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## March 2019 Revenue Update

### Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$1,287.1 million in March 2019, \$76.0 million less than in March 2018. For the fiscal year-to-date, collections in FY 2018-19 are \$58.6 million (or 0.7%) lower than during FY 2017-18.

Net income tax revenue totaled \$434.8 million in March 2019, and for FY 2018-19 collections through March are \$369.4 million less than the same period during FY 2017-18. Year-to-date gross income tax collections in FY 2018-19 are \$302.3 million lower than one year ago as all three components continue to lag behind FY 2017-18 levels. The primary factor is the unusually large quarterly (or estimated) payments in December 2017 and January 2018, which increased the FY 2017-18 YTD amounts. This differential is expected to smooth out over the next couple of months as TY 2018 individual income tax returns are filed.

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 \$173.3 million higher through March 2019 than a year ago as MBT collections have been less negative by \$114.6 million and CIT revenue through March 2019 is \$148.4 million higher than last year's collections. The large negative SBT amount reflects a correction for misclassified CIT revenue in prior years.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$770.4 million in March 2019, and is collectively \$53.9 million higher than in FY 2017-18 on a year-to-date basis. Although YTD sales tax collections in the current fiscal year are larger than last year's amount by \$99.0 million, it should be noted that the YTD growth rate is still below the consensus estimate, although a portion of that shortfall can be attributed to the harsh winter weather in January and February.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in March 2019 were \$17.8 million and \$17.0 million, respectively. The transfer from the lottery to the School Aid Fund was \$90.0 million in March 2019, and is \$41.5 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 \$298.6 million in March 2019, about \$67.5 million below the projection established at the January 2019 consensus revenue estimating conference (CREC). Most of the difference can be attributed to total business tax collections, which were negative in March 2019.

Year-to-date GF/GP tax revenue for FY 2018-19 is about \$258.8 million below the projected amount, but as already noted, much of this is due to the timing of MBT and SBT collections.

### School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes is estimated<sup>1</sup> to be \$893.7 million in March 2019, about \$40.8 million below the amount established at the January 2019 CREC, primarily because of sales tax collections that remain below the consensus estimate.

Year-to-date SAF revenue for FY 2018-19 is \$131.7 million below the consensus revenue projections. Again, lower than expected sales taxes are the primary reason, although gross income tax collections are also below the target estimate.

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

## FY 2018-19 March Revenue Collections

Millions of Dollars

<u>Major Taxes</u>	FY 2018-19	Year-to-Date Collections		Change from		FY 2018-19 Estimates	
	<u>March</u>	<u>FY 2017-18</u>	<u>FY 2018-19</u>	<u>FY 2017-18 Year-to-Date</u>	<u>Year-to-Date</u>	<u>(January 2019 CREC)</u>	<u>Estimates</u>
				<u>Dollar</u>	<u>% Change</u>	<u>Dollar</u>	<u>% Change</u>
Individual Income Tax							
Withholding	\$877.6	\$4,247.7	\$4,237.7	(\$10.0)	(0.2%)	\$10,090.0	4.5%
Quarterly Income Tax	18.9	699.7	416.7	(283.0)	(40.4%)	1,339.1	(11.6%)
Annual Income Tax	<u>88.5</u>	<u>163.8</u>	<u>154.6</u>	<u>(9.2)</u>	<u>(5.6%)</u>	<u>1,011.4</u>	<u>1.9%</u>
<b>Gross Income Tax</b>	<b>985.0</b>	<b>5,111.3</b>	<b>4,809.0</b>	<b>(302.3)</b>	<b>(5.9%)</b>	<b>12,440.5</b>	<b>2.3%</b>
Less: Income Tax Refunds	<u>550.2</u>	<u>1,083.0</u>	<u>1,150.1</u>	<u>67.1</u>	<u>6.2%</u>	<u>2,254.2</u>	<u>12.9%</u>
<b>Net Income Tax</b>	<b>434.8</b>	<b>4,028.3</b>	<b>3,658.9</b>	<b>(369.4)</b>	<b>(9.2%)</b>	<b>10,186.3</b>	<b>(0.2%)</b>
Business Taxes							
Single Business Tax	(70.2)	6.4	(73.1)	(79.5)		2.0	
Michigan Business Tax	(131.4)	(638.9)	(524.3)	114.6		(607.7)	
Corporate Income Tax	114.7	281.0	429.5	148.4	52.8%	1,081.4	4.6%
Insurance Company Taxes	<u>(3.2)</u>	<u>117.3</u>	<u>107.1</u>	<u>(10.2)</u>	<u>(8.7%)</u>	<u>390.0</u>	<u>(0.8%)</u>
<b>Subtotal</b>	<b>(90.1)</b>	<b>(234.1)</b>	<b>(60.8)</b>	<b>173.3</b>	<b>(74.0%)</b>	<b>865.7</b>	<b>81.5%</b>
Consumption Taxes							
Sales Tax	614.5	3,114.2	3,213.2	99.0	3.2%	8,516.7	5.4%
Use Tax (adjusted for LCSA levy)	79.4	560.6	512.3	(48.3)	(8.6%)	1,262.0	(12.0%)
Beer and Wine Taxes	3.3	20.9	19.9	(1.1)	(5.1%)	52.0	2.4%
Liquor Excise Tax	8.0	40.3	50.4	10.1	25.0%	116.6	1.6%
Tobacco Taxes	<u>65.3</u>	<u>363.4</u>	<u>357.6</u>	<u>(5.7)</u>	<u>(1.6%)</u>	<u>919.1</u>	<u>(0.1%)</u>
<b>Subtotal</b>	<b>770.4</b>	<b>4,099.4</b>	<b>4,153.3</b>	<b>53.9</b>	<b>1.3%</b>	<b>10,866.4</b>	<b>5.0%</b>
Other Miscellaneous Taxes							
State Education Tax	17.8	272.6	319.8	47.2	17.3%	2,085.4	4.9%
Real Estate Transfer Tax	17.0	123.5	126.4	2.9	2.4%	352.9	0.7%
Essential Services Assessment	0.0	0.1	0.0	(0.1)	(108.4%)	107.0	7.8%
Industrial & Commercial Facilities Taxes	5.2	12.2	10.0	(2.2)	(18.2%)	37.5	3.3%
Casino Wagering Tax	11.4	47.7	49.6	1.8	3.8%	115.0	(0.3%)
Gas and Oil Severance Tax	2.1	10.6	10.8	0.2	1.5%	27.0	3.1%
Telephone and Telegraph Tax	0.0	14.6	10.4	(4.2)	(28.7%)	32.0	6.3%
Penalties and Interest	28.6	62.3	58.7	(3.6)	(5.8%)	128.0	(27.0%)
Lottery Transfer to School Aid Fund	<u>90.0</u>	<u>380.5</u>	<u>422.0</u>	<u>41.5</u>	<u>10.9%</u>	<u>942.0</u>	<u>(3.9%)</u>
<b>Subtotal</b>	<b>171.9</b>	<b>924.2</b>	<b>1,007.7</b>	<b>83.5</b>	<b>9.0%</b>	<b>3,826.8</b>	<b>2.0%</b>
<b>TOTAL</b>	<b>\$1,287.1</b>	<b>\$8,817.8</b>	<b>\$8,759.2</b>	<b>(\$58.6)</b>	<b>(0.7%)</b>	<b>\$25,745.2</b>	<b>3.9%</b>

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