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August 2018 Revenue Update

Major Taxes

Cash collections from Michigan major taxes, penalties and interest, and lottery transfers totaled \$2,216.5 million in August 2018, \$269.5 million more than in August 2017. For the fiscal year-to-date, collections in FY 2017-18 are \$967.5 million (or 5.2%) higher than during FY 2016-17.

Net income tax revenue totaled \$770.3 million in August 2018, and for FY 2017-18 collections through August are \$615.6 million (or 7.9%) higher than the same period during FY 2016-17. Year-to-date gross income tax collections in FY 2017-18 are \$596.9 million higher than one year ago as all three components exceed FY 2016-17 levels. Although refunds totaled \$47.2 million, a transfer of \$57.9 million to reimburse income tax collections for refunds resulting from the home heating credit (HHC) boosted net income tax revenue more than the reduction from 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 can often display significant fluctuations that diverge from historical trends. On a fiscal year-to-date basis, net business taxes are \$30.5 million higher through August 2018 than a year ago, and although MBT collections are \$110.9 million ahead of last year, CIT revenue through August 2018 is \$110.7 million below last year's collections.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$983.2 million in August 2018, and are collectively \$236.0 million higher than in FY 2016-17 on a year-to-date basis. Year-to-date sales tax revenue remains above FY 2016-17 levels, although the individual growth rate is still below the May 2018 consensus projection. In contrast, use tax revenue is almost certain to exceed the consensus estimate. Although liquor tax collections appear to be lagging last year's amounts, it can likely be attributed to timing issues in recording collections as opposed to reflecting a persistent decline.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in August 2018 were \$204.8 million and \$34.1 million, respectively. Transfers from the lottery to the School Aid Fund were \$70.0 million in August 2018, and are \$3.5 million higher than FY 2016-17 on a year-to-date basis.

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

General Fund/General Purpose revenue from Michigan's major taxes is estimated¹ to be \$964.5 million in August 2018, about \$135.3 million above the projection established at the May 2018 consensus revenue estimating conference (CREC). Much of the monthly difference can be attributed to strong business and use tax collections as well as the HHC reimbursement.

Year-to-date GF/GP tax revenue for FY 2017-18 is about \$366.3 million above the projected amount on the strength of higher than expected individual income tax, business taxes, and use tax revenues.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes is estimated¹ to be \$1,133.4 million in August 2018, about \$61.8 million above the amount established at the May 2018 consensus revenue estimating conference, primarily because of higher than anticipated sales tax, use tax, and SET collections.

Year-to-date SAF revenue for FY 2017-18 is \$6.3 million above the consensus revenue projections as higher than expected use tax and SET collections offset lagging lottery transfers and liquor tax revenue.

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

FY 2017-18 August Revenue Collections

Millions of Dollars

<u>Major Taxes</u>	FY 2017-18	Year-to-Date Collections		Change from		FY 2017-18 Estimates	
	<u>August</u>	<u>FY 2016-17</u>	<u>FY 2017-18</u>	FY 2016-17	Year-to-Date	(May 2018 CREC)	
				<u>Dollar</u>	<u>% Change</u>	<u>Dollar</u>	<u>% Change</u>
Individual Income Tax							
Withholding	\$718.9	\$7,867.2	\$8,088.2	\$221.1	2.8%	\$9,844.6	5.5%
Quarterly Income Tax	22.4	901.2	1,187.7	286.5	31.8%	1,423.6	19.2%
Annual Income Tax	<u>18.4</u>	<u>821.9</u>	<u>911.2</u>	<u>89.3</u>	10.9%	<u>937.6</u>	6.5%
Gross Income Tax	759.7	9,590.2	10,187.1	596.9	6.2%	12,205.8	7.0%
Less: Income Tax Refunds	<u>(10.7)</u>	<u>1,829.1</u>	<u>1,810.3</u>	<u>(18.8)</u>	(1.0%)	<u>1,999.3</u>	2.2%
Net Income Tax	770.3	7,761.2	8,376.8	615.6	7.9%	10,206.5	8.0%
Business Taxes							
Single Business Tax	0.1	9.3	6.2	(3.1)		7.0	
Michigan Business Tax	(7.1)	(731.4)	(620.5)	110.9		(787.9)	
Corporate Income Tax	51.0	857.7	746.9	(110.7)	(12.9%)	859.8	(22.2%)
Insurance Company Taxes	<u>5.4</u>	<u>267.5</u>	<u>300.9</u>	<u>33.5</u>	12.5%	<u>398.1</u>	7.4%
Subtotal	49.5	403.0	433.6	30.5	7.6%	477.0	(39.7%)
Consumption Taxes							
Sales Tax	735.3	6,458.8	6,614.9	156.1	2.4%	8,041.8	3.1%
Use Tax	133.4	1,065.9	1,189.3	123.5	11.6%	1,211.2	11.5%
Beer and Wine Taxes	4.7	41.8	43.3	1.6	3.8%	53.0	3.7%
Liquor Excise Tax	19.7	100.5	78.8	(21.7)	(21.6%)	111.6	2.4%
Tobacco Taxes	<u>90.1</u>	<u>778.4</u>	<u>755.1</u>	<u>(23.4)</u>	(3.0%)	<u>930.5</u>	(1.6%)
Subtotal	983.2	8,445.4	8,681.5	236.0	2.8%	10,348.1	3.6%
Other Miscellaneous Taxes							
State Education Tax	204.8	538.0	557.4	19.4	3.6%	2,039.1	3.8%
Real Estate Transfer Tax	34.1	254.1	268.6	14.5	5.7%	331.1	4.4%
Essential Services Assessment	76.8	83.1	96.7	13.6	16.3%	91.1	8.5%
Industrial & Commercial Facilities Taxes	4.7	25.7	26.3	0.6	2.2%	38.0	5.6%
Casino Wagering Tax	9.8	95.0	97.0	1.9	2.0%	114.0	0.7%
Gas and Oil Severance Tax	2.0	19.4	22.6	3.2	16.3%	25.0	6.4%
Telephone and Telegraph Tax	1.4	34.7	34.2	(0.5)	(1.4%)	35.0	(1.7%)
Penalties and Interest	9.8	86.0	115.2	29.3	34.0%	127.6	13.1%
Lottery Transfer to School Aid Fund	<u>70.0</u>	<u>762.0</u>	<u>765.5</u>	<u>3.5</u>	0.5%	<u>944.4</u>	2.2%
Subtotal	413.4	1,898.0	1,983.4	85.3	4.5%	3,745.3	3.3%
TOTAL	\$2,216.5	\$18,507.6	\$19,475.2	\$967.5	5.2%	\$24,776.9	3.9%

Note: Numbers may not add due to rounding.