

June 2018 Revenue Update

Major Taxes

Cash collections from Michigan major taxes, penalties and interest, and lottery transfers totaled \$2,195.5 million in June 2018, \$35.9 million more than in June 2017. For the fiscal year-to-date, collections in FY 2017-18 are \$630.4 million (or 4.3%) higher than during FY 2016-17.

Net income tax revenue totaled \$965.9 million in June 2018, and for FY 2017-18 collections through June are \$547.3 million (or 8.7%) higher than the same period during FY 2016-17. Year-to-date gross income tax collections in FY 2017-18 are \$563.1 million higher than one year ago as all three components exceed FY 2016-17 levels. Quarterly and annual payments remain especially strong while year-to-date income tax refunds are very close to last year's amounts.

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. Although both MBT and CIT collections exceeded projections in June 2018, on a fiscal year-to-date basis net business taxes are \$57.8 million lower through June 2018 than a year ago. In particular, CIT revenue through June 2018 is \$158.6 million below last year's collections.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$925.4 million in June 2018, and are collectively \$123.5 million higher than in FY 2016-17 on a year-to-date basis. Year-to-date sales and use tax revenues remain strong, although their individual growth rates are below the May 2018 consensus projections. Although liquor tax collections appear to be lagging last year's amounts, it can likely be attributed to timing issues in recording collections as opposed to reflecting a persistent decline.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in June 2018 were \$20.2 million and \$30.0 million, respectively. Transfers from the lottery to the School Aid Fund were \$80.0 million in June 2018, and are \$27.5 million higher than FY 2016-17 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 estimated¹ to be \$1,085.6 million in June 2018, about \$92.2 million above the projection established at the May 2018 consensus revenue estimating conference (CREC). Much of the difference can be attributed to strong income tax (both individual and corporate) and MBT collections.

Year-to-date GF/GP tax revenue for FY 2017-18 is about \$214.8 million above the projected amount on the strength of higher than expected individual income tax, business taxes, and use tax revenues.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes is estimated¹ to be \$995.6 million in June 2018, about \$10.3 million below the amount established at the May 2018 consensus revenue estimating conference, primarily because of lower than anticipated SET collections and lottery transfers.

Year-to-date SAF revenue for FY 2017-18 is \$29.0 million below the consensus revenue projections as higher than expected use tax collections are more than offset by SET collections and lottery transfers, both of which are below the consensus projections.

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

FY 2017-18 June Revenue Collections
Millions of Dollars

Major Taxes	FY 2017-18 June	Year-to-Date Collections		Change from FY 2016-17 Year-to-Date		FY 2017-18 Estimates (May 2018 CREC)	
		FY 2016-17	FY 2017-18	Dollar	% Change	Dollar	% Change
Individual Income Tax							
Withholding	\$737.8	\$6,387.4	\$6,565.5	\$178.0	2.8%	\$9,844.6	5.5%
Quarterly Income Tax	256.2	861.7	1,144.7	283.0	32.8%	1,423.6	19.2%
Annual Income Tax	39.8	793.1	895.1	102.0	12.9%	937.6	6.5%
Gross Income Tax	1,033.8	8,042.2	8,605.2	563.1	7.0%	12,205.8	7.0%
Less: Income Tax Refunds	68.0	1,756.0	1,771.7	15.7	0.9%	1,999.3	2.2%
Net Income Tax	965.9	6,286.2	6,833.5	547.3	8.7%	10,206.5	8.0%
Business Taxes							
Single Business Tax	(2.0)	3.5	0.4	(3.1)		7.0	
Michigan Business Tax	23.6	(696.8)	(607.2)	89.6		(787.9)	
Corporate Income Tax	124.6	772.2	613.6	(158.6)	(20.5%)	859.8	(22.2%)
Insurance Company Taxes	1.8	174.6	188.9	14.3	8.2%	398.1	7.4%
Subtotal	148.1	253.4	195.7	(57.8)	(22.8%)	477.0	(39.7%)
Consumption Taxes							
Sales Tax	713.2	5,047.5	5,144.0	96.5	1.9%	8,041.8	3.1%
Use Tax	121.4	863.0	913.6	50.6	5.9%	1,211.2	11.5%
Beer and Wine Taxes	4.9	31.8	33.5	1.7	5.5%	53.0	3.7%
Liquor Excise Tax	0.1	69.2	59.0	(10.2)	(14.7%)	111.6	2.4%
Tobacco Taxes	85.8	606.9	591.7	(15.2)	(2.5%)	930.5	(1.6%)
Subtotal	925.4	6,618.3	6,741.8	123.5	1.9%	10,348.1	3.6%
Other Miscellaneous Taxes							
State Education Tax	20.2	379.5	332.9	(46.6)	(12.3%)	2,039.1	3.8%
Real Estate Transfer Tax	30.0	187.9	200.6	12.7	6.8%	331.1	4.4%
Essential Services Assessment	2.3	4.2	3.3	(0.9)	(20.4%)	91.1	8.5%
Industrial & Commercial Facilities Taxes	2.4	19.9	19.8	(0.1)	(0.6%)	38.0	5.6%
Casino Wagering Tax	9.6	76.4	77.5	1.2	1.5%	114.0	0.7%
Gas and Oil Severance Tax	3.2	16.5	18.0	1.5	9.1%	25.0	6.4%
Telephone and Telegraph Tax	0.0	13.8	14.6	0.8	5.9%	35.0	(1.7%)
Penalties and Interest	8.4	73.8	95.1	21.2	28.8%	127.6	13.1%
Lottery Transfer to School Aid Fund	80.0	603.0	630.5	27.5	4.6%	944.4	2.2%
Subtotal	156.1	1,375.0	1,392.3	17.3	1.3%	3,745.3	3.3%
TOTAL	\$2,195.5	\$14,533.0	\$15,163.4	\$630.4	4.3%	\$24,776.9	3.9%

Note: Numbers may not add due to rounding.