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May 2019 Revenue Update

Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$1,853.9 million in May 2019, \$65.8 million more than in May 2018. For the fiscal year-to-date, collections in FY 2018-19 are \$340.9 million (or 2.6%) higher than during FY 2017-18.

Net income tax revenue totaled \$743.5 million in May 2019, and for FY 2018-19 collections through May are \$56.2 million less than the same period during FY 2017-18, primarily due to higher refunds in the current year. Year-to-date (YTD) gross income tax collections in FY 2018-19 are \$118.8 million higher than one year ago as higher withholding and annual payments more than offset lower quarterly estimated payments.

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 \$186.3 million higher through May 2019 than a year ago as MBT collections have been less negative by \$115.8 million and CIT revenue through May 2019 is \$172.9 million higher than last year's collections. The large negative SBT amount reflects a correction for previously misclassified CIT revenue.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$902.7 million in May 2019, and is collectively \$113.5 million higher than in FY 2017-18 on a year-to-date basis. Year-to-date sales tax collections in the current fiscal year are larger than last year's amount by \$122.7 million, in line with the most recent consensus estimates.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in May 2019 were \$21.7 million and \$26.0 million, respectively. The transfer from the lottery to the School Aid Fund was \$75.0 million in May 2019, and is \$31.5 million higher than FY 2017-18 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 \$801.7 million in May 2019, about \$80.9 million above the projection established at the May 2019 consensus revenue estimating conference (CREC). Most of the difference can be attributed to total income tax collections.

Because May collections are the only monthly revenues since the most recent CREC, year-to-date GF/GP tax revenue for FY 2018-19 is also \$80.9 million above the projected amount.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes is estimated¹ to be \$945.8 million in May 2019, about \$8.8 million below the amount established at the May 2019 CREC, primarily due to a lower than anticipated lottery transfer.

Year-to-date SAF revenue for FY 2018-19 is \$8.8 million below the consensus revenue projections.

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

FY 2018-19 May Revenue Collections

Millions of Dollars

<u>Major Taxes</u>	FY 2018-19	Year-to-Date Collections		Change from FY 2017-18 Year-to-Date		FY 2018-19 Estimates (May 2019 CREC)	
	<u>May</u>	<u>FY 2017-18</u>	<u>FY 2018-19</u>	<u>Dollar</u>	<u>% Change</u>	<u>Dollar</u>	<u>% Change</u>
Individual Income Tax							
Withholding	\$762.6	\$5,827.6	\$5,892.4	\$64.8	1.1%	\$9,887.0	2.5%
Quarterly Income Tax	28.1	888.5	622.6	(265.8)	(29.9%)	1,264.1	(16.5%)
Annual Income Tax	<u>108.4</u>	<u>855.3</u>	<u>1,175.2</u>	<u>319.8</u>	37.4%	<u>1,311.4</u>	32.2%
Gross Income Tax	899.1	7,571.4	7,690.2	118.8	1.6%	12,462.5	2.5%
Less: Income Tax Refunds	<u>155.5</u>	<u>1,703.7</u>	<u>1,878.7</u>	<u>175.0</u>	10.3%	<u>2,184.2</u>	9.4%
Net Income Tax	743.5	5,867.7	5,811.5	(56.2)	(1.0%)	10,278.3	1.2%
Business Taxes							
Single Business Tax	(23.0)	2.3	(89.0)	(91.3)		(65.0)	
Michigan Business Tax	(2.1)	(630.8)	(515.1)	115.8		(607.7)	
Corporate Income Tax	78.5	488.9	661.8	172.9	35.4%	1,186.4	16.3%
Insurance Company Taxes	<u>1.7</u>	<u>187.1</u>	<u>176.1</u>	<u>(11.0)</u>	(5.9%)	<u>376.5</u>	(4.2%)
Subtotal	55.0	47.6	233.9	186.3	391.6%	890.2	16.4%
Consumption Taxes							
Sales Tax	694.8	4,430.8	4,553.5	122.7	2.8%	8,298.7	2.7%
Use Tax (adjusted for LCSA levy)	123.2	792.2	786.7	(5.5)	(0.7%)	1,352.0	(5.7%)
Beer and Wine Taxes	4.0	28.6	27.4	(1.2)	(4.2%)	52.0	2.4%
Liquor Excise Tax	8.9	58.9	68.0	9.2	15.6%	116.6	1.6%
Tobacco Taxes	<u>71.8</u>	<u>505.9</u>	<u>494.3</u>	<u>(11.6)</u>	(2.3%)	<u>905.1</u>	(1.4%)
Subtotal	902.7	5,816.4	5,929.9	113.5	2.0%	10,724.4	1.2%
Other Miscellaneous Taxes							
State Education Tax	21.7	312.7	373.2	60.5	19.3%	2,099.6	5.6%
Real Estate Transfer Tax	26.0	170.6	172.2	1.6	0.9%	350.9	0.2%
Essential Services Assessment	2.6	1.0	2.6	1.6	162.4%	107.0	7.8%
Industrial & Commercial Facilities Taxes	4.6	17.5	18.3	0.8	4.7%	36.5	0.6%
Casino Wagering Tax	10.2	67.9	69.9	2.0	3.0%	118.3	2.5%
Gas and Oil Severance Tax	2.5	14.8	14.3	(0.5)	(3.6%)	26.0	(0.8%)
Telephone and Telegraph Tax	0.0	14.6	10.4	(4.2)	(28.7%)	32.0	6.3%
Penalties and Interest	10.0	86.7	90.6	3.9	4.5%	143.0	(18.4%)
Lottery Transfer to School Aid Fund	<u>75.0</u>	<u>550.5</u>	<u>582.0</u>	<u>31.5</u>	5.7%	<u>982.0</u>	0.2%
Subtotal	152.7	1,236.2	1,333.5	97.3	7.9%	3,895.3	2.5%
TOTAL	\$1,853.9	\$12,967.9	\$13,308.8	\$340.9	2.6%	\$25,788.2	1.8%

Note: Numbers may not add due to rounding.