

June 2017 Revenue Update

Major Taxes

Cash collections from Michigan major taxes, penalties and interest, and lottery transfers totaled \$2,159.6 million in June 2017, \$281.3 million more than in June 2016. For the fiscal year-to-date, collections in FY 2016-17 are \$901.0 million (or 6.6%) higher than during FY 2015-16.

Net income tax revenue totaled \$950.2 million in June 2017, and for FY 2016-17 collections through June were \$195.9 million (or 3.2%) higher than the same period during FY 2015-16. Year-to-date collections in FY 2016-17 from withholding and estimated payments are higher by \$161.9 million and \$95.6 million than one year ago, while annual payments are lower by \$30.7 million. Year-to-date income tax refunds in FY 2016-17 are \$30.9 million higher than during FY 2015-16, although it should be noted that higher refunds reduce net revenue.

Net business taxes are the sum of the single business tax (SBT), the Michigan business tax (MBT), the corporate income tax (CIT), and insurance company taxes. Because of the uncertainty over when existing certificated MEGA credits will be claimed and the inherent volatility of corporate income taxes, monthly collections of business taxes can display significant fluctuations that diverge from historical patterns. On a fiscal year-to-date basis, net business taxes are \$330.8 million higher through June 2017 than a year ago, with the gains spread across all four components.

Collections from consumption taxes, which consist of the sales tax, the use tax, beer and wine taxes, liquor taxes, and tobacco taxes, totaled \$931.7 million in June 2017, and are collectively \$308.7 million higher than in FY 2015-16 on a year-to-date basis. Year-to-date sales tax revenue has grown faster than the consensus estimate, and is the primary reason for the overall increase in consumption taxes.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in June 2017 were \$29.3 million and \$23.0 million, respectively, and on a year-to-date basis are well above the consensus estimates. Transfers from the lottery to the School Aid Fund were \$78.0 million in June 2017, but remain slightly below FY 2015-16 on a year-to-date basis.

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

General Fund revenue from Michigan major taxes is estimated¹ to be \$1,042.1 million in June 2017, roughly \$67.0 million above the projection established at the May 2017 consensus revenue estimating conference (CREC), primarily because of stronger than anticipated corporate income tax revenue and net MBT collections which were substantially less negative than estimated.

Year-to-date GF/GP tax revenue for FY 2016-17 is \$136.7 million above the projected amount, although a large portion of the difference is due to net business taxes which tend to be volatile.

School Aid Fund Revenue

School Aid Fund revenue from Michigan major taxes is estimated¹ to be \$1,006.1 million in June 2017, about \$2.6 million below the amount established at the May 2017 consensus revenue estimating conference. Sales and use tax revenue accruing to the SAF was collectively \$20.3 million above target, but was more than offset by lower than anticipated SET collections and lottery transfers.

Year-to-date SAF revenue for FY 2016-17 is about \$5.0 million above the May 2017 projections.

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

FY 2016-17 June Revenue Collections
Millions of Dollars

<u>Major Taxes</u>	FY 2016-17 <u>June</u>	Year-to-Date Collections		Change from FY 2015-16 Year-to-Date		FY 2016-17 Estimates (May 2017 CREC)	
		<u>FY 2015-16</u>	<u>FY 2016-17</u>	<u>Dollar</u>	<u>% Change</u>	<u>Dollar</u>	<u>% Change</u>
Individual Income Tax							
Withholding	\$737.4	\$6,225.5	\$6,387.4	\$161.9	2.6%	\$9,530.0	2.9%
Quarterly Income Tax	233.0	766.1	861.7	95.6	12.5%	1,157.8	8.7%
Annual Income Tax	19.5	823.8	793.1	(30.7)	-3.7%	887.6	-2.7%
Gross Income Tax	989.9	7,815.4	8,042.2	226.8	2.9%	11,575.4	3.0%
Less: Income Tax Refunds	39.7	1,725.1	1,756.0	30.9	1.8%	1,879.0	0.3%
Net Income Tax	950.2	6,090.3	6,286.2	195.9	3.2%	9,696.4	3.5%
Business Taxes							
Single Business Tax	2.9	(9.2)	3.5	12.7		(5.0)	
Michigan Business Tax	(0.8)	(851.5)	(696.8)	154.6		(922.8)	
Corporate Income Tax	118.2	625.3	772.2	146.9	23.5%	1,078.0	15.9%
Insurance Company Taxes	2.4	158.0	174.6	16.6	10.5%	366.3	11.3%
Subtotal	122.8	(77.4)	253.4	330.8	-427.5%	516.5	37.9%
Consumption Taxes							
Sales Tax	685.5	4,724.1	5,047.5	323.4	6.8%	7,694.9	5.4%
Use Tax	147.1	875.1	863.0	(12.1)	-1.4%	1,185.0	-16.6%
Beer and Wine Taxes	4.8	32.1	31.8	(0.3)	-1.0%	52.0	0.4%
Liquor Excise Tax	8.5	67.0	69.2	2.1	3.2%	105.6	0.9%
Tobacco Taxes	85.8	611.3	606.9	(4.4)	-0.7%	944.4	-0.2%
Subtotal	931.7	6,309.6	6,618.3	308.7	4.9%	9,981.9	1.6%
Other Miscellaneous Taxes							
State Education Tax	29.3	349.7	379.5	29.8	8.5%	1,945.9	2.6%
Real Estate Transfer Tax	23.0	163.0	187.9	24.8	15.2%	312.7	8.1%
Essential Services Assessment	2.6	0.8	4.2	3.4		78.0	15.4%
Industrial & Commercial Facilities Taxes	1.4	17.8	19.9	2.1	12.1%	35.0	7.7%
Casino Wagering Tax	9.2	75.7	76.4	0.7	0.9%	114.0	1.0%
Gas and Oil Severance Tax	2.6	12.3	16.5	4.2	34.6%	24.8	31.2%
Telephone and Telegraph Tax	0.0	14.9	13.8	(1.2)	-7.7%	36.6	5.5%
Penalties and Interest	8.8	64.2	73.8	9.6	14.9%	114.3	-8.1%
Lottery Transfer to SAF	78.0	611.0	603.0	(8.0)	-1.3%	887.0	-0.2%
Subtotal	154.8	1,309.4	1,375.0	65.6	5.0%	3,548.3	2.4%
TOTAL	\$2,159.6	\$13,632.0	\$14,533.0	\$901.0	6.6%	\$23,743.1	3.1%

Note: Numbers may not add due to rounding.