



Jim Stansell, Senior Economist
Ben Gielczyk, Associate Director

May 2023 Revenue Update

Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$2,491.0 million in May 2023, \$145.0 million less than in May 2022. For the fiscal year-to-date, collections in FY 2022-23 were \$1,650.7 million (or 8.6%) lower than during FY 2021-22.

Net income tax revenue totaled \$1,029.5 million in May 2023, and for FY 2022-23 collections through May were \$2,014.1 million less than the same period during FY 2021-22. Year-to-date gross income tax collections in FY 2022-23 were \$1,454.6 million lower than one year ago due to lower quarterly and annual payments and lower 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 \$227.4 million higher through May 2023 than a year ago. MBT refunds through May 2023 were close to last year's pace while CIT collections over the same period were \$207.5 million higher than last year's amount. Year-to-date insurance taxes were 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 \$1,119.8 million in May 2023, and were collectively \$134.2 million higher than in FY 2021-22 on a year-to-date basis. Sales tax collections remained strong while use tax and tobacco tax revenues lagged last year's amounts.

Revenue from online gaming totaled \$27.7 million in May 2023 and collections through May were \$26.3 million higher than the same period during FY 2021-22. Year-to-date revenue from recreational marijuana sales through May 2023 was \$44.3 million higher than one year ago while collections from the real estate transfer tax were \$82.5 million (or 27.7%) lower on a year-to-date basis. The transfer from the lottery to the School Aid Fund was \$90.0 million in May 2023, and year-to-date transfers were \$14.0 million lower than FY 2021-22.

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

General Fund/General Purpose revenue from Michigan's major taxes was estimated¹ to be \$1,143.1 million in May 2023, about \$50.3 million above the projection established at the May 2023 consensus revenue estimating conference (CREC). Higher than projected corporate income tax and annual and quarterly payments under the individual income tax more than offset higher individual income tax refunds, lower withholding collections, and lower FTE revenue.

Because May collections are the only monthly revenues since the most recent CREC, year-to-date GF/GP tax revenue for FY 2022-23 was also about \$50.3 million above the projected amount.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes was estimated¹ to be \$1,193.4 million in May 2023, about \$42.2 million below the amount established at the May 2023 CREC. Almost all of the differential can be attributed to a lower than projected lottery transfer.

For the same reason as with year-to-date GF/GP revenue, year-to-date SAF revenue for FY 2022-23 was also about \$42.2 million below the consensus revenue projections.

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

FY 2022-23 May 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 (May 2023 CREC)	
	May	FY 2021-22	FY 2022-23	Dollar	% Change	Dollar	% Change
Individual Income Tax							
Withholding	\$957.4	\$7,199.2	\$7,333.1	\$133.9	1.9%	\$12,206.0	1.3%
Flow Through Entity Tax	(15.8)	1,438.3	516.8	(921.5)	(64.1%)	975.7	(45.6%)
Quarterly Income Tax	41.1	726.4	570.8	(155.6)	(21.4%)	1,040.0	(24.4%)
Annual Income Tax	<u>237.9</u>	<u>1,605.7</u>	<u>1,094.2</u>	<u>(511.5)</u>	<u>(31.9%)</u>	<u>1,315.7</u>	<u>(30.2%)</u>
Gross Income Tax	\$1,220.7	\$10,969.5	\$9,514.9	(\$1,454.6)	(13.3%)	\$15,537.4	(9.1%)
Less: Income Tax Refunds	<u>191.2</u>	<u>2,093.5</u>	<u>2,653.0</u>	<u>559.5</u>	<u>26.7%</u>	<u>2,810.0</u>	<u>(188.6%)</u>
Net Income Tax	\$1,029.5	\$8,876.0	\$6,861.9	(\$2,014.1)	(22.7%)	\$12,727.4	(37.2%)
Business Taxes							
Single Business Tax	0.0	(2.2)	(3.5)	(1.3)		0.0	
Michigan Business Tax	(13.9)	(461.8)	(473.5)	(11.7)		(527.0)	
Corporate Income Tax	146.8	1,064.8	1,272.4	207.5	19.5%	1,560.0	(23.1%)
Insurance Company Taxes	<u>5.3</u>	<u>192.3</u>	<u>225.1</u>	<u>32.9</u>	<u>17.1%</u>	<u>440.0</u>	<u>4.8%</u>
Subtotal	\$138.2	\$793.1	\$1,020.6	\$227.4	28.7%	\$1,473.0	(24.5%)
Consumption Taxes							
Sales Tax	880.0	5,866.2	6,114.3	248.1	4.2%	10,847.3	0.6%
Use Tax (excluding LCSA levy)	172.2	1,230.3	1,162.1	(68.2)	(5.5%)	2,014.4	(1.9%)
Beer and Wine Taxes	0.9	23.4	22.2	(1.2)	(5.0%)	49.0	(0.4%)
Liquor Excise Tax	11.2	87.5	86.9	(0.6)	(0.7%)	140.8	(0.4%)
Tobacco Taxes	<u>55.5</u>	<u>448.7</u>	<u>404.9</u>	<u>(43.9)</u>	<u>(9.8%)</u>	<u>743.9</u>	<u>(6.7%)</u>
Subtotal	\$1,119.8	\$7,656.1	\$7,790.4	\$134.2	1.8%	\$13,795.4	(0.2%)
Other Miscellaneous Taxes							
State Education Tax	20.9	487.1	507.1	20.0	4.1%	2,607.0	6.8%
Real Estate Transfer Tax	27.6	297.5	215.1	(82.5)	(27.7%)	390.0	(28.6%)
Essential Services Assessment	1.3	5.8	2.5	(3.4)	(57.9%)	143.0	5.6%
Industrial & Commercial Facilities Taxes	7.5	19.9	26.1	6.2	31.0%	42.0	1.4%
Casino Wagering Tax	8.5	61.5	60.9	(0.7)	(1.1%)	103.2	(0.9%)
iGaming, Sports Betting, Fantasy Sports	27.7	156.8	183.1	26.3	16.8%	314.4	20.6%
Recreational Marihuana Excise Tax	10.9	83.9	128.3	44.3	52.8%	239.9	21.0%
Gas and Oil Severance Tax	1.7	21.1	16.5	(4.5)	(21.4%)	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	7.4	84.1	94.1	10.0	11.9%	140.0	0.1%
Lottery Transfer to School Aid Fund	<u>90.0</u>	<u>648.3</u>	<u>634.4</u>	<u>(14.0)</u>	<u>(2.2%)</u>	<u>1,220.0</u>	<u>(2.3%)</u>
Subtotal	\$203.5	\$1,873.4	\$1,875.1	\$1.8	0.1%	\$5,268.5	1.5%
TOTAL	\$2,491.0	\$19,198.7	\$17,548.0	(\$1,650.7)	(8.6%)	\$33,264.3	(19.3%)

Note: Numbers may not add due to rounding.