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## May 2021 Revenue Update

### Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$2,841.5 million in May 2021, \$1,319.3 million more than in May 2020. For the fiscal year-to-date, collections in FY 2020-21 were \$3,793.7 million (or 31.0%) higher than during FY 2019-20.

Net income tax revenue totaled \$1,489.9 million in May 2021, and for FY 2020-21 collections through May were \$1,865.4 million more than the same period during FY 2019-20. Year-to-date gross income tax collections in FY 2020-21 were \$2,095.1 million higher than one year ago as all three components exceeded FY 2019-20 levels. Annual payments in May were the highest on record for any single month. Because annual payments reflect prior year tax liability, it demonstrates the vast amounts of income support provided by the federal government in response to the pandemic. In addition, the stock market, which initially plummeted when the pandemic hit, more than recovered its losses by year end, likely resulting in higher levels of capital gains.

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 \$349.4 million higher through May 2021 than one year ago on the strength of CIT collections, which exceeded last year's level by \$435.8 million.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$1,099.5 million in May 2021, and were collectively \$1,324.7 million higher than in FY 2019-20 on a year-to-date basis. Sales tax collections remain strong as consumers maintain spending on taxable goods as opposed to services, which are generally not subject to sales and use taxes.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in May 2021 were \$24.4 million and \$38.0 million, respectively. Collections from the RET through May 2021 are \$78.9 million higher than last year at this point, which is indicative of the booming housing market. The transfer from the lottery to the School Aid Fund was \$90.0 million in May 2021, and year-to-date transfers were \$90.2 million higher than FY 2019-20.

### 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 \$1,408.9 million in May 2021, about \$752.1 million above the projection established at the May 2021 consensus revenue estimating conference (CREC). Annual payments from the individual income tax accounted for over 80% of the differential.

Because May collections are the only monthly revenues since the most recent CREC, year-to-date GF/GP tax revenue for FY 2020-21 was also about \$752.1 million above the projected amount.

### School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes was estimated<sup>1</sup> to be \$1,310.6 million in May 2021, about \$258.7 million above the amount established at the May 2021 CREC. Sales tax collections and annual income tax payments accruing to the SAF were the primary factors.

For the same reason as with year-to-date GF/GP revenue, year-to-date SAF revenue for FY 2020-21 was also about \$258.7 million above the consensus revenue projections.

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

## FY 2020-21 May Revenue Collections

Millions of Dollars

Major Taxes	FY 2020-21	Year-to-Date Collections		Change from FY 2019-20 Year-to-Date		FY 2020-21 Estimates (May 2021 CREC)	
	May	FY 2019-20	FY 2020-21	Dollar	% Change	Dollar	% Change
Individual Income Tax							
Withholding	\$879.8	\$6,161.6	\$6,596.5	\$434.9	7.1%	\$11,014.5	4.9%
Quarterly Income Tax	36.5	492.5	871.9	379.3	77.0%	1,358.4	12.4%
Annual Income Tax	<u>973.9</u>	<u>304.2</u>	<u>1,585.1</u>	<u>1,280.9</u>	421.1%	<u>1,017.4</u>	(21.6%)
<b>Gross Income Tax</b>	<b>1,890.2</b>	<b>6,958.3</b>	<b>9,053.5</b>	<b>2,095.1</b>	<b>30.1%</b>	<b>13,390.3</b>	<b>2.9%</b>
Less: Income Tax Refunds	<u>400.3</u>	<u>1,853.3</u>	<u>2,083.1</u>	<u>229.8</u>	12.4%	<u>2,738.4</u>	8.8%
<b>Net Income Tax</b>	<b>1,489.9</b>	<b>5,105.1</b>	<b>6,970.4</b>	<b>1,865.4</b>	<b>36.5%</b>	<b>10,651.9</b>	<b>1.5%</b>
Business Taxes							
Single Business Tax	0.2	4.7	0.1	(4.6)		0.0	
Michigan Business Tax	0.0	(487.6)	(522.7)	(35.1)		(626.9)	
Corporate Income Tax	92.7	464.9	900.7	435.8	93.7%	1,384.1	25.3%
Insurance Company Taxes	<u>(18.3)</u>	<u>196.3</u>	<u>149.6</u>	<u>(46.7)</u>	(23.8%)	<u>390.0</u>	(14.6%)
<b>Subtotal</b>	<b>74.7</b>	<b>178.3</b>	<b>527.7</b>	<b>349.4</b>	<b>196.0%</b>	<b>1,147.2</b>	<b>14.4%</b>
Consumption Taxes							
Sales Tax	837.2	4,373.6	5,112.6	738.9	16.9%	8,906.0	7.2%
Use Tax (excluding LCSA levy)	166.6	648.9	1,224.5	575.6	88.7%	1,986.2	46.0%
Beer and Wine Taxes	1.2	23.0	24.3	1.3	5.6%	53.0	3.1%
Liquor Excise Tax	25.2	75.5	86.3	10.8	14.3%	135.6	(5.8%)
Tobacco Taxes	<u>69.3</u>	<u>494.9</u>	<u>493.0</u>	<u>(1.9)</u>	(0.4%)	<u>896.0</u>	(0.9%)
<b>Subtotal</b>	<b>1,099.5</b>	<b>5,616.0</b>	<b>6,940.7</b>	<b>1,324.7</b>	<b>23.6%</b>	<b>11,976.8</b>	<b>11.2%</b>
Other Miscellaneous Taxes							
State Education Tax	24.4	442.0	449.5	7.4	1.7%	2,267.6	3.5%
Real Estate Transfer Tax	38.0	182.1	261.0	78.9	43.3%	433.6	29.3%
Essential Services Assessment	3.6	1.7	5.2	3.5	204.9%	126.0	3.3%
Industrial & Commercial Facilities Taxes	2.9	15.2	19.0	3.8	25.1%	37.0	(9.5%)
Casino Wagering Tax	8.8	44.7	46.7	2.0	4.5%	134.9	101.3%
Recreational Marihuana Excise Tax	1.7	3.9	43.2	39.2		75.0	
Gas and Oil Severance Tax	1.7	9.4	10.7	1.3	13.8%	14.0	9.4%
Telephone and Telegraph Tax	0.0	10.3	9.1	(1.2)	(11.7%)	32.0	(1.2%)
Penalties and Interest	6.5	45.9	74.9	29.1	63.4%	130.0	43.3%
Lottery Transfer to School Aid Fund	<u>90.0</u>	<u>581.8</u>	<u>672.0</u>	<u>90.2</u>	15.5%	<u>1,208.1</u>	2.4%
<b>Subtotal</b>	<b>177.5</b>	<b>1,337.0</b>	<b>1,591.2</b>	<b>254.2</b>	<b>19.0%</b>	<b>4,458.2</b>	<b>9.5%</b>
<b>TOTAL</b>	<b>\$2,841.5</b>	<b>\$12,236.3</b>	<b>\$16,030.0</b>	<b>\$3,793.7</b>	<b>31.0%</b>	<b>\$28,234.1</b>	<b>7.2%</b>

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