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October 2020 Revenue Update

Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$3,292.9 million in October 2020, \$275.7 million more than in October 2019. October cash collections complete the fiscal year, so prior year comparisons represent full fiscal year totals. Collections in FY 2019-20 were \$535.5 million (or 2.1%) higher than during FY 2018-19.

Net income tax revenue totaled \$898.9 million in October 2020, and for FY 2019-20 collections through October were \$209.0 million more than the same period during FY 2018-19. Gross income tax cash collections in FY 2019-20 were \$416.0 million higher than one year ago as withholding payments exceeded prior year amounts by \$522.5 million and more than offset higher refunds and lower quarterly and annual 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 often display significant fluctuations that diverge from historical trends. For FY 2019-20, net business taxes were \$67.8 million higher than a year ago, primarily because MBT collections were less negative than projected, and in contrast to FY 2018-19, SBT collections were not highly negative.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$1,063.8 million in October 2020, and collectively were \$126.9 million higher than during FY 2018-19. With the exception of sales tax collections, all other consumption taxes exceeded last year's levels, and all of the consumption taxes exceeded the August consensus estimates for FY 2019-20.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in October 2020 were \$1,082.3 million and \$43.6 million, respectively. Although there was no lottery transfer to the School Aid Fund in October 2020, the annual total remained \$44.8 million higher than FY 2018-19.

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

General Fund/General Purpose revenue from Michigan's major taxes was estimated¹ to be \$1,132.9 million in October 2020, about \$190.8 million above the projection established at the August 2020 Consensus Revenue Estimating Conference (CREC). The most significant factors were individual income and business tax collections, which along with use tax collections, accounted for most of the differential.

General Fund/General Purpose cash collections for FY 2019-20 were about \$544.3 million above the projected amount, primarily due to individual income tax revenue exceeding anticipated amounts and MBT collections being less negative than projected.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes was estimated¹ to be \$2,040.5 million in October 2020, about \$85.3 million above the amount established at the August 2020 CREC. Gross income tax and use tax collections along with SET and RET revenues all exceeded the monthly projections.

School Aid Fund cash collections for FY 2019-20 totaled about \$139.9 million above the consensus revenue projections. Gross income tax, sales tax, and use tax collections all exceeded the consensus estimates, and along with SET and RET collections accounted for the differential.

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

FY 2019-20 October Revenue Collections

Millions of Dollars

<u>Major Taxes</u>	FY 2019-20	Year-to-Date Collections		Change from		FY 2019-20 Estimates	
	<u>October</u>	<u>FY 2018-19</u>	<u>FY 2019-20</u>	<u>FY 2018-19 Year-to-Date</u>	<u>Year-to-Date</u>	<u>(August 2020 CREC)</u>	<u>Year-to-Date</u>
				<u>Dollar</u>	<u>% Change</u>	<u>Dollar</u>	<u>% Change</u>
Individual Income Tax							
Withholding	\$855.0	\$9,994.2	\$10,516.6	\$522.5	5.2%	\$10,404.0	4.7%
Quarterly Income Tax	36.7	1,282.9	1,211.6	(71.3)	(5.6%)	1,099.4	(14.4%)
Annual Income Tax	<u>80.9</u>	<u>1,326.6</u>	<u>1,291.5</u>	<u>(35.1)</u>	<u>(2.6%)</u>	<u>1,275.2</u>	<u>(4.7%)</u>
Gross Income Tax	972.6	12,603.7	13,019.7	416.0	3.3%	12,778.6	1.8%
Less: Income Tax Refunds	<u>73.7</u>	<u>2,136.6</u>	<u>2,343.6</u>	<u>207.0</u>	<u>9.7%</u>	<u>2,361.3</u>	<u>11.1%</u>
Net Income Tax	898.9	10,467.1	10,676.1	209.0	2.0%	10,417.3	(0.1%)
Business Taxes							
Single Business Tax	(0.2)	(98.5)	1.7	100.1		0.0	
Michigan Business Tax	(3.5)	(574.8)	(499.8)	75.1		(641.0)	
Corporate Income Tax	86.8	1,220.4	1,086.5	(133.9)	(11.0%)	1,045.1	(18.2%)
Insurance Company Taxes	<u>91.6</u>	<u>369.9</u>	<u>396.3</u>	<u>26.4</u>	<u>7.1%</u>	<u>351.8</u>	<u>11.7%</u>
Subtotal	174.7	917.0	984.7	67.8	7.4%	755.9	(25.4%)
Consumption Taxes							
Sales Tax	782.1	8,291.0	8,261.2	(29.9)	(0.4%)	8,227.8	(0.3%)
Use Tax (excluding LCSA levy)	190.7	1,291.3	1,409.9	118.5	9.2%	1,281.5	(5.5%)
Beer and Wine Taxes	11.1	50.9	51.8	0.9	1.7%	48.0	(4.3%)
Liquor Excise Tax	0.4	111.5	130.5	19.0	17.1%	111.6	(8.1%)
Tobacco Taxes	<u>79.4</u>	<u>887.8</u>	<u>906.2</u>	<u>18.3</u>	<u>2.1%</u>	<u>880.3</u>	<u>(1.0%)</u>
Subtotal	1,063.8	10,632.6	10,759.5	126.9	1.2%	10,549.2	(1.1%)
Other Miscellaneous Taxes							
State Education Tax	1,082.3	2,020.9	2,208.1	187.1	9.3%	2,155.9	2.1%
Real Estate Transfer Tax	43.6	344.5	335.0	(9.5)	(2.8%)	300.6	(14.1%)
Essential Services Assessment	0.5	111.2	121.8	10.5	9.5%	121.0	8.8%
Industrial & Commercial Facilities Taxes	7.9	43.0	41.9	(1.1)	(2.5%)	36.5	(7.6%)
Casino Wagering Tax	8.4	117.2	65.6	(51.6)	(44.0%)	61.4	(47.7%)
Gas and Oil Severance Tax	1.0	22.9	13.9	(9.0)	(39.3%)	14.0	(37.2%)
Telephone and Telegraph Tax	2.0	30.8	33.4	2.5	8.2%	30.0	(0.9%)
Penalties and Interest	9.9	141.6	99.6	(42.0)	(29.7%)	100.0	(20.3%)
Lottery Transfer to School Aid Fund	<u>0.0</u>	<u>887.0</u>	<u>931.8</u>	<u>44.8</u>	<u>5.1%</u>	<u>1,130.0</u>	<u>(5.5%)</u>
Subtotal	1,155.5	3,719.1	3,850.9	131.8	3.5%	3,949.4	7.7%
TOTAL	\$3,292.9	\$25,735.8	\$26,271.2	\$535.5	2.1%	\$25,671.8	(0.4%)

Note: Numbers may not add due to rounding.