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August 2022 Revenue Update

Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$2,770.8 million in August 2022, \$135.1 million more than in August 2021. For the fiscal year-to-date, collections in FY 2021-22 were \$3,873.0 million (or 16.1%) higher than during FY 2020-21.

Net income tax revenue totaled \$981.2 million in August 2022, and for FY 2021-22 collections through August were \$2,180.0 million more than the same period during FY 2020-21. Year-to-date gross income tax collections in FY 2021-22 were \$2,191.8 million higher than last year at this point due to withholding and collections from the new 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. On a fiscal year-to-date basis, net business taxes were \$330.1 million higher through August 2022 than a year ago. MBT revenue through August 2022 was \$42.9 million less negative than last year at this point. This was almost entirely due to lower refunds, which boost net collections. CIT collections over the same period were \$241.4 million higher than last year's amount and year-to-date insurance taxes were also higher than a year ago.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$1,263.4 million in August 2022, and were collectively \$1,057.4 million higher than in FY 2020-21 on a year-to-date basis. After exceeding \$1.0 billion in each of the past two months, sales tax revenue fell just shy of \$1.0 billion in August 2022 as collections remained well above last year's levels.

Year-to-date revenue from recreational marijuana sales through August 2022 was \$56.4 million higher than one year ago. On a monthly basis, collections from online gaming in August 2022 totaled \$22.8 million while the transfer from the lottery to the School Aid Fund was \$90.0 million.

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

General Fund/General Purpose revenue from Michigan's major taxes was estimated¹ to be \$1,166.9 million in August 2022, about \$85.9 million above the projection established at the May 2022 Consensus Revenue Estimating Conference (CREC). Lower than projected individual income tax refunds accounted for more than 50% of the differential, although the expectation remains that these refunds will be paid out before the end of the fiscal year. Combined sales and use tax collections also exceeded projections by almost \$25.0 million.

Year-to-date GF/GP tax revenue for FY 2021-22 was about \$1,199.5 million above the projected amount, again, more than half of which can be attributed to the aforementioned individual income tax refunds. Year-to-date sales tax and business tax collections were also well above the May 2022 CREC projections.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes was estimated¹ to be \$1,439.6 million in August 2022, about \$67.8 million above the amount established at the May 2022 CREC. Sales tax collections and annual income tax payments accruing to the SAF more than offset lower than projected lottery transfers, which were about \$28.1 million below the estimated amounts for August 2022.

Year-to-date SAF revenue for FY 2021-22 was about \$225.5 million above the consensus revenue projections, primarily due to sales tax collections and individual income tax revenue accruing to the SAF offsetting lower than projected lottery transfers.

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

FY 2021-22 August Revenue Collections

Millions of Dollars

Major Taxes	FY 2021-22	Year-to-Date Collections		Change from FY 2020-21 Year-to-Date		FY 2021-22 Estimates (May 2022 CREC)	
	August	FY 2020-21	FY 2021-22	Dollar	% Change	Dollar	% Change
Individual Income Tax							
Withholding	\$991.8	\$9,297.6	\$10,034.8	\$737.2	7.9%	\$11,954.5	8.2%
Flow Through Entity Tax	13.3	0.0	1,655.3	1,655.3		2,048.8	
Quarterly Income Tax	30.6	1,271.7	1,048.1	(223.6)	(17.6%)	983.9	(42.3%)
Annual Income Tax	<u>29.1</u>	<u>1,672.8</u>	<u>1,695.7</u>	<u>23.0</u>	1.4%	<u>1,740.0</u>	(2.3%)
Gross Income Tax	1,064.7	12,242.0	14,433.9	2,191.8	17.9%	16,727.2	15.1%
Less: Income Tax Refunds	<u>83.5</u>	<u>2,317.5</u>	<u>2,329.4</u>	<u>11.9</u>	0.5%	<u>3,244.2</u>	20.3%
Net Income Tax	981.2	9,924.5	12,104.5	2,180.0	22.0%	13,483.0	13.9%
Business Taxes							
Single Business Tax	0.2	(0.2)	1.6	1.8		0.0	
Michigan Business Tax	(1.6)	(504.7)	(461.8)	42.9		(594.3)	
Corporate Income Tax	25.7	1,305.6	1,547.0	241.4	18.5%	1,822.6	7.1%
Insurance Company Taxes	<u>11.4</u>	<u>255.2</u>	<u>299.3</u>	<u>44.0</u>	17.3%	<u>385.0</u>	8.5%
Subtotal	35.7	1,056.0	1,386.1	330.1	31.3%	1,613.3	60.9%
Consumption Taxes							
Sales Tax	998.3	7,778.5	8,925.4	1,146.9	14.7%	10,299.6	9.4%
Use Tax (excluding LCSA levy)	185.2	1,776.6	1,768.4	(8.1)	(0.5%)	2,082.0	(2.5%)
Beer and Wine Taxes	1.6	38.5	37.1	(1.5)	(3.8%)	52.0	1.0%
Liquor Excise Tax	13.6	129.1	128.9	(0.2)	(0.2%)	157.6	0.3%
Tobacco Taxes	<u>64.7</u>	<u>736.1</u>	<u>656.4</u>	<u>(79.7)</u>	(10.8%)	<u>830.7</u>	(6.9%)
Subtotal	1,263.4	10,458.8	11,516.2	1,057.4	10.1%	13,421.9	24.6%
Other Miscellaneous Taxes							
State Education Tax	192.7	704.7	720.5	15.7	2.2%	2,396.0	6.2%
Real Estate Transfer Tax	48.2	390.5	455.5	65.0	16.6%	527.0	7.5%
Essential Services Assessment	101.0	124.2	133.0	8.7	7.0%	135.0	7.3%
Industrial & Commercial Facilities Taxes	5.0	30.7	31.9	1.3	4.1%	42.0	0.2%
Casino Wagering Tax	8.5	73.9	86.7	12.8	17.3%	110.0	21.4%
iGaming, Sports Betting, Fantasy Contests	22.8	58.6	223.1	164.5		210.8	
Recreational Marihuana Excise Tax	7.6	76.0	132.4	56.4	74.2%	144.0	192.1%
Gas and Oil Severance Tax	3.5	17.3	34.4	17.1	99.0%	35.0	67.5%
Telephone and Telegraph Tax	4.5	30.7	34.3	3.6	11.6%	32.0	(1.2%)
Penalties and Interest	6.6	100.1	104.2	4.1	4.1%	140.0	4.0%
Lottery Transfer to School Aid Fund	<u>90.0</u>	<u>942.0</u>	<u>898.3</u>	<u>(43.7)</u>	(4.6%)	<u>1,240.0</u>	(12.7%)
Subtotal	490.5	2,548.8	2,854.3	305.5	12.0%	5,011.8	23.1%
TOTAL	\$2,770.8	\$23,988.0	\$27,861.0	\$3,873.0	16.1%	\$33,530.0	27.3%

Note: Numbers may not add due to rounding.