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June 2019 Revenue Update

Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$2,238.2 million in June 2019, \$63.6 million more than in June 2018. For the fiscal year-to-date, collections in FY 2018-19 are \$404.5 million (or 2.7%) higher than in FY 2017-18.

Net income tax revenue totaled \$1,023.8 million in June 2019, and for FY 2018-19 collections through June are \$22.7 million higher than the same period during FY 2017-18. Year-to-date (YTD) gross income tax collections in FY 2018-19 are \$178.4 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 \$206.7 million higher through June 2019 than a year ago as MBT collections have been less negative by \$101.1 million and CIT revenue through June 2019 is \$198.3 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 \$934.0 million in June 2019, and is collectively \$122.1 million higher than in FY 2017-18 on a year-to-date basis. Year-to-date sales tax collections in the current fiscal year are larger than last year's amount by \$136.4 million, in line with the most recent consensus estimates.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in June 2019 were \$21.9 million and \$26.8 million, respectively. The transfer from the lottery to the School Aid Fund was \$40.0 million in June 2019, and is \$8.5 million lower 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 estimated¹ to be \$1,149.8 million in June 2019, about \$56.6 million above the projection established at the May 2019 consensus revenue estimating conference (CREC). Most of the difference can be attributed to total income tax and business tax collections.

Year-to-date GF/GP tax revenue for FY 2018-19 is about \$137.9 million above the projected amount, is mostly due to lower than expected income tax refunds and stronger business tax collections.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes is estimated¹ to be \$974.7 million in June 2019, about \$79.2 million below the amount established at the May 2019 CREC, primarily attributable to a lower than anticipated lottery transfer.

Year-to-date SAF revenue for FY 2018-19 is \$86.7 million below the consensus revenue projections. Again, lower than expected lottery transfers are the primary reason, accounting for almost 70% of the estimated differential.

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

FY 2018-19 June Revenue Collections

Millions of Dollars

<u>Major Taxes</u>	FY 2018-19	Year-to-Date Collections		Change from		FY 2018-19 Estimates	
	<u>June</u>	<u>FY 2017-18</u>	<u>FY 2018-19</u>	FY 2017-18 Year-to-Date	FY 2017-18 Year-to-Date	(May 2019 CREC)	(May 2019 CREC)
				<u>Dollar</u>	<u>% Change</u>	<u>Dollar</u>	<u>% Change</u>
Individual Income Tax							
Withholding	\$783.0	\$6,565.5	\$6,675.3	\$109.9	1.7%	\$9,887.0	2.5%
Quarterly Income Tax	270.2	1,144.7	892.9	(251.8)	(22.0%)	1,264.1	(16.5%)
Annual Income Tax	<u>19.4</u>	<u>874.2</u>	<u>1,194.6</u>	<u>320.4</u>	36.6%	<u>1,311.4</u>	32.2%
Gross Income Tax	1,072.5	8,584.3	8,762.7	178.4	2.1%	12,462.5	2.5%
Less: Income Tax Refunds	<u>48.7</u>	<u>1,771.7</u>	<u>1,927.4</u>	<u>155.7</u>	8.8%	<u>2,184.2</u>	9.4%
Net Income Tax	1,023.8	6,812.6	6,835.3	22.7	0.3%	10,278.3	1.2%
Business Taxes							
Single Business Tax	8.1	0.4	(80.9)	(81.3)		(65.0)	
Michigan Business Tax	8.9	(607.2)	(506.1)	101.1		(607.7)	
Corporate Income Tax	150.0	613.6	811.8	198.3	32.3%	1,186.4	16.3%
Insurance Company Taxes	<u>1.5</u>	<u>188.9</u>	<u>177.6</u>	<u>(11.3)</u>	(6.0%)	<u>376.5</u>	(4.2%)
Subtotal	168.5	195.7	402.4	206.7	105.6%	890.2	16.4%
Consumption Taxes							
Sales Tax	726.8	5,144.0	5,280.3	136.4	2.7%	8,298.7	2.7%
Use Tax (adjusted for LCSA levy)	109.9	913.6	896.6	(17.0)	(1.9%)	1,352.0	(5.7%)
Beer and Wine Taxes	4.7	33.5	32.1	(1.4)	(4.2%)	52.0	2.4%
Liquor Excise Tax	11.6	59.0	79.7	20.7	35.0%	116.6	1.6%
Tobacco Taxes	<u>80.9</u>	<u>591.7</u>	<u>575.2</u>	<u>(16.5)</u>	(2.8%)	<u>905.1</u>	(1.4%)
Subtotal	934.0	6,741.8	6,864.0	122.1	1.8%	10,724.4	1.2%
Other Miscellaneous Taxes							
State Education Tax	21.9	332.9	395.1	62.2	18.7%	2,099.6	5.6%
Real Estate Transfer Tax	26.8	200.6	199.0	(1.5)	(0.8%)	350.9	0.2%
Essential Services Assessment	1.4	3.3	4.1	0.7	21.7%	107.0	7.8%
Industrial & Commercial Facilities Taxes	3.0	19.8	21.3	1.5	7.4%	36.5	0.6%
Casino Wagering Tax	9.5	77.5	79.4	1.9	2.4%	118.3	2.5%
Gas and Oil Severance Tax	1.5	18.0	15.8	(2.2)	(12.2%)	26.0	(0.8%)
Telephone and Telegraph Tax	0.0	14.6	10.4	(4.2)	(28.7%)	32.0	6.3%
Penalties and Interest	7.7	95.1	98.2	3.2	3.3%	143.0	(18.4%)
Lottery Transfer to School Aid Fund	<u>40.0</u>	<u>630.5</u>	<u>622.0</u>	<u>(8.5)</u>	(1.3%)	<u>982.0</u>	0.2%
Subtotal	111.9	1,392.3	1,445.4	53.0	3.8%	3,895.3	2.5%
TOTAL	\$2,238.2	\$15,142.5	\$15,547.0	\$404.5	2.7%	\$25,788.2	1.8%

Note: Numbers may not add due to rounding.