

## July 2018 Revenue Update

### Major Taxes

Cash collections from Michigan major taxes, penalties and interest, and lottery transfers totaled \$2,116.2 million in July 2018, \$88.5 million more than in July 2017. For the fiscal year-to-date, collections in FY 2017-18 are \$698.0 million (or 4.2%) higher than during FY 2016-17.

Net income tax revenue totaled \$793.8 million in July 2018, and for FY 2017-18 collections through July are \$548.1 million (or 7.8%) higher than the same period during FY 2016-17. Year-to-date gross income tax collections in FY 2017-18 are \$581.4 million higher than one year ago as all three components exceed FY 2016-17 levels. Quarterly and annual payments have been especially strong and are above the consensus estimates, and although withholding collections are higher than during FY 2016-17, they remain well below FY 2017-18 projections.

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 can often display significant fluctuations that diverge from historical trends. On a fiscal year-to-date basis, net business taxes are \$14.1 million lower through July 2018 than a year ago, and although MBT collections are \$90.5 million ahead of last year, CIT revenue through July 2018 is \$133.3 million below last year's collections.

Revenue from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$956.4 million in July 2018, and are collectively \$143.6 million higher than in FY 2016-17 on a year-to-date basis. Year-to-date sales tax revenue remains above FY 2016-17 levels, although the individual growth rate is below the May 2018 consensus projection. In contrast, use tax revenue is above the consensus estimate. Liquor tax collections appear to be lagging last year's amounts, it can likely be attributed to timing issues in recording collections as opposed to reflecting a persistent decline.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in July 2018 were \$19.7 million and \$33.9 million, respectively. Transfers from the lottery to the School Aid Fund were \$65.0 million in July 2018, and are \$13.5 million higher than FY 2016-17 on a year-to-date basis.

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

General Fund/General Purpose revenue from Michigan's major taxes is estimated<sup>1</sup> to be \$1,045.6 million in July 2018, about \$32.1 million above the projection established at the May 2018 consensus revenue estimating conference (CREC). Much of the difference can be attributed to continued strong MBT and use tax collections.

Year-to-date GF/GP tax revenue for FY 2017-18 is about \$231.0 million above the projected amount on the strength of higher than expected individual income tax, business taxes, and use tax revenues.

### School Aid Fund (SAF) Revenue

School Aid Fund revenue from Michigan's major taxes is estimated<sup>1</sup> to be \$956.6 million in July 2018, about \$21.5 million below the amount established at the May 2018 consensus revenue estimating conference, primarily because of lower than anticipated sales tax collections and lottery transfers.

Year-to-date SAF revenue for FY 2017-18 is \$50.2 million below the consensus revenue projections as lower than expected lottery transfers, sales tax collections, and SET payments more than offset strong use tax collections.

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

**FY 2017-18 July Revenue Collections**  
Millions of Dollars

<u>Major Taxes</u>	FY 2017-18 <u>July</u>	Year-to-Date Collections		Change from FY 2016-17 Year-to-Date		FY 2017-18 Estimates (May 2018 CREC)	
		<u>FY 2016-17</u>	<u>FY 2017-18</u>	<u>Dollar</u>	<u>% Change</u>	<u>Dollar</u>	<u>% Change</u>
Individual Income Tax							
Withholding	\$803.9	\$7,159.0	\$7,369.4	\$210.4	2.9%	\$9,844.6	5.5%
Quarterly Income Tax	20.6	880.6	1,165.3	284.7	32.3%	1,423.6	19.2%
Annual Income Tax	<u>18.6</u>	<u>806.5</u>	<u>892.8</u>	<u>86.3</u>	10.7%	<u>937.6</u>	6.5%
<b>Gross Income Tax</b>	<b>843.1</b>	<b>8,846.1</b>	<b>9,427.4</b>	<b>581.4</b>	<b>6.6%</b>	<b>12,205.8</b>	<b>7.0%</b>
Less: Income Tax Refunds	<u>49.3</u>	<u>1,787.8</u>	<u>1,821.0</u>	<u>33.2</u>	1.9%	<u>1,999.3</u>	2.2%
<b>Net Income Tax</b>	<b>793.8</b>	<b>7,058.3</b>	<b>7,606.4</b>	<b>548.1</b>	<b>7.8%</b>	<b>10,206.5</b>	<b>8.0%</b>
Business Taxes							
Single Business Tax	5.7	9.5	6.1	(3.5)		7.0	
Michigan Business Tax	(6.2)	(704.0)	(613.5)	90.5		(787.9)	
Corporate Income Tax	82.4	829.3	696.0	(133.3)	(16.1%)	859.8	(22.2%)
Insurance Company Taxes	<u>106.6</u>	<u>263.3</u>	<u>295.5</u>	<u>32.2</u>	12.2%	<u>398.1</u>	7.4%
<b>Subtotal</b>	<b>188.4</b>	<b>398.2</b>	<b>384.1</b>	<b>(14.1)</b>	<b>(3.5%)</b>	<b>477.0</b>	<b>(39.7%)</b>
Consumption Taxes							
Sales Tax	735.6	5,785.8	5,879.6	93.8	1.6%	8,041.8	3.1%
Use Tax	142.3	969.4	1,055.9	86.5	8.9%	1,211.2	11.5%
Beer and Wine Taxes	5.1	37.2	38.6	1.4	3.8%	53.0	3.7%
Liquor Excise Tax	0.1	69.3	59.1	(10.2)	(14.7%)	111.6	2.4%
Tobacco Taxes	<u>73.3</u>	<u>693.0</u>	<u>665.0</u>	<u>(28.0)</u>	(4.0%)	<u>930.5</u>	(1.6%)
<b>Subtotal</b>	<b>956.4</b>	<b>7,554.7</b>	<b>7,698.2</b>	<b>143.6</b>	<b>1.9%</b>	<b>10,348.1</b>	<b>3.6%</b>
Other Miscellaneous Taxes							
State Education Tax	19.7	392.4	352.6	(39.8)	(10.1%)	2,039.1	3.8%
Real Estate Transfer Tax	33.9	223.5	234.5	11.0	4.9%	331.1	4.4%
Essential Services Assessment	16.6	17.0	19.9	2.9	16.9%	91.1	8.5%
Industrial & Commercial Facilities Taxes	1.7	20.8	21.5	0.7	3.5%	38.0	5.6%
Casino Wagering Tax	9.7	86.0	87.2	1.2	1.4%	114.0	0.7%
Gas and Oil Severance Tax	2.5	17.1	20.5	3.4	19.8%	25.0	6.4%
Telephone and Telegraph Tax	18.2	33.7	32.8	(0.9)	(2.7%)	35.0	(1.7%)
Penalties and Interest	10.4	77.1	105.5	28.4	36.8%	127.6	13.1%
Lottery Transfer to School Aid Fund	<u>65.0</u>	<u>682.0</u>	<u>695.5</u>	<u>13.5</u>	2.0%	<u>944.4</u>	2.2%
<b>Subtotal</b>	<b>177.6</b>	<b>1,549.6</b>	<b>1,570.0</b>	<b>20.4</b>	<b>1.3%</b>	<b>3,745.3</b>	<b>3.3%</b>
<b>TOTAL</b>	<b>\$2,116.2</b>	<b>\$16,560.7</b>	<b>\$17,258.7</b>	<b>\$698.0</b>	<b>4.2%</b>	<b>\$24,776.9</b>	<b>3.9%</b>

Note: Numbers may not add due to rounding.