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## October 2021 Revenue Update

### Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$3,472.5 million in October 2021, \$166.8 million more than in October 2020. Because October cash collections complete the fiscal year, prior year comparisons represent full fiscal year totals. Collections in FY 2020-21 were \$4,382.7 million (or 16.7%) higher than during FY 2019-20.

Net income tax revenue totaled \$993.8 million in October 2021, and for FY 2020-21 collections were \$1,432.6 million more than during FY 2019-20. Gross income tax collections in FY 2020-21 were \$1,576.7 million higher than one year ago as all three components exceeded FY 2019-20 levels by \$490.0 million to \$600.0 million. Income tax refunds were also smaller than anticipated, which boosted net income tax collections.

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 2020-21, net business taxes were \$555.2 million higher than one year ago due to strong CIT collections. Smaller than expected MBT refunds also contributed to higher net business tax revenue.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$1,117.3 million in October 2021, and were collectively \$1,935.2 million higher than in FY 2019-20. Sales tax and, to a lesser degree, use tax collections accounted for essentially all the increase.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in October 2021 were \$1,071.3 million and \$42.9 million, respectively. Collections from the RET in FY 2020-21 were \$151.5 million higher than FY 2019-20, demonstrating strength in the housing market over the past 12 months. There was no transfer from the lottery to the School Aid Fund in October 2021, keeping transfers \$100.2 million higher than FY 2019-20.

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

General Fund/General Purpose revenue from Michigan's major taxes was estimated<sup>1</sup> to be \$1,193.3 million in October 2021, about \$115.8 million above the projection established at the May 2021 consensus revenue estimating conference (CREC). Individual income tax, CIT, and sales tax collections accounted for almost all of the differential.

General Fund/General Purpose cash collections for FY 2019-20 were about \$1,780.4 million above the projected amount, primarily due to higher than expected individual income tax, business tax, and sales and use tax collections.

### School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes was estimated<sup>1</sup> to be \$2,130.4 million in October 2021, about \$44.0 million below the amount established at the May 2021 CREC. Lower than expected SET revenue and the lack of a lottery transfer combined to more than offset higher than projected sales tax collections.

School Aid Fund cash collections for FY 2019-20 totaled about \$577.5 million above the consensus revenue projections, largely because of higher than estimated sales and gross income tax collections.

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<sup>1</sup> Because of accruals and undistributed revenue, monthly fund splits are estimated.

## FY 2020-21 October Revenue Collections

Millions of Dollars

Major Taxes	FY 2020-21 October	Year-to-Date Collections		Change from FY 2019-20 Year-to-Date		FY 2020-21 Estimates (May 2021 CREC)	
		<u>FY 2019-20</u>	<u>FY 2020-21</u>	<u>Dollar</u>	<u>% Change</u>	<u>Dollar</u>	<u>% Change</u>
Individual Income Tax							
Withholding	\$961.1	\$10,516.6	\$11,105.4	\$588.7	5.6%	\$11,014.5	4.9%
Quarterly Income Tax	32.0	1,211.6	1,706.3	494.7	40.8%	1,358.4	12.4%
Annual Income Tax	75.9	1,291.5	1,784.7	493.3	38.2%	1,017.4	(21.6%)
<b>Gross Income Tax</b>	<b>1,069.0</b>	<b>13,019.7</b>	<b>14,596.4</b>	<b>1,576.7</b>	<b>12.1%</b>	<b>13,390.3</b>	<b>2.9%</b>
Less: Income Tax Refunds	75.2	2,343.6	2,487.7	144.1	6.1%	2,738.4	8.8%
<b>Net Income Tax</b>	<b>993.8</b>	<b>10,676.1</b>	<b>12,108.8</b>	<b>1,432.6</b>	<b>13.4%</b>	<b>10,651.9</b>	<b>1.5%</b>
Business Taxes							
Single Business Tax	1.3	1.7	1.0	(0.7)		0.0	
Michigan Business Tax	(48.2)	(499.8)	(544.1)	(44.3)		(626.9)	
Corporate Income Tax	135.2	1,086.5	1,728.3	641.8	59.1%	1,384.1	25.3%
Insurance Company Taxes	97.1	396.3	354.8	(41.6)	(10.5%)	390.0	(14.6%)
<b>Subtotal</b>	<b>185.5</b>	<b>984.7</b>	<b>1,539.9</b>	<b>555.2</b>	<b>56.4%</b>	<b>1,147.2</b>	<b>14.4%</b>
Consumption Taxes							
Sales Tax	867.6	8,261.2	9,483.9	1,222.8	14.8%	8,906.0	7.2%
Use Tax (excluding LCSA levy)	163.1	1,409.9	2,127.8	717.9	50.9%	1,986.2	46.0%
Beer and Wine Taxes	11.1	51.8	51.2	(0.6)	(1.2%)	53.0	3.1%
Liquor Excise Tax	0.8	130.5	143.3	12.7	9.8%	135.6	(5.8%)
Tobacco Taxes	74.6	906.2	888.5	(17.6)	(1.9%)	896.0	(0.9%)
<b>Subtotal</b>	<b>1,117.3</b>	<b>10,759.5</b>	<b>12,694.7</b>	<b>1,935.2</b>	<b>18.0%</b>	<b>11,976.8</b>	<b>11.2%</b>
Other Miscellaneous Taxes							
State Education Tax	1,071.3	2,208.1	2,244.1	36.1	1.6%	2,267.6	3.5%
Real Estate Transfer Tax	42.9	335.0	486.5	151.5	45.2%	433.6	29.3%
Essential Services Assessment	1.1	121.8	127.2	5.4	4.4%	126.0	3.3%
Industrial & Commercial Facilities Taxes	8.4	41.9	46.9	5.1	12.1%	37.0	(9.5%)
Casino Wagering Tax	9.7	65.6	91.8	26.2	40.0%	134.9	101.3%
Recreational Marihuana Excise Tax	31.5	30.2	112.2	82.0		75.0	
Gas and Oil Severance Tax	2.9	13.9	22.8	8.9	64.2%	14.0	9.4%
Telephone and Telegraph Tax	3.0	33.4	34.2	0.9	2.6%	32.0	(1.2%)
Penalties and Interest	5.1	99.6	143.0	43.5	43.6%	130.0	43.3%
Lottery Transfer to School Aid Fund	0.0	931.8	1,032.0	100.2	10.7%	1,208.1	2.4%
<b>Subtotal</b>	<b>1,176.0</b>	<b>3,881.1</b>	<b>4,340.8</b>	<b>459.7</b>	<b>11.8%</b>	<b>4,458.2</b>	<b>9.5%</b>
<b>TOTAL</b>	<b>\$3,472.5</b>	<b>26,301.5</b>	<b>\$30,684.2</b>	<b>\$4,382.7</b>	<b>16.7%</b>	<b>\$28,234.1</b>	<b>7.2%</b>

*Note: Numbers may not add due to rounding.*