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November 2022 Revenue Update

Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$2,598.6 million in November 2022, \$99.3 million more than in November 2021. Because November represents the first month of the fiscal year on a cash collections basis, the monthly amounts also represent the year-to-date totals.

Net income tax revenue totaled \$868.9 million in November 2022, which was \$85.4 million less than November 2021. November 2022 gross income tax collections were \$22.9 million lower than November 2021, as lower withholding more than offset modestly higher annuals and collections from the 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. For November 2022, net business taxes were \$16.5 million lower than a year ago as higher CIT collections were outweighed by more negative MBT amounts.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$1,155.0 million in November 2022, and was collectively \$129.3 million higher than in November 2021. Sales tax revenue in November 2022 was \$918.6 million, \$113.0 million higher than November 2021, marking the sixth consecutive month that sales tax collections exceeded \$900.0 million.

Revenue from recreational marihuana sales for November 2022 was \$12.2 million, which was \$9.3 million higher than November 2021. The state education tax (SET) and real estate transfer tax in November 2022 were \$359.6 million and \$39.6 million, respectively. On a monthly basis, collections from online gaming in November 2022 totaled \$24.8 million, and has been fairly consistent for the past six months. The lottery transfer to the School Aid Fund totaled \$90.0 million in November 2022.

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

General Fund/General Purpose revenue from Michigan's major taxes was estimated¹ to be \$934.2 million in November 2022, about \$59.9 million below the projection established at the May 2022 consensus revenue estimating conference (CREC). Most of the differential can be attributed to larger than expected income tax refunds, which reduce net income tax collections.

As previously noted, November 2022 amounts and FY 2022-23 year-to-date amounts are the same. Therefore, GF/GP tax revenue for FY 2022-23 was also \$59.9 million below the projected amount.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes was estimated¹ to be \$1,506.6 million in November 2022, about \$119.6 million above the amount established at the May 2022 CREC. The primary factors were continued strength in sales tax collections and higher than projected SET collections.

For reasons already noted, year-to-date SAF revenue was also \$119.6 million above the May 2022 consensus estimates.

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

FY 2022-23 November Revenue Collections

Millions of Dollars

Major Taxes	FY 2022-23	Year-to-Date Collections		Change from		FY 2022-23 Estimates		
	November	FY 2021-22	FY 2022-23	FY 2021-22 Year-to-Date	Dollar	% Change	(May 2022 CREC)	
							Dollar	% Change
Individual Income Tax								
Withholding	\$915.3	\$955.8	\$915.3	(\$40.4)	(4.2%)		\$12,332.1	3.2%
Flow Through Entity Tax	8.5	0.0	8.5	8.5			1,061.5	
Quarterly Income Tax	17.7	19.8	17.7	(2.1)	(10.4%)		840.1	(14.6%)
Annual Income Tax	<u>27.1</u>	<u>16.0</u>	<u>27.1</u>	<u>11.1</u>	69.3%		<u>1,465.7</u>	(15.8%)
Gross Income Tax	\$968.7	\$991.6	\$968.7	(\$22.9)	(2.3%)		\$15,699.4	(6.1%)
Less: Income Tax Refunds	99.8	37.3	99.8	62.5	167.3%		<u>2,479.2</u>	(23.6%)
Net Income Tax	\$868.9	\$954.3	\$868.9	(\$85.4)	(8.9%)		\$13,220.2	(1.9%)
Business Taxes								
Single Business Tax	0.0	0.0	0.0	(0.0)			0.0	
Michigan Business Tax	(54.7)	(19.0)	(54.7)	(35.8)			(527.6)	
Corporate Income Tax	74.1	55.0	74.1	19.1	34.7%		1,582.1	(13.2%)
Insurance Company Taxes	<u>0.3</u>	<u>0.1</u>	<u>0.3</u>	<u>0.2</u>	315.5%		<u>398.0</u>	3.4%
Subtotal	\$19.6	\$36.1	\$19.6	(\$16.5)	(45.6%)		\$1,452.5	(10.0%)
Consumption Taxes								
Sales Tax	918.6	805.7	918.6	113.0	14.0%		10,232.5	(0.7%)
Use Tax (excluding LCSA levy)	165.2	151.0	165.2	14.1	9.3%		2,041.7	(1.9%)
Beer and Wine Taxes	1.1	1.1	1.1	(0.0)	(3.7%)		53.0	1.9%
Liquor Excise Tax	11.9	0.1	11.9	11.8	15,972.5%		159.6	1.3%
Tobacco Taxes	<u>58.2</u>	<u>67.8</u>	<u>58.2</u>	<u>(9.6)</u>	(14.1%)		<u>819.4</u>	(1.4%)
Subtotal	\$1,155.0	\$1,025.7	\$1,155.0	\$129.3	12.6%		\$13,306.2	(0.9%)
Other Miscellaneous Taxes								
State Education Tax	359.6	292.9	359.6	66.7	22.8%		2,563.2	7.0%
Real Estate Transfer Tax	39.6	42.8	39.6	(3.2)	(7.6%)		496.9	(5.7%)
Essential Services Assessment	0.4	0.2	0.4	0.2	112.7%		143.0	5.9%
Industrial & Commercial Facilities Taxes	2.5	2.7	2.5	(0.1)	(4.8%)		42.0	0.0%
Casino Wagering Tax	8.2	8.6	8.2	(0.4)	(4.9%)		113.4	3.1%
iGaming, Sports Betting, Fantasy Contests	24.8	11.1	24.8	13.7			215.6	
Recreational Marihuana Excise Tax	12.2	3.0	12.2	9.3	309.6%		175.1	21.6%
Gas and Oil Severance Tax	3.4	3.1	3.4	0.3	10.1%		32.0	(8.6%)
Telephone and Telegraph Tax	6.9	6.2	6.9	0.7	11.5%		32.0	0.0%
Penalties and Interest	7.4	4.4	7.4	3.1	70.6%		140.0	0.0%
Lottery Transfer to School Aid Fund	<u>90.0</u>	<u>108.3</u>	<u>90.0</u>	<u>(18.3)</u>	(16.9%)		<u>1,240.0</u>	0.0%
Subtotal	\$555.1	\$483.2	\$555.1	\$71.9	14.9%		\$5,193.2	3.6%
TOTAL	\$2,598.6	\$2,499.3	\$2,598.6	\$99.3	4.0%		\$33,172.1	(1.1%)

Note: Numbers may not add due to rounding.