



Jim Stansell, Senior Economist
Ben Gielczyk, Associate Director

March 2023 Revenue Update

Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$2,029.9 million in March 2023, \$583.0 million less than in March 2022. For the fiscal year-to-date, collections in FY 2022-23 were \$956.0 million (or 7.4%) lower than during FY 2021-22.

Net income tax revenue totaled \$629.3 million in March 2023, and for FY 2022-23 collections through March were \$1,270.2 million less than the same period during FY 2021-22. Year-to-date gross income tax collections in FY 2022-23 were \$802.1 million lower than one year ago due primarily to collections from the new flow through entity (FTE) tax.

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 \$145.7 million higher through March 2023 than a year ago. MBT refunds through March 2023 were on pace with last year at this point while CIT collections over the same period were \$119.4 million higher than last year's amount. Year-to-date insurance taxes are also higher than a year ago.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$1,033.2 million in March 2023, and were collectively \$190.4 million higher than in FY 2021-22 on a year-to-date basis. Sales tax collections remained strong while tobacco tax revenues lagged last year's amounts.

Revenue from the state education tax in March 2023 was \$22.3 million and collections from online gaming totaled \$24.8 million. The transfer from the lottery to the School Aid Fund was \$90.0 million in March 2023, and year-to-date transfers were in line with FY 2020-21. Recreational marihuana was \$30.1 million (or 66.2%) above FY 2021-22 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 \$709.2 million in March 2023, about \$50.9 million above the projection established at the January 2023 consensus revenue estimating conference (CREC). Withholding and revenue from the FTE, along with combined business tax revenue, exceeded the CREC estimates and more than offset higher individual income tax refunds.

Year-to-date GF/GP tax revenue for FY 2022-23 was about \$340.9 million below the expected amount, although almost half of that differential can be explained by the timing of MBT refunds, which were fully anticipated to be claimed at some point in the fiscal year. The remaining differential can be attributed to individual income tax refunds being higher than anticipated at this point in the fiscal year.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes was estimated¹ to be \$1,177.1 million in March 2023, about \$0.8 million above the amount established at the January 2023 CREC. Higher than projected gross income tax revenue, iGaming, and recreational marihuana offset less than expected sales and use tax revenue.

Year-to-date SAF revenue for FY 2022-23 was \$2.6 million above the consensus revenue projections. Higher than expected sales tax, use tax, and gross income tax collections more than offset lower collections from SET, RET, iGaming, and the lottery.

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

FY 2022-23 March Revenue Collections

Millions of Dollars

Major Taxes	FY 2022-23	Year-to-Date Collections		Change from FY 2021-22 Year-to-Date		FY 2022-23 Estimates (January 2023 CREC)	
	March	FY 2021-22	FY 2022-23	Dollar	% Change	Dollar	% Change
Individual Income Tax							
Withholding	\$1,122.2	\$5,231.9	\$5,311.3	\$79.4	1.5%	\$12,480.1	3.6%
Flow Through Entity Tax	127.3	1,207.5	422.1	(785.3)	(65.0%)	1,041.5	(41.6%)
Quarterly Income Tax	20.2	503.4	408.0	(95.3)	(18.9%)	990.0	(28.0%)
Annual Income Tax	<u>114.2</u>	<u>207.8</u>	<u>206.9</u>	<u>(0.8)</u>	<u>(0.4%)</u>	<u>1,415.7</u>	<u>(24.9%)</u>
Gross Income Tax	\$1,383.9	\$7,150.5	\$6,348.4	(\$802.1)	(11.2%)	\$15,927.3	(6.8%)
Less: Income Tax Refunds	<u>754.6</u>	<u>1,257.8</u>	<u>1,725.9</u>	<u>468.1</u>	<u>37.2%</u>	<u>2,432.8</u>	<u>(22.7%)</u>
Net Income Tax	\$629.3	\$5,892.7	\$4,622.5	(\$1,270.2)	(21.6%)	\$13,494.5	(3.2%)
Business Taxes							
Single Business Tax	0.0	(0.5)	(3.5)	(2.9)		0.0	
Michigan Business Tax	2.5	(478.2)	(475.0)	3.2		(527.0)	
Corporate Income Tax	159.0	614.2	733.6	119.4	19.4%	1,760.0	(13.3%)
Insurance Company Taxes	<u>9.0</u>	<u>111.1</u>	<u>137.2</u>	<u>26.1</u>	<u>23.5%</u>	<u>415.0</u>	<u>(1.2%)</u>
Subtotal	\$170.6	\$246.6	\$392.3	\$145.7	59.1%	\$1,648.0	(15.5%)
Consumption Taxes							
Sales Tax	827.8	4,065.6	4,378.2	312.6	7.7%	10,812.0	0.3%
Use Tax (excluding LCSA levy)	141.4	892.9	802.9	(90.0)	(10.1%)	1,991.7	(3.0%)
Beer and Wine Taxes	0.9	14.2	13.3	(0.9)	(6.0%)	49.0	(0.4%)
Liquor Excise Tax	10.0	61.9	61.4	(0.5)	(0.8%)	129.6	(17.1%)
Tobacco Taxes	<u>53.1</u>	<u>320.5</u>	<u>289.6</u>	<u>(30.8)</u>	<u>(9.6%)</u>	<u>779.5</u>	<u>(2.3%)</u>
Subtotal	\$1,033.2	\$5,355.1	\$5,545.4	\$190.4	3.6%	\$13,761.8	(0.6%)
Other Miscellaneous Taxes							
State Education Tax	22.3	449.1	465.4	16.2	3.6%	2,590.0	6.1%
Real Estate Transfer Tax	22.4	225.8	154.9	(70.9)	(31.4%)	435.0	(20.4%)
Essential Services Assessment	0.0	1.0	0.9	(0.1)	(12.9%)	143.0	5.6%
Industrial & Commercial Facilities Taxes	5.6	12.7	13.0	0.4	2.8%	42.0	1.4%
Casino Wagering Tax	9.6	43.3	43.5	0.2	0.4%	106.0	1.8%
iGaming, Sports Betting, Fantasy Sports	24.8	120.5	125.9	5.4	4.4%	284.0	9.0%
Recreational Marihuana Excise Tax	9.0	45.5	75.7	30.1	66.2%	79.6	14.7%
Gas and Oil Severance Tax	1.7	15.9	12.9	(2.9)	(18.6%)	35.0	(17.1%)
Telephone and Telegraph Tax	0.0	7.3	7.1	(0.1)	(1.9%)	34.0	(2.9%)
Penalties and Interest	11.3	39.7	43.6	3.9	9.7%	140.0	0.1%
Lottery Transfer to School Aid Fund	<u>90.0</u>	<u>468.3</u>	<u>464.4</u>	<u>(4.0)</u>	<u>(0.8%)</u>	<u>1,190.0</u>	<u>(0.1%)</u>
Subtotal	\$196.7	\$1,429.2	\$1,407.2	(\$21.9)	(1.5%)	\$5,078.6	1.4%
TOTAL	\$2,029.9	\$12,923.5	\$11,967.5	(\$956.0)	(7.4%)	\$33,982.9	(2.2%)

Note: Numbers may not add due to rounding.