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## August 2020 Revenue Update

### Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$2,353.7 million in August 2020, \$117.7 million more than in August 2019. For the fiscal year-to-date, collections in FY 2019-20 were \$104.8 million (or 0.5%) higher than during FY 2018-19.

Net income tax revenue totaled \$842.2 million in August 2020, and for FY 2019-20 collections through August were \$206.9 million more than the same period during FY 2018-19. Year-to-date gross income tax collections in FY 2019-20 were \$401.0 million higher than one year ago as withholding payments continue to exceed prior year amounts. Year-to-date withholding payments through August 2020 were \$529.1 million higher than one year ago, in part due to federal income support initiatives from enhanced unemployment insurance (UI) benefits, although those benefits lapsed at the end of July.

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 August 2020 were \$9.2 million higher than a year ago, primarily because MBT collections have been less negative than anticipated. In addition, although revenue from the CIT remains below FY 2018-19 levels, collections exceed consensus projections.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$1,066.6 million in August 2020, but were collectively \$77.5 million lower than in FY 2018-19 on a year-to-date basis. However, while consumption taxes remain below last year's levels, 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 August 2020 were \$179.4 million and \$39.1 million, respectively. Transfers from the lottery to the School Aid Fund were \$90.0 million in August 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 estimated<sup>1</sup> to be \$1,004.8 million in August 2020, about \$147.3 million above the projection established at the August 2020 Consensus Revenue Estimating Conference (CREC). The most significant factors were MBT and CIT collections, which account for about two-thirds of the differential.

Because August collections are the only monthly revenues since the most recent CREC, year-to-date GF/GP tax revenue for FY 2019-20 was also about \$147.3 million above the projected amount. Individual income tax collections and consumption taxes also exceeded anticipated amounts.

### School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes was estimated<sup>1</sup> to be \$1,222.4 million in August 2020, about \$38.2 million above the amount established at the August 2020 CREC. Gross income tax collections along with sales tax, SET, and RET revenues all exceeded the monthly projections.

For the same reason as with year-to-date GF/GP revenue, year-to-date SAF revenue for FY 2019-20 was also about \$38.2 million above the consensus revenue projections.

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

## FY 2019-20 August Revenue Collections

Millions of Dollars

<u>Major Taxes</u>	FY 2019-20	Year-to-Date Collections		Change from		FY 2019-20 Estimates	
	<u>August</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	\$868.6	\$8,301.2	\$8,830.3	\$529.1	6.4%	\$10,404.0	4.7%
Quarterly Income Tax	26.0	941.2	865.6	(75.6)	(8.0%)	1,099.4	(14.4%)
Annual Income Tax	<u>21.2</u>	<u>1,234.1</u>	<u>1,181.6</u>	<u>(52.5)</u>	(4.3%)	<u>1,275.2</u>	(4.7%)
<b>Gross Income Tax</b>	<b>915.8</b>	<b>10,476.5</b>	<b>10,877.5</b>	<b>401.0</b>	<b>3.8%</b>	<b>12,778.6</b>	<b>1.8%</b>
Less: Income Tax Refunds	<u>73.6</u>	<u>2,028.6</u>	<u>2,222.8</u>	<u>194.1</u>	9.6%	<u>2,361.3</u>	11.1%
<b>Net Income Tax</b>	<b>842.2</b>	<b>8,447.9</b>	<b>8,654.8</b>	<b>206.9</b>	<b>2.4%</b>	<b>10,417.3</b>	<b>(0.1%)</b>
Business Taxes							
Single Business Tax	(9.7)	(94.5)	1.3	95.8		0.0	
Michigan Business Tax	(25.3)	(536.2)	(502.6)	33.6		(641.0)	
Corporate Income Tax	48.3	980.2	831.4	(148.7)	(15.2%)	1,045.1	(18.2%)
Insurance Company Taxes	<u>9.1</u>	<u>278.1</u>	<u>306.6</u>	<u>28.5</u>	10.3%	<u>351.8</u>	11.7%
<b>Subtotal</b>	<b>22.5</b>	<b>627.6</b>	<b>636.8</b>	<b>9.2</b>	<b>1.5%</b>	<b>755.9</b>	<b>(25.4%)</b>
Consumption Taxes							
Sales Tax	814.5	6,768.5	6,729.5	(39.0)	(0.6%)	8,227.8	(0.3%)
Use Tax (excluding LCSA levy)	145.2	1,152.1	1,086.7	(65.4)	(5.7%)	1,281.5	(5.5%)
Beer and Wine Taxes	2.1	41.8	39.0	(2.8)	(6.7%)	48.0	(4.3%)
Liquor Excise Tax	16.2	99.8	116.8	17.0	17.0%	111.6	(8.1%)
Tobacco Taxes	<u>88.6</u>	<u>731.7</u>	<u>744.4</u>	<u>12.7</u>	1.7%	<u>880.3</u>	(1.0%)
<b>Subtotal</b>	<b>1,066.6</b>	<b>8,793.9</b>	<b>8,716.4</b>	<b>(77.5)</b>	<b>(0.9%)</b>	<b>10,549.2</b>	<b>(1.1%)</b>
Other Miscellaneous Taxes							
State Education Tax	179.4	607.5	659.4	51.9	8.5%	2,155.9	2.1%
Real Estate Transfer Tax	39.1	279.9	258.0	(21.8)	(7.8%)	300.6	(14.1%)
Essential Services Assessment	97.8	110.1	119.4	9.4	8.5%	121.0	8.8%
Industrial & Commercial Facilities Taxes	2.5	28.4	25.3	(3.0)	(10.6%)	36.5	(7.6%)
Casino Wagering Tax	5.7	98.8	50.4	(48.4)	(49.0%)	61.4	(47.7%)
Gas and Oil Severance Tax	1.1	19.8	11.8	(8.0)	(40.5%)	14.0	(37.2%)
Telephone and Telegraph Tax	5.0	29.8	31.4	1.6	5.3%	30.0	(0.9%)
Penalties and Interest	1.8	113.3	53.0	(60.3)	(53.2%)	100.0	(20.3%)
Lottery Transfer to School Aid Fund	<u>90.0</u>	<u>797.0</u>	<u>841.8</u>	<u>44.8</u>	5.6%	<u>1,130.0</u>	(5.5%)
<b>Subtotal</b>	<b>422.4</b>	<b>2,084.4</b>	<b>2,050.6</b>	<b>(33.9)</b>	<b>(1.6%)</b>	<b>3,949.4</b>	<b>7.7%</b>
<b>TOTAL</b>	<b>\$2,353.7</b>	<b>\$19,953.8</b>	<b>\$20,058.5</b>	<b>\$104.8</b>	<b>0.5%</b>	<b>\$25,671.8</b>	<b>(0.4%)</b>

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