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## **August 2023 Revenue Update**

### **Major Taxes**

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$2,650.6 million in August 2023, \$120.2 million less than in August 2022. For the fiscal year-to-date, collections in FY 2022-23 were \$1,840.1 million (or 6.6%) lower than during FY 2021-22.

Net income tax revenue totaled \$858.9 million in August 2023, and for FY 2022-23 collections through August were \$2,040.8 million less than the same period during FY 2021-22. Year-to-date gross income tax collections in FY 2022-23 were \$1,446.7 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 \$243.9 million higher through August 2023 than a year ago. MBT refunds through August 2023 were close to last year's pace while CIT collections over the same period were \$200.9 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 offset much of 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 \$1,226.1 million in August 2023, and were collectively \$85.5 million lower than in FY 2021-22 on a year-to-date basis. Sales tax collections were running 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 over the past couple of months.

Revenue from online gaming totaled \$27.0 million in August 2023 and collections through August were \$40.0 million higher than the same period during FY 2021-22. Year-to-date revenue from recreational marijuana sales through August 2023 was \$70.7 million higher than one year ago while collections from the real estate transfer tax were \$134.4 million (or 29.5%) lower on a year-to-date basis. The transfer from the lottery to the School Aid Fund was \$100.0 million in August 2023, and year-to-date transfers were \$16.0 million higher than FY 2021-22.

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

General Fund/General Purpose revenue from Michigan's major taxes was estimated<sup>1</sup> to be \$1,098.9 million in August 2023, about \$64.0 million below the projection established at the May 2023 CREC. Lower than projected Individual Income Tax (IIT) withholding and higher IIT refunds more than offset higher use tax collections.

Year-to-date GF/GP tax revenue for FY 2022-23 was \$3.1 million below the projection, with lower IIT FTE tax collections and higher IIT refunds offsetting above forecast business and use tax collections.

### **School Aid Fund (SAF) Revenue**

School Aid Fund revenue from Michigan's major taxes was estimated<sup>1</sup> to be \$1,385.5 million in August 2023, about \$16.4 million below the amount established at the May 2023 CREC. Most of the differential can be attributed to a lower than projected lottery transfer and lower sales tax collections (primarily due to the sales to use tax transfers noted above).

Year-to-date SAF revenue for FY 2022-23 was \$154.4 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.

