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## March 2022 Revenue Update

### Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$2,612.9 million in March 2022, \$1,136.9 million more than in March 2021. For the fiscal year-to-date, collections in FY 2021-22 were \$2,475.2 million (or 23.7%) higher than during FY 2020-21.

Net income tax revenue totaled \$1,252.1 million in March 2022, and for FY 2021-22 collections through March were \$1,536.1 million more than the same period during FY 2020-21. Year-to-date gross income tax collections in FY 2021-22 were \$1,656.6 million higher than one year ago due almost entirely to withholding and 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 \$117.2 million higher through March 2022 than a year ago. MBT refunds through March 2022 were on pace with last year at this point while CIT collections over the same period were \$97.4 million higher than last year's amount. Year-to-date insurance taxes are also higher than a year ago.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$1,027.0 million in March 2022, and were collectively \$598.2 million higher than in FY 2020-21 on a year-to-date basis. Sales tax collections remained strong while tobacco tax revenues lagged last year's amounts.

Revenue from the state education tax in March 2022 was \$55.6 million and collections from online gaming totaled \$20.5 million. The transfer from the lottery to the School Aid Fund was \$90.0 million in March 2022, and year-to-date transfers were \$23.7 million lower than FY 2020-21.

### 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 \$1,142.3 million in March 2022, about \$277.2 million above the projection established at the January 2022 consensus revenue estimating conference (CREC). Net income tax collections, primarily withholding and revenue from the FTE, along with combined business tax revenue, exceeded the CREC estimates and accounted for the majority of the differential.

Year-to-date GF/GP tax revenue for FY 2021-22 was about \$632.7 million above the expected amount, although almost half of the differential is due to projected refunds that have yet to be paid. The remaining differential can be attributed to sales and use tax collections, withholding, and estimated income tax payments.

### School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes was estimated<sup>1</sup> to be \$1,339.3 million in March 2022, about \$106.8 million above the amount established at the January 2022 CREC. Sales tax revenues accruing to the SAF and higher than projected gross income tax revenue contributed to the differential.

Year-to-date SAF revenue for FY 2021-22 was \$286.2 million above the consensus revenue projections. Higher than expected collections from sales and use taxes, gross income taxes, the state education tax, and real estate transfer taxes all contributed to SAF revenue exceeding the target estimate.

