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## September 2019 Revenue Update

### Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$2,764.9 million in September 2019, \$115.3 million more than in September 2018. On a year-to-date basis, collections in FY 2018-19 are \$594.1 million (or 2.7%) higher than in FY 2017-18.

Net income tax revenue totaled \$1,147.7 million in September 2019, and for FY 2018-19 collections through September are \$185.5 million higher than the same period during FY 2017-18. Year-to-date gross income tax collections in FY 2018-19 are \$374.7 million higher than one year ago, as higher withholding and annual payments more than offset lower quarterly 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 through September 2019 are \$216.9 million higher than a year ago. The primary contributors are MBT collections, which through September 2019 are less negative by \$116.3 million and CIT revenue, which is \$225.4 million higher over the same period. Combined, they more than offset negative SBT collections.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$921.7 million in September 2019, and is collectively \$118.7 million higher than in FY 2017-18 on a year-to-date basis. Due to a reclassification of revenue incorrectly reported as use tax instead of sales tax, year-to-date sales tax collections in the current fiscal year are larger than last year's amount by \$261.7 million, slightly above the most recent consensus estimate. Correspondingly, use tax revenue is now tracking well below the consensus estimate.

Revenues from the state education tax (SET) and the real estate transfer tax in September 2019 were \$379.0 million and \$35.7 million, respectively. The transfer from the lottery to the School Aid Fund was \$90.0 million in September 2019, and is \$36.5 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 estimated<sup>1</sup> to be \$1,194.9 million in September 2019, about \$3.8 million below the projection established at the May 2019 consensus revenue estimating conference (CREC).

Year-to-date GF/GP tax revenue for FY 2018-19 is about \$171.7 million above the projected amount, primarily due to continued strong individual income tax and business tax collections.

### School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes is estimated<sup>1</sup> to be \$1,447.9 million in September 2019, about \$30.3 million below the amount established at the May 2019 CREC. September 2019 collections were muted by lower than projected state education tax (SET) collections.

Year-to-date SAF revenue for FY 2018-19 is \$74.0 million below the consensus revenue projections, mostly due to the lower than expected SET collections. Because about 73% of sales tax revenue accrues to the SAF, the reclassification of sales tax revenue provided a boost to SAF revenue.

<sup>1</sup> Because of accruals and undistributed revenue, monthly fund splits are estimated.

## FY 2018-19 September Revenue Collections

Millions of Dollars

Major Taxes	FY 2018-19 September	Year-to-Date Collections		Change from FY 2017-18 Year-to-Date		FY 2018-19 Estimates (May 2019 CREC)	
		FY 2017-18	FY 2018-19	Dollar	% Change	Dollar	% Change
<b>Individual Income Tax</b>							
Withholding	\$847.8	\$8,863.6	\$9,149.0	\$285.4	3.2%	\$9,887.0	2.5%
Quarterly Income Tax	310.3	1,486.5	1,251.5	(235.0)	(15.8%)	1,264.1	(16.5%)
Annual Income Tax	<u>23.8</u>	<u>933.7</u>	<u>1,258.0</u>	<u>324.3</u>	34.7%	<u>1,311.4</u>	32.2%
<b>Gross Income Tax</b>	<b>1,181.9</b>	<b>11,283.7</b>	<b>11,658.5</b>	<b>374.7</b>	<b>3.3%</b>	<b>12,462.5</b>	<b>2.5%</b>
Less: Income Tax Refunds	<u>34.3</u>	<u>1,873.7</u>	<u>2,062.9</u>	<u>189.2</u>	10.1%	<u>2,184.2</u>	9.4%
<b>Net Income Tax</b>	<b>1,147.7</b>	<b>9,410.0</b>	<b>9,595.5</b>	<b>185.5</b>	<b>2.0%</b>	<b>10,278.3</b>	<b>1.2%</b>
<b>Business Taxes</b>							
Single Business Tax	2.9	10.1	(91.6)	(101.7)		(65.0)	
Michigan Business Tax	4.9	(647.6)	(531.3)	116.3		(607.7)	
Corporate Income Tax	142.2	897.0	1,122.4	225.4	25.1%	1,186.4	16.3%
Insurance Company Taxes	<u>1.4</u>	<u>302.5</u>	<u>279.5</u>	<u>(23.0)</u>	(7.6%)	<u>376.5</u>	(4.2%)
<b>Subtotal</b>	<b>151.4</b>	<b>562.1</b>	<b>779.0</b>	<b>216.9</b>	<b>38.6%</b>	<b>890.2</b>	<b>16.4%</b>
<b>Consumption Taxes</b>							
Sales Tax	802.2	7,308.9	7,570.6	261.7	3.6%	8,298.7	2.7%
Use Tax (adjusted for LCSA levy)	21.9	1,308.3	1,174.0	(134.3)	(10.3%)	1,352.0	(5.7%)
Beer and Wine Taxes	5.0	48.6	46.8	(1.8)	(3.7%)	52.0	2.4%
Liquor Excise Tax	11.5	84.7	111.3	26.6	31.4%	116.6	1.6%
Tobacco Taxes	<u>81.2</u>	<u>846.3</u>	<u>812.9</u>	<u>(33.5)</u>	(4.0%)	<u>905.1</u>	(1.4%)
<b>Subtotal</b>	<b>921.7</b>	<b>9,596.9</b>	<b>9,715.6</b>	<b>118.7</b>	<b>1.2%</b>	<b>10,724.4</b>	<b>1.2%</b>
<b>Other Miscellaneous Taxes</b>							
State Education Tax	379.0	953.6	986.4	32.8	3.4%	2,099.6	5.6%
Real Estate Transfer Tax	35.7	311.8	315.5	3.7	1.2%	350.9	0.2%
Essential Services Assessment	0.9	98.1	111.0	12.9	13.2%	107.0	7.8%
Industrial & Commercial Facilities Taxes	9.2	34.1	37.5	3.4	9.9%	36.5	0.6%
Casino Wagering Tax	8.7	105.0	107.4	2.4	2.3%	118.3	2.5%
Gas and Oil Severance Tax	1.5	25.4	21.4	(4.0)	(15.8%)	26.0	(0.8%)
Telephone and Telegraph Tax	0.0	34.2	29.8	(4.5)	(13.0%)	32.0	6.3%
Penalties and Interest	19.2	142.9	132.5	(10.4)	(7.3%)	143.0	(18.4%)
Lottery Transfer to School Aid Fund	<u>90.0</u>	<u>850.5</u>	<u>887.0</u>	<u>36.5</u>	4.3%	<u>982.0</u>	0.2%
<b>Subtotal</b>	<b>544.1</b>	<b>2,555.6</b>	<b>2,628.6</b>	<b>73.0</b>	<b>2.9%</b>	<b>3,895.3</b>	<b>2.5%</b>
<b>TOTAL</b>	<b>\$2,764.9</b>	<b>\$22,124.5</b>	<b>\$22,718.7</b>	<b>\$594.1</b>	<b>2.7%</b>	<b>\$25,788.2</b>	<b>1.8%</b>

Note: Numbers may not add due to rounding.