

July 2016 Revenue Update

Major Taxes

Cash collections from Michigan major taxes, penalties and interest, and lottery transfers totaled \$1,938.3 million in July 2016, \$19.8 million more than in July 2015. For the fiscal year to date, collections in FY 2015-16 are \$413.8 million (or 2.7%) higher than during FY 2014-15.

Net income tax revenue totaled \$767.8 million in July 2016, and for FY 2015-16 collections through July are \$613.9 million (or 9.8%) higher than the same period during FY 2014-15. Year-to-date collections from both withholding and estimated payments are higher than in FY 2014-15, by \$370.6 million and \$317.8 million respectively. Refunds are also about \$56.3 million higher, although some of this can be attributed to enhanced processing of returns.

Net business taxes are comprised of the sum of the single business tax (SBT), the Michigan business tax (MBT), the corporate income tax (CIT), and insurance company taxes. Because of the uncertainty over when existing certificated MEGA credits will be claimed and the inherent volatility of corporate income taxes, monthly collections of business taxes can display significant fluctuations that diverge from historical patterns. On a fiscal year-to-date basis, net business taxes are \$262.1 million (or 86.5%) lower through July 2016 than a year ago. About half of this differential is due to reduced CIT collections.

Collections from consumption taxes, made up of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$892.3 million in July 2016, and are collectively \$23.7 million higher in FY 2015-16 on a year-to-date basis. Sales tax revenue, which had lagged estimates earlier in the year, now appears to be on pace to meet anticipated collections.

Revenue from the state education tax (SET) and the real estate transfer tax (RET) in July 2016 was \$10.0 million and \$27.6 million, respectively. Transfers from the lottery to the School Aid Fund were \$70.0 million in July 2016, and when compared to FY 2014-15 on a year-to-date basis, are \$82.2 million (or 12.4%) higher than at this point one year ago. Much of this reflects increased activity due to higher than normal Powerball jackpots.

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

General Fund revenue from Michigan major taxes is estimated¹ to be \$922.5 million in July 2016, roughly \$13.1 million above the projection established at the May 2016 consensus revenue estimating conference (CREC). Net income tax revenue was \$19.5 million above target, primarily due to lower refunds. Net business taxes were \$9.8 million more than anticipated.

Year-to date for FY 2015-16, GF/GP tax revenue is \$64.9 million below the projected amount, about half of which can be attributed to underperforming business taxes. As previously noted, business taxes can be subject to substantial monthly swings, and should therefore be evaluated cautiously.

School Aid Fund Revenue

School Aid Fund revenue from Michigan major taxes is estimated¹ to be \$905.5 million in July 2016, about \$8.0 million below the amount established at the May 2016 consensus revenue estimating conference. Sales tax collections accruing to the SAF were \$6.5 million above target, but were more than offset by lower than anticipated levels of other taxes.

Year-to date for FY 2015-16, SAF revenue is \$21.7 million below projections, although no single revenue source is substantially above or below the expected amount.

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

FY 2015-16 July Revenue Collections
Millions of Dollars

<u>Major Taxes</u>	FY 2015-16 <u>July</u>	Year-to-Date Collections		Change from FY 2014-15 Year-to-Date		FY 2015-16 Estimates (May 2016 CREC)	
		<u>FY 2014-15</u>	<u>FY 2015-16</u>	<u>Dollar</u>	<u>% Change</u>	<u>Dollar</u>	<u>% Change</u>
Individual Income Tax							
Withholding	\$743.5	\$6,598.4	\$6,969.0	\$370.6	5.6%	\$9,216.8	6.2%
Quarterly Income Tax	14.7	463.0	780.8	317.8	68.6%	1,058.4	2.0%
Annual Income Tax	12.4	854.4	836.2	(18.2)	-2.1%	900.0	-5.9%
Gross Income Tax	770.6	7,915.8	8,586.0	670.2	8.5%	11,175.2	4.7%
Less: Income Tax Refunds	2.8	1,671.5	1,727.8	56.3	3.4%	1,774.0	4.8%
Net Income Tax	767.8	6,244.3	6,858.1	613.9	9.8%	9,401.2	4.7%
Business Taxes							
Single Business Tax	6.0	28.2	(3.2)	(31.4)		(10.0)	
Michigan Business Tax	(37.6)	(808.8)	(889.1)	(80.3)		(1,031.0)	
Corporate Income Tax	61.6	815.5	686.9	(128.6)	-15.8%	932.0	-13.5%
Insurance Company Taxes	88.3	268.2	246.3	(21.8)	-8.1%	316.0	-2.0%
Subtotal	118.3	303.0	40.9	(262.1)	-86.5%	207.0	-68.4%
Consumption Taxes							
Sales Tax	665.3	5,358.9	5,389.3	30.4	0.6%	7,310.0	0.9%
Use Tax	126.5	1,022.5	1,001.6	(20.9)	-2.0%	1,343.6	-6.3%
Beer and Wine Taxes	5.4	30.7	37.5	6.8	22.1%	52.0	11.3%
Liquor Excise Tax	6.6	72.1	69.0	(3.1)	-4.4%	102.6	4.0%
Tobacco Taxes	88.5	689.3	699.8	10.5	1.5%	957.1	0.4%
Subtotal	892.3	7,173.5	7,197.2	23.7	0.3%	9,765.3	0.2%
Other Miscellaneous Taxes							
State Education Tax	10.0	355.4	359.7	4.3	1.2%	1,894.1	2.0%
Real Estate Transfer Tax	27.6	185.1	190.6	5.5	3.0%	276.0	6.8%
Essential Services Assessment	13.0	0.0	13.7	13.7		55.0	
Industrial Facilities/Commercial Forest Taxes	2.3	21.5	20.1	(1.5)	-6.7%	36.0	3.7%
Casino Wagering Tax	9.6	84.2	85.3	1.1	1.3%	112.0	1.1%
Gas and Oil Severance Tax	1.8	24.9	14.0	(10.8)	-43.6%	20.4	-32.9%
Telephone and Telegraph Tax	19.6	43.2	34.5	(8.7)	-20.1%	42.0	0.5%
Penalties and Interest	6.1	117.8	70.3	(47.5)	-40.3%	115.0	-7.7%
Lottery Transfer to SAF	70.0	598.8	681.0	82.2	13.7%	850.0	8.4%
Subtotal	159.9	1,430.9	1,469.3	38.4	2.7%	3,400.5	6.1%
TOTAL	\$1,938.3	\$15,151.7	\$15,565.5	\$413.8	2.7%	\$22,774.0	4.4%

Note: Numbers may not add due to rounding.