for FY 2018-19 is \$102.6 million below the consensus revenue projections, mostly due to lower than expected sales taxes collections, almost 73% of which accrue to the SAF. In addition, lottery transfers remain below projections and also account for a portion of the differential between actual collections and the revenue targets.

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

## FY 2018-19 July Revenue Collections

Millions of Dollars

<u>Major Taxes</u>	FY 2018-19	Year-to-Date Collections		Change from FY 2017-18 Year-to-Date		FY 2018-19 Estimates (May 2019 CREC)	
	<u>July</u>	<u>FY 2017-18</u>	<u>FY 2018-19</u>	<u>Dollar</u>	<u>% Change</u>	<u>Dollar</u>	<u>% Change</u>
Individual Income Tax							
Withholding	\$870.9	\$7,369.4	\$7,546.2	\$176.8	2.4%	\$9,887.0	2.5%
Quarterly Income Tax	25.6	1,165.3	918.5	(246.8)	(21.2%)	1,264.1	(16.5%)
Annual Income Tax	<u>18.6</u>	<u>892.8</u>	<u>1,213.1</u>	<u>320.3</u>	35.9%	<u>1,311.4</u>	32.2%
<b>Gross Income Tax</b>	<b>915.1</b>	<b>9,427.4</b>	<b>9,677.8</b>	<b>250.3</b>	<b>2.7%</b>	<b>12,462.5</b>	<b>2.5%</b>
Less: Income Tax Refunds	<u>57.2</u>	<u>1,821.0</u>	<u>1,984.7</u>	<u>163.6</u>	9.0%	<u>2,184.2</u>	9.4%
<b>Net Income Tax</b>	<b>857.8</b>	<b>7,606.4</b>	<b>7,693.1</b>	<b>86.7</b>	<b>1.1%</b>	<b>10,278.3</b>	<b>1.2%</b>
Business Taxes							
Single Business Tax	(15.9)	6.1	(96.9)	(102.9)		(65.0)	
Michigan Business Tax	(23.8)	(613.5)	(529.9)	83.6		(607.7)	
Corporate Income Tax	110.1	696.0	921.9	226.0	32.5%	1,186.4	16.3%
Insurance Company Taxes	<u>94.6</u>	<u>295.5</u>	<u>272.2</u>	<u>(23.3)</u>	(7.9%)	<u>376.5</u>	(4.2%)
<b>Subtotal</b>	<b>165.0</b>	<b>384.1</b>	<b>567.4</b>	<b>183.3</b>	<b>47.7%</b>	<b>890.2</b>	<b>16.4%</b>
Consumption Taxes							
Sales Tax	731.9	5,879.6	6,012.3	132.7	2.3%	8,298.7	2.7%
Use Tax (adjusted for LCSA levy)	129.8	1,055.7	1,026.4	(29.3)	(2.8%)	1,352.0	(5.7%)
Beer and Wine Taxes	4.6	38.6	36.7	(1.9)	(4.8%)	52.0	2.4%
Liquor Excise Tax	10.3	59.1	90.0	30.9	52.2%	116.6	1.6%
Tobacco Taxes	<u>73.8</u>	<u>665.0</u>	<u>649.0</u>	<u>(16.0)</u>	(2.4%)	<u>905.1</u>	(1.4%)
<b>Subtotal</b>	<b>950.5</b>	<b>7,698.0</b>	<b>7,814.4</b>	<b>116.4</b>	<b>1.5%</b>	<b>10,724.4</b>	<b>1.2%</b>
Other Miscellaneous Taxes							
State Education Tax	14.6	352.6	409.7	57.2	16.2%	2,099.6	5.6%
Real Estate Transfer Tax	44.6	234.5	243.6	9.1	3.9%	350.9	0.2%
Essential Services Assessment	17.7	19.9	21.8	1.9	9.4%	107.0	7.8%
Industrial & Commercial Facilities Taxes	3.0	21.5	24.2	2.7	12.7%	36.5	0.6%
Casino Wagering Tax	9.6	87.2	89.1	1.9	2.1%	118.3	2.5%
Gas and Oil Severance Tax	2.6	20.5	18.4	(2.1)	(10.4%)	26.0	(0.8%)
Telephone and Telegraph Tax	18.5	32.8	29.0	(3.8)	(11.7%)	32.0	6.3%
Penalties and Interest	6.8	105.5	105.0	(0.5)	(0.5%)	143.0	(18.4%)
Lottery Transfer to School Aid Fund	<u>80.0</u>	<u>695.5</u>	<u>702.0</u>	<u>6.5</u>	0.9%	<u>982.0</u>	0.2%
<b>Subtotal</b>	<b>197.4</b>	<b>1,570.0</b>	<b>1,642.8</b>	<b>72.9</b>	<b>4.6%</b>	<b>3,895.3</b>	<b>2.5%</b>
<b>TOTAL</b>	<b>\$2,170.7</b>	<b>\$17,258.5</b>	<b>\$17,717.7</b>	<b>\$459.2</b>	<b>2.7%</b>	<b>\$25,788.2</b>	<b>1.8%</b>

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