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

## FY 2021-22 March Revenue Collections

Millions of Dollars

| <b>Major Taxes</b>                       | FY 2021-22       | Year-to-Date Collections |                   | Change from      |                 | FY 2021-22 Estimates |                 |
|--|------------------|--------------------------|-------------------|------------------|-----------------|----------------------|-----------------|
|  | <b>March</b>     | <b>FY 2020-21</b>        | <b>FY 2021-22</b> | FY 2020-21       | Year-to-Date    | (January 2022 CREC)  |                 |
|  |                  |                          |                   | <b>Dollar</b>    | <b>% Change</b> | <b>Dollar</b>        | <b>% Change</b> |
| Individual Income Tax                    |                  |                          |                   |                  |                 |                      |                 |
| Withholding                              | \$1,116.3        | \$4,776.7                | \$5,231.9         | \$455.2          | 9.5%            | \$11,564.5           | 4.5%            |
| Flow Through Entity Tax                  | 718.4            | \$0.0                    | \$1,207.5         | \$1,207.5        |                 | 1,193.5              |                 |
| Quarterly Income Tax                     | 23.5             | 517.7                    | 503.4             | (14.3)           | (2.8%)          | 785.2                | (54.0%)         |
| Annual Income Tax                        | <u>138.0</u>     | <u>199.5</u>             | <u>207.8</u>      | <u>8.3</u>       | 4.2%            | <u>1,184.0</u>       | (33.5%)         |
| <b>Gross Income Tax</b>                  | <b>1,996.1</b>   | <b>5,493.9</b>           | <b>7,150.5</b>    | <b>1,656.6</b>   | <b>30.2%</b>    | <b>14,727.2</b>      | <b>1.2%</b>     |
| Less: Income Tax Refunds                 | <u>744.0</u>     | <u>1,137.3</u>           | <u>1,257.8</u>    | <u>120.5</u>     | 10.6%           | <u>2,838.2</u>       | 5.2%            |
| <b>Net Income Tax</b>                    | <b>1,252.1</b>   | <b>4,356.6</b>           | <b>5,892.7</b>    | <b>1,536.1</b>   | <b>35.3%</b>    | <b>11,889.0</b>      | <b>0.3%</b>     |
| Business Taxes                           |                  |                          |                   |                  |                 |                      |                 |
| Single Business Tax                      | (0.0)            | (0.1)                    | (0.5)             | (0.4)            |                 | 0.0                  |                 |
| Michigan Business Tax                    | 0.9              | (474.8)                  | (478.2)           | (3.4)            |                 | (594.3)              |                 |
| Corporate Income Tax                     | 89.0             | 516.9                    | 614.2             | 97.4             | 18.8%           | 1,461.6              | (13.9%)         |
| Insurance Company Taxes                  | <u>6.8</u>       | <u>87.4</u>              | <u>111.1</u>      | <u>23.7</u>      | 27.1%           | <u>380.0</u>         | 7.1%            |
| <b>Subtotal</b>                          | <b>96.6</b>      | <b>129.4</b>             | <b>246.6</b>      | <b>117.2</b>     | <b>90.6%</b>    | <b>1,247.3</b>       | <b>24.4%</b>    |
| Consumption Taxes                        |                  |                          |                   |                  |                 |                      |                 |
| Sales Tax                                | 761.5            | 3,446.0                  | 4,065.6           | 619.6            | 18.0%           | 9,412.6              | 0.1%            |
| Use Tax (excluding LCSA levy)            | 195.5            | 885.4                    | 892.9             | 7.5              | 0.8%            | 2,017.0              | (5.5%)          |
| Beer and Wine Taxes                      | 1.0              | 14.6                     | 14.2              | (0.4)            | (2.9%)          | 52.0                 | 1.0%            |
| Liquor Excise Tax                        | 10.7             | 60.5                     | 61.9              | 1.4              | 2.3%            | 153.6                | (4.4%)          |
| Tobacco Taxes                            | <u>58.3</u>      | <u>350.4</u>             | <u>320.5</u>      | <u>(29.9)</u>    | (8.5%)          | <u>878.0</u>         | (1.4%)          |
| <b>Subtotal</b>                          | <b>1,027.0</b>   | <b>4,756.9</b>           | <b>5,355.1</b>    | <b>598.2</b>     | <b>12.6%</b>    | <b>12,513.2</b>      | <b>16.2%</b>    |
| Other Miscellaneous Taxes                |                  |                          |                   |                  |                 |                      |                 |
| State Education Tax                      | 55.6             | 406.2                    | 449.1             | 43.0             | 10.6%           | 2,360.0              | 4.2%            |
| Real Estate Transfer Tax                 | 35.1             | 188.4                    | 225.8             | 37.5             | 19.9%           | 487.5                | (0.6%)          |
| Essential Services Assessment            | 0.2              | 0.9                      | 1.0               | 0.1              | 13.0%           | 135.0                | 7.3%            |
| Industrial & Commercial Facilities Taxes | 6.5              | 12.3                     | 12.7              | 0.4              | 3.2%            | 40.0                 | (4.5%)          |
| Casino Wagering Tax                      | 9.8              | 29.1                     | 43.3              | 14.2             | 48.7%           | 93.0                 | 2.6%            |
| iGaming, Sports Betting, Fantasy Sports  | 20.5             | 0.9                      | 120.5             | 119.7            |                 | 134.0                |                 |
| Recreational Marijuana Excise Tax        | 4.5              | 21.4                     | 45.5              | 24.1             | 112.9%          | 50.0                 | 1.4%            |
| Gas and Oil Severance Tax                | 4.2              | 7.2                      | 15.9              | 8.6              | 119.2%          | 22.0                 | 5.3%            |
| Telephone and Telegraph Tax              | 0.0              | 9.1                      | 7.3               | (1.8)            | (20.0%)         | 32.0                 | (1.2%)          |
| Penalties and Interest                   | 10.9             | 38.0                     | 39.7              | 1.7              | 4.4%            | 136.0                | 1.0%            |
| Lottery Transfer to School Aid Fund      | <u>90.0</u>      | <u>492.0</u>             | <u>468.3</u>      | <u>(23.7)</u>    | (4.8%)          | <u>1,280.0</u>       | (9.8%)          |
| <b>Subtotal</b>                          | <b>237.2</b>     | <b>1,205.4</b>           | <b>1,429.2</b>    | <b>223.8</b>     | <b>18.6%</b>    | <b>4,769.5</b>       | <b>17.2%</b>    |
| <b>TOTAL</b>                             | <b>\$2,612.9</b> | <b>\$10,448.3</b>        | <b>\$12,923.5</b> | <b>\$2,475.2</b> | <b>23.7%</b>    | <b>\$30,419.0</b>    | <b>15.5%</b>    |

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