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

## FY 2022-23 August Revenue Collections

Millions of Dollars

<b>Major Taxes</b>	FY 2022-23	Year-to-Date Collections		Change from FY 2021-22 Year-to-Date		FY 2022-23 Estimates (May 2023 CREC)	
	<b>August</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>	<b>Dollar</b>	<b>% Change</b>	<b>Dollar</b>	<b>% Change</b>
Individual Income Tax							
Withholding	\$873.8	\$10,034.8	\$10,279.3	\$244.4	2.4%	\$12,206.0	1.3%
Flow Through Entity Tax	11.3	1,655.3	711.5	(943.7)	(57.0%)	975.7	(45.6%)
Quarterly Income Tax	25.1	1,048.1	818.1	(229.9)	(21.9%)	1,040.0	(24.4%)
Annual Income Tax	<u>24.6</u>	<u>1,695.7</u>	<u>1,178.2</u>	<u>(517.5)</u>	<u>(30.5%)</u>	<u>1,315.7</u>	<u>(30.2%)</u>
<b>Gross Income Tax</b>	<b>\$934.7</b>	<b>\$14,433.9</b>	<b>\$12,987.2</b>	<b>(\$1,446.7)</b>	<b>(10.0%)</b>	<b>\$15,537.4</b>	<b>(9.1%)</b>
Less: Income Tax Refunds	75.9	<u>2,329.4</u>	<u>2,923.5</u>	594.1	25.5%	<u>2,810.0</u>	(188.6%)
<b>Net Income Tax</b>	<b>\$858.9</b>	<b>\$12,104.5</b>	<b>\$10,063.7</b>	<b>(\$2,040.8)</b>	<b>(16.9%)</b>	<b>\$12,727.4</b>	<b>(37.2%)</b>
Business Taxes							
Single Business Tax	(0.0)	1.6	(3.5)	(5.0)		0.0	
Michigan Business Tax	3.7	(461.8)	(465.9)	(4.1)		(527.0)	
Corporate Income Tax	36.9	1,547.0	1,748.0	200.9	13.0%	1,560.0	(23.1%)
Insurance Company Taxes	<u>12.6</u>	<u>299.3</u>	<u>351.3</u>	<u>52.1</u>	<u>17.4%</u>	<u>440.0</u>	<u>4.8%</u>
<b>Subtotal</b>	<b>\$53.3</b>	<b>\$1,386.1</b>	<b>\$1,630.0</b>	<b>\$243.9</b>	<b>17.6%</b>	<b>\$1,473.0</b>	<b>(24.5%)</b>
Consumption Taxes							
Sales Tax	934.8	8,925.4	8,850.0	(75.4)	(0.8%)	10,847.3	0.6%
Use Tax (excluding LCSA levy)	217.5	1,768.4	1,819.8	51.3	2.9%	2,014.4	(1.9%)
Beer and Wine Taxes	1.3	37.1	35.4	(1.7)	(4.5%)	49.0	(0.4%)
Liquor Excise Tax	12.3	128.9	128.8	(0.1)	(0.1%)	140.8	(0.4%)
Tobacco Taxes	<u>60.2</u>	<u>656.4</u>	<u>596.7</u>	<u>(59.7)</u>	<u>(9.1%)</u>	<u>743.9</u>	<u>(6.7%)</u>
<b>Subtotal</b>	<b>\$1,226.1</b>	<b>\$11,516.2</b>	<b>\$11,430.6</b>	<b>(\$85.5)</b>	<b>(0.7%)</b>	<b>\$13,795.4</b>	<b>(0.2%)</b>
Other Miscellaneous Taxes							
State Education Tax	207.5	720.5	763.2	42.7	5.9%	2,607.0	6.8%
Real Estate Transfer Tax	35.6	455.5	321.1	(134.4)	(29.5%)	390.0	(28.6%)
Essential Services Assessment	99.8	133.0	142.8	9.9	7.4%	143.0	5.6%
Industrial & Commercial Facilities Taxes	4.9	31.9	35.5	3.6	11.3%	42.0	1.4%
Casino Wagering Tax	8.5	86.7	86.3	(0.4)	(0.5%)	103.2	(0.9%)
iGaming, Sports Betting, Fantasy Sports	27.0	223.1	263.1	40.0	17.9%	314.4	20.6%
Recreational Marihuana Excise Tax	12.9	132.4	203.0	70.7	53.4%	239.9	21.0%
Gas and Oil Severance Tax	2.4	34.4	22.7	(11.7)	(34.0%)	35.0	(17.1%)
Telephone and Telegraph Tax	4.1	34.3	30.6	(3.7)	(10.8%)	34.0	(2.9%)
Penalties and Interest	9.8	104.2	113.9	9.6	9.3%	140.0	0.1%
Lottery Transfer to School Aid Fund	<u>100.0</u>	<u>898.3</u>	<u>914.4</u>	<u>16.0</u>	<u>1.8%</u>	<u>1,220.0</u>	<u>(2.3%)</u>
<b>Subtotal</b>	<b>\$512.4</b>	<b>\$2,854.3</b>	<b>\$2,896.7</b>	<b>\$42.4</b>	<b>1.5%</b>	<b>\$5,268.5</b>	<b>1.5%</b>
<b>TOTAL</b>	<b>\$2,650.6</b>	<b>\$27,861.0</b>	<b>\$26,021.0</b>	<b>(\$1,840.1)</b>	<b>(6.6%)</b>	<b>\$33,264.3</b>	<b>(19.3%)</b>

*Note: Numbers may not add due to rounding.*