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September 2023 Revenue Update

Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$3,632.2 million in September 2023, \$125.3 million less than in September 2022. For the fiscal year-to-date, collections in FY 2022-23 were \$1,965.4 million (or 6.2%) lower than during FY 2021-22.

Net income tax revenue totaled \$1,290.9 million in September 2023, and for FY 2022-23 collections through September were \$2,192.9 million less than the same period during FY 2021-22. Year-to-date gross income tax collections in FY 2022-23 were \$1,580.7 million lower than one year ago due to lower quarterly and annual payments and lower 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 \$250.8 million higher through September 2023 than a year ago. MBT refunds through September 2023 were close to last year's pace while CIT collections over the same period were \$211.7 million higher than last year's amount. However, collections do not reflect CIT earmarks related to the Strategic Outreach and Attraction Reserve Fund, Revitalizing and Placemaking Fund, and Michigan Housing and Community Development Fund that will more than offset that differential when they are accounted for.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$1,185.1 million in September 2023, and were collectively \$93.7 million lower than in FY 2021-22 on a year-to-date basis. Sales tax collections were running slightly below last year's amounts while use tax collections were slightly above. This is primarily due to approximately \$120.0 million that had been classified as sales tax revenue in prior months being transferred to use tax revenue.

Revenue from online gaming totaled \$27.0 million in September 2023 and collections through September were \$44.2 million higher than the same period during FY 2021-22. Year-to-date revenue from recreational marijuana sales through September 2023 was \$75.8 million (or 55.0%) higher than one year ago while collections from the real estate transfer tax were \$142.9 million (or 28.6%) lower on a year-to-date basis. The transfer from the lottery to the School Aid Fund was \$90.0 million in September 2023, and year-to-date transfers were \$16.0 million higher than FY 2021-22.¹

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

General Fund/General Purpose revenue from Michigan's major taxes was estimated² to be \$1,612.2 million in September 2023, about \$110.8 million above the projection established at the May 2023 CREC. Greater than anticipated collections from the flow through entity tax and CIT more than offset higher IIT refunds.

Year-to-date GF/GP tax revenue for FY 2022-23 was \$107.7 million above the projection, with above forecast business and use tax collections offsetting higher IIT refunds.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes was estimated¹ to be \$1,855.6 million in September 2023, about \$50.2 million above the amount established at the May 2023 CREC. Most of the differential can be attributed to higher state education tax (SET) collections.

Year-to-date SAF revenue for FY 2022-23 was \$104.3 million below the consensus revenue projections with the majority of the differential due to a lower than projected lottery transfer and lower sales tax collections.

¹ Weekly revenue reports from the Lottery indicate actual collections are stronger than the monthly transfers would suggest.

² Because of accruals and undistributed revenue, monthly fund splits are estimated.

FY 2022-23 September Revenue Collections

Millions of Dollars

<u>Major Taxes</u>	FY 2022-23	Year-to-Date Collections		Change from		FY 2022-23 Estimates	
	<u>September</u>	<u>FY 2021-22</u>	<u>FY 2022-23</u>	<u>FY 2021-22 Year-to-Date</u>	<u>Dollar</u>	<u>% Change</u>	<u>(May 2023 CREC)</u>
							<u>Dollar</u> <u>% Change</u>
Individual Income Tax							
Withholding	\$919.4	\$10,967.4	\$11,198.7	\$231.3	2.1%	\$12,206.0	1.3%
Flow Through Entity Tax	193.3	1,899.5	904.9	(994.6)	(52.4%)	975.7	(45.6%)
Quarterly Income Tax	231.1	1,346.5	1,049.2	(297.3)	(22.1%)	1,040.0	(24.4%)
Annual Income Tax	<u>40.7</u>	<u>1,738.9</u>	<u>1,218.9</u>	<u>(520.0)</u>	<u>(29.9%)</u>	<u>1,315.7</u>	<u>(30.2%)</u>
Gross Income Tax	\$1,384.5	\$15,952.3	\$14,371.7	(\$1,580.7)	(9.9%)	\$15,537.4	(9.1%)
Less: Income Tax Refunds	<u>93.6</u>	<u>2,404.9</u>	<u>3,017.1</u>	<u>612.2</u>	25.5%	<u>2,810.0</u>	(188.6%)
Net Income Tax	\$1,290.9	\$13,547.5	\$11,354.6	(\$2,192.9)	(16.2%)	\$12,727.4	(37.2%)
Business Taxes							
Single Business Tax	(0.1)	1.6	(3.5)	(5.1)		0.0	
Michigan Business Tax	4.6	(453.4)	(461.3)	(7.8)		(527.0)	
Corporate Income Tax	369.4	1,905.8	2,117.4	211.7	11.1%	1,560.0	(23.1%)
Insurance Company Taxes	<u>2.0</u>	<u>301.2</u>	<u>353.3</u>	<u>52.1</u>	17.3%	<u>440.0</u>	4.8%
Subtotal	\$376.0	\$1,755.1	\$2,006.0	\$250.8	14.3%	\$1,473.0	(24.5%)
Consumption Taxes							
Sales Tax	945.6	9,858.4	9,795.6	(62.9)	(0.6%)	10,847.3	0.6%
Use Tax (excluding LCSA levy)	159.0	1,941.8	1,978.8	37.0	1.9%	2,014.4	(1.9%)
Beer and Wine Taxes	1.6	38.5	37.0	(1.5)	(4.0%)	49.0	(0.4%)
Liquor Excise Tax	15.2	141.1	144.0	2.9	2.0%	140.8	(0.4%)
Tobacco Taxes	<u>63.7</u>	<u>729.6</u>	<u>660.4</u>	<u>(69.2)</u>	<u>(9.5%)</u>	<u>743.9</u>	<u>(6.7%)</u>
Subtotal	\$1,185.1	\$12,709.4	\$12,615.7	(\$93.7)	(0.7%)	\$13,795.4	(0.2%)
Other Miscellaneous Taxes							
State Education Tax	589.3	1,281.4	1,352.5	71.0	5.5%	2,607.0	6.8%
Real Estate Transfer Tax	35.4	499.4	356.5	(142.9)	(28.6%)	390.0	(28.6%)
Essential Services Assessment	0.5	134.3	143.3	9.1	6.8%	143.0	5.6%
Industrial & Commercial Facilities Taxes	7.0	40.2	42.5	2.3	5.8%	42.0	1.4%
Casino Wagering Tax	7.4	94.3	93.7	(0.6)	(0.7%)	103.2	(0.9%)
iGaming, Sports Betting, Fantasy Sports	27.0	246.0	290.2	44.2	17.9%	314.4	20.6%
Recreational Marihuana Excise Tax	10.8	138.0	213.8	75.8	55.0%	239.9	21.0%
Gas and Oil Severance Tax	2.2	38.9	24.9	(14.0)	(35.9%)	35.0	(17.1%)
Telephone and Telegraph Tax	(0.4)	34.1	30.2	(3.9)	(11.5%)	34.0	(2.9%)
Penalties and Interest	11.1	111.5	125.0	13.4	12.1%	140.0	0.1%
Lottery Transfer to School Aid Fund	<u>90.0</u>	<u>988.3</u>	<u>1,004.4</u>	<u>16.0</u>	1.6%	<u>1,220.0</u>	(2.3%)
Subtotal	\$780.3	\$3,606.5	\$3,677.0	\$70.4	2.0%	\$5,268.5	1.5%
TOTAL	\$3,632.2	\$31,618.6	\$29,653.2	(\$1,965.4)	(6.2%)	\$33,264.3	(19.3%)

Note: Numbers may not add due to rounding.