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May 2022 Revenue Update

Major Taxes

Cash collections from Michigan's major taxes, penalties and interest, and lottery transfers totaled \$2,636.0 million in May 2022, \$205.7 million less than in May 2021. For the fiscal year-to-date, collections in FY 2021-22 were \$3,167.6 million (or 19.8%) higher than during FY 2020-21.

Net income tax revenue totaled \$1,229.2 million in May 2022, and for FY 2021-22 collections through May were \$1,905.6 million more than the same period during FY 2020-21. Year-to-date gross income tax collections in FY 2021-22 were \$1,916.0 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 \$265.4 million higher through May 2022 than a year ago. MBT refunds through May 2022 were behind last year's pace while CIT collections over the same period were \$164.1 million higher than last year's amount. Year-to-date insurance taxes were 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 \$1,103.6 million in May 2022, and were collectively \$715.5 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.

Collections from online gaming in May 2022 totaled \$23.0 million, almost \$10.0 million more than the prior month. Year-to-date revenue from recreational marijuana sales through May 2022 was \$40.8 million higher than one year ago. The transfer from the lottery to the School Aid Fund was \$90.0 million in May 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 estimated¹ to be \$1,276.4 million in May 2022, about \$631.7 million above the projection established at the May 2022 consensus revenue estimating conference (CREC). Lower than projected income tax refunds accounted for two-thirds of the differential. However, this is likely just a timing issue and it's expected these refunds will eventually be paid out during the remainder of the fiscal year.

Because May collections are the only monthly revenues since the most recent CREC, year-to-date GF/GP tax revenue for FY 2021-22 was also about \$631.7 million above the projected amount.

School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes was estimated¹ to be \$1,211.8 million in May 2022, about \$15.5 million above the amount established at the May 2022 CREC. Sales tax collections and annual income tax payments accruing to the SAF more than offset lower than projected lottery transfers.

For the same reason as with year-to-date GF/GP revenue, year-to-date SAF revenue for FY 2021-22 was also about \$15.5 million above the consensus revenue projections.

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

FY 2021-22 May Revenue Collections
Millions of Dollars

Major Taxes	FY 2021-22	Year-to-Date Collections		Change from		FY 2021-22 Estimates	
	May	FY 2020-21	FY 2021-22	FY 2020-21 Year-to-Date	Year-to-Date	(May 2022 CREC)	
				Dollar	% Change	Dollar	% Change
Individual Income Tax							
Withholding	\$1,003.7	\$6,596.5	\$7,199.2	\$602.7	9.1%	\$11,954.5	8.2%
Flow Through Entity Tax	6.2	0.0	1,438.3	1,438.3		2,048.8	
Quarterly Income Tax	48.9	871.9	726.4	(145.5)	(16.7%)	983.9	(42.3%)
Annual Income Tax	<u>340.1</u>	<u>1,585.1</u>	<u>1,605.7</u>	<u>20.6</u>	1.3%	<u>1,740.0</u>	(2.3%)
Gross Income Tax	1,398.9	9,053.5	10,969.5	1,916.0	21.2%	16,727.2	15.1%
Less: Income Tax Refunds	169.6	<u>2,083.1</u>	<u>2,093.5</u>	<u>10.4</u>	0.5%	<u>3,244.2</u>	20.3%
Net Income Tax	1,229.2	6,970.4	8,876.0	1,905.6	27.3%	13,483.0	13.9%
Business Taxes							
Single Business Tax	0.0	0.1	(2.2)	(2.3)		0.0	
Michigan Business Tax	2.2	(522.7)	(461.8)	60.9		(594.3)	
Corporate Income Tax	105.7	900.7	1,064.8	164.1	18.2%	1,822.6	7.1%
Insurance Company Taxes	<u>5.4</u>	<u>149.6</u>	<u>192.3</u>	<u>42.7</u>	28.6%	<u>385.0</u>	8.5%
Subtotal	113.3	527.7	793.1	265.4	50.3%	1,613.3	60.9%
Consumption Taxes							
Sales Tax	862.8	5,112.6	5,866.2	753.6	14.7%	10,299.6	9.4%
Use Tax (excluding LCSA levy)	166.9	1,224.5	1,230.3	5.8	0.5%	2,082.0	(2.5%)
Beer and Wine Taxes	1.4	24.3	23.4	(0.9)	(3.8%)	52.0	1.0%
Liquor Excise Tax	11.6	86.3	87.5	1.3	1.5%	157.6	0.3%
Tobacco Taxes	<u>60.9</u>	<u>493.0</u>	<u>448.7</u>	<u>(44.3)</u>	(9.0%)	<u>830.7</u>	(6.9%)
Subtotal	1,103.6	6,940.7	7,656.1	715.5	10.3%	13,421.9	24.6%
Other Miscellaneous Taxes							
State Education Tax	18.4	449.5	487.1	37.6	8.4%	2,396.0	6.2%
Real Estate Transfer Tax	24.6	261.0	297.5	36.5	14.0%	527.0	7.5%
Essential Services Assessment	4.0	5.2	5.8	0.6	12.3%	135.0	7.3%
Industrial & Commercial Facilities Taxes	2.9	19.0	19.9	0.9	4.6%	42.0	0.2%
Casino Wagering Tax	8.7	46.7	61.5	14.9	31.8%	110.0	21.4%
iGaming, Sports Betting, Fantasy Sports	23.0	1.0	156.8	155.8		210.8	
Recreational Marihuana Excise Tax	7.3	43.2	83.9	40.8	94.4%	144.0	192.1%
Gas and Oil Severance Tax	3.1	10.7	21.1	10.4	97.5%	35.0	67.5%
Telephone and Telegraph Tax	0.0	9.1	7.3	(1.8)	(20.0%)	32.0	(1.2%)
Penalties and Interest	7.8	74.9	84.1	9.2	12.2%	140.0	4.0%
Lottery Transfer to School Aid Fund	<u>90.0</u>	<u>672.0</u>	<u>648.3</u>	<u>(23.7)</u>	(3.5%)	<u>1,240.0</u>	(12.7%)
Subtotal	189.7	1,592.3	1,873.4	281.1	17.7%	5,011.8	23.1%
TOTAL	\$2,636.0	\$16,031.0	\$19,198.7	\$3,167.6	19.8%	\$33,530.0	27.3%

Note: Numbers may not add due to rounding.