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September 2020 Revenue Update

Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$2,919.8 million in September 2020, \$154.9 million more than in September 2019. For the fiscal year-to-date, collections in FY 2019-20 have been \$259.7 million (or 1.1%) higher than during FY 2018-19.

Net income tax revenue totaled \$1,122.5 million in September 2020, and for FY 2019-20 collections through September were \$181.7 million more than the same period during FY 2018-19. Year-to-date gross income tax collections in FY 2019-20 were \$388.7 million higher than one year ago as withholding payments continue to exceed prior year amounts. Year-to-date withholding payments through September 2020 were \$512.7 million higher than one year ago, and have more than offset higher refunds.

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 through September 2020 were \$31.1 million higher than a year ago, primarily because MBT collections have been less negative than anticipated. Also, in contrast to FY 2018-19, SBT collections have not been highly negative during the current year.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$979.3 million in September 2020, but have been collectively \$19.9 million lower than during FY 2018-19 on a year-to-date basis. However, while consumption taxes remain below last year's levels, with the exception of sales taxes, they exceed the August consensus estimates for FY 2019-20.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in September 2020 were \$466.3 million and \$33.4 million, respectively. Transfers from the lottery to the School Aid Fund were \$90.0 million in September 2020, and were \$44.8 million higher than FY 2018-19 on a year-to-date basis.

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

General Fund/General Purpose revenue from Michigan's major taxes was estimated¹ to be \$1,290.9 million in September 2020, about \$206.2 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 account for most of the differential.

Year-to-date GF/GP tax revenue for FY 2019-20 is about \$353.5 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 \$1,512.2 million in September 2020, about \$16.5 million above the amount established at the August 2020 CREC. Gross income tax collections along with SET and RET revenues all exceeded the monthly projections.

Year-to-date SAF revenue for FY 2019-20 is about \$54.7 million above the consensus revenue projections, largely for the same reasons as September collections.

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

FY 2019-20 September Revenue Collections

Millions of Dollars

Major Taxes	FY 2019-20 September	Year-to-Date Collections		Change from FY 2018-19 Year-to-Date		FY 2019-20 Estimates (August 2020 CREC)	
		FY 2018-19	FY 2019-20	Dollar	% Change	Dollar	% Change
Individual Income Tax							
Withholding	\$831.4	\$9,149.0	\$9,661.7	\$512.7	5.6%	\$10,404.0	4.7%
Quarterly Income Tax	309.2	1,251.5	1,174.9	(76.6)	(6.1%)	1,099.4	(14.4%)
Annual Income Tax	<u>29.0</u>	<u>1,258.0</u>	<u>1,210.6</u>	<u>(47.4)</u>	(3.8%)	<u>1,275.2</u>	(4.7%)
Gross Income Tax	1,169.6	11,658.5	12,047.1	388.7	3.3%	12,778.6	1.8%
Less: Income Tax Refunds	47.1	<u>2,062.9</u>	<u>2,269.9</u>	<u>207.0</u>	10.0%	<u>2,361.3</u>	11.1%
Net Income Tax	1,122.5	9,595.5	9,777.2	181.7	1.9%	10,417.3	(0.1%)
Business Taxes							
Single Business Tax	0.6	(91.6)	1.9	93.5		0.0	
Michigan Business Tax	6.3	(531.3)	(496.3)	35.0		(641.0)	
Corporate Income Tax	168.2	1,122.4	999.7	(122.7)	(10.9%)	1,045.1	(18.2%)
Insurance Company Taxes	<u>(1.8)</u>	<u>279.5</u>	<u>304.8</u>	<u>25.3</u>	9.1%	<u>351.8</u>	11.7%
Subtotal	173.3	779.0	810.1	31.1	4.0%	755.9	(25.4%)
Consumption Taxes							
Sales Tax	749.5	7,570.6	7,479.0	(91.6)	(1.2%)	8,227.8	(0.3%)
Use Tax (excluding LCSA levy)	132.4	1,174.0	1,219.1	45.2	3.8%	1,281.5	(5.5%)
Beer and Wine Taxes	1.7	46.8	40.7	(6.1)	(13.0%)	48.0	(4.3%)
Liquor Excise Tax	13.4	111.3	130.1	18.8	16.9%	111.6	(8.1%)
Tobacco Taxes	<u>82.3</u>	<u>812.9</u>	<u>826.7</u>	<u>13.8</u>	1.7%	<u>880.3</u>	(1.0%)
Subtotal	979.3	9,715.6	9,695.7	(19.9)	(0.2%)	10,549.2	(1.1%)
Other Miscellaneous Taxes							
State Education Tax	466.3	986.4	1,125.7	139.3	14.1%	2,155.9	2.1%
Real Estate Transfer Tax	33.4	315.5	291.4	(24.1)	(7.7%)	300.6	(14.1%)
Essential Services Assessment	1.8	111.0	121.2	10.3	9.2%	121.0	8.8%
Industrial & Commercial Facilities Taxes	8.7	37.5	34.0	(3.5)	(9.3%)	36.5	(7.6%)
Casino Wagering Tax	6.9	107.4	57.2	(50.2)	(46.7%)	61.4	(47.7%)
Gas and Oil Severance Tax	1.0	21.4	12.9	(8.5)	(39.8%)	14.0	(37.2%)
Telephone and Telegraph Tax	0.0	29.8	31.4	1.6	5.3%	30.0	(0.9%)
Penalties and Interest	36.7	132.5	89.7	(42.8)	(32.3%)	100.0	(20.3%)
Lottery Transfer to School Aid Fund	<u>90.0</u>	<u>887.0</u>	<u>931.8</u>	<u>44.8</u>	5.1%	<u>1,130.0</u>	(5.5%)
Subtotal	644.8	2,628.6	2,695.4	66.8	(2.5%)	3,949.4	7.7%
TOTAL	\$2,919.8	\$22,718.7	\$22,978.4	\$259.7	1.1%	\$25,671.8	(0.4%)

Note: Numbers may not add due to rounding.