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November 2019 Revenue Update

Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$2,146.2 million in November 2019, \$170.7 million more than in November 2018. Because November represents the first month of the fiscal year on a cash collections basis, the monthly amounts also represent the year-to-date totals.

Net income tax revenue totaled \$784.2 million in November 2019, and was \$47.3 million higher than during November 2018. November 2019 gross income tax collections were \$60.8 million higher than November 2018, primarily due to strong withholding payments. Even though quarterly payments in November 2019 were slightly below November 2018, they were higher than the projected amount at the May 2019 consensus revenue estimating conference (CREC).

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. For November 2019, net business taxes were \$12.2 million higher than last year. The most significant factor was the large negative SBT amount reported in November 2018 which was not repeated in November 2019.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$871.9 million in November 2019, and was collectively \$8.6 million higher than in November 2018. Higher sales tax revenue was more than completely offset by lower use tax revenue, although both were below consensus estimates. Conversely, tobacco tax revenue tracked slightly above the consensus estimate.

Revenues from the state education tax (SET) and the real estate transfer tax in November 2019 were \$306.5 million and \$38.5 million, respectively. The SET payment was \$95.2 million higher than in November 2018, most likely due to a timing issue of when payments were recorded. The transfer from the lottery to the School Aid Fund in November 2019 was \$6.8 million higher than in November 2018.

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

General Fund/General Purpose revenue from Michigan's major taxes was estimated¹ to be \$813.4 million in November 2019, about \$18.7 million above the projection established at the May 2019 CREC.

As previously noted, November 2019 amounts and FY 2019-20 year-to-date amounts are the same. Therefore, GF/GP tax revenue for FY 2019-20 was also \$18.7 million above the projected amount, primarily due to business tax collections exceeding consensus estimates.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes was estimated¹ to be \$1,230.3 million in November 2019, about \$76.9 million more than the amount estimated at the May 2019 CREC. November 2019 collections were higher than expected primarily due to higher than anticipated SET collections and lottery transfers.

For the reasons already noted, year-to-date SAF revenue was also \$76.9 million above the May 2019 consensus estimates.

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

FY 2019-20 November Revenue Collections

Millions of Dollars

<u>Major Taxes</u>	FY 2019-20 <u>November</u>	Year-to-Date Collections		Change from FY 2018-19 Year-to-Date		FY 2019-20 Estimates (May 2019 CREC)	
		<u>FY 2018-19</u>	<u>FY 2019-20</u>	<u>Dollar</u>	<u>% Change</u>	<u>Dollar</u>	<u>% Change</u>
Individual Income Tax							
Withholding	\$792.0	\$730.2	\$792.0	\$61.8	8.5%	\$10,155.5	5.2%
Quarterly Income Tax	14.2	14.6	14.2	(0.3)	(2.4%)	1,372.4	(9.4%)
Annual Income Tax	<u>13.8</u>	<u>14.4</u>	<u>13.8</u>	<u>(0.6)</u>	(4.1%)	<u>1,106.5</u>	11.5%
Gross Income Tax	820.0	759.1	820.0	60.8	8.0%	12,634.4	3.9%
Less: Income Tax Refunds	<u>35.8</u>	<u>22.2</u>	<u>35.8</u>	<u>13.6</u>	60.9%	<u>2,232.3</u>	11.8%
Net Income Tax	784.2	736.9	784.2	47.3	6.4%	10,402.1	2.4%
Business Taxes							
Single Business Tax	0.1	(16.7)	0.1	16.8		3.0	
Michigan Business Tax	(25.2)	(11.3)	(25.2)	(14.0)		(691.0)	
Corporate Income Tax	45.5	38.0	45.5	7.5	19.7%	1,136.9	11.5%
Insurance Company Taxes	<u>0.7</u>	<u>(1.2)</u>	<u>0.7</u>	<u>1.9</u>	(159.2%)	<u>381.8</u>	(2.9%)
Subtotal	21.1	8.9	21.1	12.2	137.6%	830.7	8.6%
Consumption Taxes							
Sales Tax	687.1	664.0	687.1	23.1	3.5%	8,628.7	6.8%
Use Tax (adjusted for LCSA levy)	94.4	118.6	94.4	(24.3)	(20.5%)	1,338.5	(6.6%)
Beer and Wine Taxes	4.3	4.8	4.3	(0.5)	(9.7%)	53.0	4.3%
Liquor Excise Tax	9.5	9.2	9.5	0.3	3.7%	118.8	3.5%
Tobacco Taxes	<u>76.5</u>	<u>66.7</u>	<u>76.5</u>	<u>9.8</u>	14.7%	<u>894.1</u>	(2.6%)
Subtotal	871.9	863.3	871.9	8.6	1.0%	11,033.1	4.1%
Other Miscellaneous Taxes							
State Education Tax	306.5	211.2	306.5	95.2	45.1%	2,166.9	9.0%
Real Estate Transfer Tax	38.5	33.1	38.5	5.5	16.5%	356.5	1.8%
Essential Services Assessment	0.2	0.0	0.2	0.2		114.0	14.8%
Industrial & Commercial Facilities Taxes	1.3	0.9	1.3	0.5	51.2%	36.5	0.6%
Casino Wagering Tax	10.1	9.5	10.1	0.5	5.6%	119.3	3.4%
Gas and Oil Severance Tax	1.3	2.1	1.3	(0.7)	(36.0%)	28.0	6.9%
Telephone and Telegraph Tax	9.6	9.7	9.6	(0.2)	(1.7%)	32.0	6.3%
Penalties and Interest	4.8	9.9	4.8	(5.1)	(51.7%)	145.2	(17.2%)
Lottery Transfer to School Aid Fund	<u>96.8</u>	<u>90.0</u>	<u>96.8</u>	<u>6.8</u>	7.6%	<u>990.0</u>	1.0%
Subtotal	469.1	366.4	469.1	102.6	28.0%	3,988.4	4.9%
TOTAL	\$2,146.2	\$1,975.5	\$2,146.2	\$170.7	8.6%	\$26,254.3	3.7%

Note: Numbers may not add due to rounding.