

May 2018 Revenue Update

Major Taxes

Cash collections from Michigan major taxes, penalties and interest, and lottery transfers totaled \$1,788.2 million in May 2018, \$67.4 million less than in May 2017. For the fiscal year-to-date, collections in FY 2017-18 are \$594.5 million (or 4.8%) higher than during FY 2016-17.

Net income tax revenue totaled \$706.5 million in May 2018, and for FY 2017-18 collections through May are \$531.7 million (or 10.0%) higher than the same period during FY 2016-17. Year-to-date collections in FY 2017-18 from income tax withholding are \$177.6 million higher than one year ago, and quarterly payments remain well above target as a result of higher than anticipated collections in January and February. Year-to-date annual payments also exceed FY 2016-17 levels, and income tax refunds have been slightly below last year's amounts.

Net business taxes are the sum of the single business tax (SBT), the Michigan business tax (MBT), the corporate income tax (CIT), and insurance company taxes. Because of the uncertainty over when existing certificated MEGA credits will be claimed and the inherent volatility of corporate income taxes, monthly collections of business taxes can display significant fluctuations that diverge from historical patterns, and May 2018 was no exception as both net MBT and CIT revenue exceeded the monthly projections. In spite of the higher than anticipated collections, on a fiscal year-to-date basis, net business taxes are \$83.1 million lower through May 2018 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 \$866.8 million in May 2018, and are collectively \$129.8 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 respective growth rates are slightly below the May 2018 consensus projections.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in May 2018 were \$19.3 million and \$24.7 million. Transfers from the lottery to the School Aid Fund were \$80.0 million in May 2018, and are \$25.5 million higher than FY 2016-17 on a year-to-date basis.

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

General Fund revenue from Michigan major taxes was estimated¹ to be \$782.0 million in May 2018, about \$122.6 million above the projection established at the May 2018 consensus revenue estimating conference (CREC), mainly on the strength of income tax (both individual and corporate) and MBT collections.

Because May collections are the only monthly revenues since the most recent CREC, year-to-date GF/GP tax revenue for FY 2017-18 is also \$122.6 million above the projected amount.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan major taxes was estimated¹ to be \$905.5 million in May 2018, about \$18.7 million below the amount established at the May 2018 consensus revenue estimating conference, much of which can be attributed to lower than anticipated SET collections and lottery transfers.

For the same reason as with year-to-date GF/GP revenue, year-to-date SAF revenue for FY 2017-18 is \$18.7 million below the consensus revenue projections.

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

FY 2017-18 May Revenue Collections
Millions of Dollars

<u>Major Taxes</u>	FY 2017-18 <u>May</u>	Year-to-Date Collections		Change from FY 2016-17 Year-to-Date		FY 2017-18 Estimates (May 2018 CREC)	
		<u>FY 2016-17</u>	<u>FY 2017-18</u>	<u>Dollar</u>	<u>% Change</u>	<u>Dollar</u>	<u>% Change</u>
Individual Income Tax							
Withholding	\$724.2	\$5,650.0	\$5,827.6	\$177.6	3.1%	\$9,844.6	5.5%
Quarterly Income Tax	27.0	628.6	888.5	259.8	41.3%	1,423.6	19.2%
Annual Income Tax	<u>109.0</u>	<u>773.6</u>	<u>855.3</u>	<u>81.7</u>	10.6%	<u>937.6</u>	6.5%
Gross Income Tax	860.2	7,052.3	7,571.4	519.2	7.4%	12,205.8	7.0%
Less: Income Tax Refunds	<u>153.7</u>	<u>1,716.3</u>	<u>1,703.7</u>	<u>(12.6)</u>	(0.7%)	<u>1,999.3</u>	2.2%
Net Income Tax	706.5	5,336.0	5,867.7	531.7	10.0%	10,206.5	8.0%
Business Taxes							
Single Business Tax	(4.4)	0.6	2.3	1.8		7.0	
Michigan Business Tax	(2.0)	(696.1)	(630.8)	65.2		(787.9)	
Corporate Income Tax	67.0	653.9	488.9	(165.0)	(25.2%)	859.8	(22.2%)
Insurance Company Taxes	<u>0.2</u>	<u>172.2</u>	<u>187.1</u>	<u>14.9</u>	8.7%	<u>398.1</u>	7.4%
Subtotal	60.7	130.7	47.6	(83.1)	(63.6%)	477.0	(39.7%)
Consumption Taxes							
Sales Tax	655.5	4,362.0	4,430.8	68.8	1.6%	8,041.8	3.1%
Use Tax	125.6	715.9	792.2	76.3	10.7%	1,211.2	11.5%
Beer and Wine Taxes	3.7	27.0	28.6	1.6	5.8%	53.0	3.7%
Liquor Excise Tax	13.4	60.6	58.9	(1.8)	(2.9%)	111.6	2.4%
Tobacco Taxes	<u>68.7</u>	<u>521.1</u>	<u>505.9</u>	<u>(15.2)</u>	(2.9%)	<u>930.5</u>	(1.6%)
Subtotal	866.8	5,686.6	5,816.4	129.8	2.3%	10,348.1	3.6%
Other Miscellaneous Taxes							
State Education Tax	19.3	350.2	312.7	(37.5)	(10.7%)	2,039.1	3.8%
Real Estate Transfer Tax	24.7	164.9	170.6	5.7	3.5%	331.1	4.4%
Essential Services Assessment	0.7	1.6	1.0	(0.6)	(35.6%)	91.1	8.5%
Industrial & Commercial Facilities Taxes	2.5	18.5	17.5	(1.1)	(5.8%)	38.0	5.6%
Casino Wagering Tax	10.1	67.2	67.9	0.7	1.0%	114.0	0.7%
Gas and Oil Severance Tax	2.3	13.9	14.8	0.9	6.5%	25.0	6.4%
Telephone and Telegraph Tax	0.0	13.8	14.6	0.8	5.7%	35.0	(1.7%)
Penalties and Interest	14.4	65.0	86.7	21.6	33.3%	127.6	13.1%
Lottery Transfer to School Aid Fund	<u>80.0</u>	<u>525.0</u>	<u>550.5</u>	<u>25.5</u>	4.8%	<u>944.4</u>	2.2%
Subtotal	154.1	1,220.2	1,236.2	16.0	1.3%	3,745.3	3.3%
TOTAL	\$1,788.2	\$12,373.4	\$12,967.9	\$594.5	4.8%	\$24,776.9	3.9%

Note: Numbers may not add due to rounding.