

October 2017 Revenue Update

Major Taxes

Cash collections from Michigan major taxes, penalties and interest, and lottery transfers totaled \$2,924.4 million in October 2017, \$74.2 million more than in October 2016. For the fiscal year-to-date, collections in FY 2016-17 are \$1,249.8 million (or 5.5%) higher than during FY 2015-16.

Net income tax revenue totaled \$799.0 million in October 2017, and for FY 2016-17 collections through October were \$122.2 million (or 1.3%) higher than the same period during FY 2015-16. Although year-to-date collections in FY 2016-17 from withholding are higher than one year ago by \$82.5 million, the growth rate is well below the May 2017 consensus estimate for the fiscal year. Conversely, year-to-date income tax refunds in FY 2016-17 are \$50.5 million higher than during FY 2015-16 and are growing faster than the fiscal year consensus estimate, 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 premiums taxes. Because of the uncertainty over when (or even if) 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 \$490.6 million higher through October 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 \$847.5 million in October 2017, and are collectively \$398.3 million higher than FY 2015-16 on a year-to-date basis. Year-to-date revenues from the sales tax, use tax, and liquor tax continue to exceed the consensus estimate growth rates while beer and wine taxes and tobacco revenue remain roughly on target.

Revenues from the state education tax (SET) and the real estate transfer tax (RET) in October 2017 were \$1,021.7 million and \$28.8 million, respectively, and along with the essential services assessment are well above the consensus estimates 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 \$935.9 million in October 2017, about \$79.0 million below the projection established at the May 2017 consensus revenue estimating conference (CREC). Continued below-target collections from the individual income tax more than offset higher than anticipated revenues from business taxes (primarily the MBT).

Year-to-date GF/GP tax revenue for FY 2016-17 is \$58.1 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 (SAF) Revenue

School Aid Fund revenue from Michigan major taxes is estimated¹ to be \$1,878.8 million in October 2017, about \$20.0 million above the amount established at the May 2017 consensus revenue estimating conference. Continued strong sales tax revenue combined with higher than expected SET collections boosted SAF revenue in October, and helped to offset weaker than anticipated individual income tax collections.

Year-to-date SAF revenue for FY 2016-17 is estimated to be \$136.5 million above the May 2017 projections.

¹ Because of accruals and undistributed revenue, monthly fund splits are estimated. Year-to-date comparisons with consensus estimates are based on cash collections, and can change during the book closing process at the end of the fiscal year.

FY 2016-17 October Revenue Collections
Millions of Dollars

<u>Major Taxes</u>	FY 2016-17 <u>October</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	\$790.4	\$9,292.3	\$9,374.8	\$82.5	0.9%	\$9,530.0	2.9%
Quarterly Income Tax	22.9	1,063.6	1,190.1	126.6	11.9%	1,157.8	8.7%
Annual Income Tax	43.7	<u>922.2</u>	<u>885.9</u>	<u>(36.4)</u>	-3.9%	<u>887.6</u>	-2.7%
Gross Income Tax	857.0	11,278.1	11,450.8	172.7	1.5%	11,575.4	3.0%
Less: Income Tax Refunds	58.0	<u>1,853.8</u>	<u>1,904.3</u>	<u>50.5</u>	2.7%	<u>1,879.0</u>	0.3%
Net Income Tax	799.0	9,424.3	9,546.5	122.2	1.3%	9,696.4	3.5%
Business Taxes							
Single Business Tax	5.7	5.3	18.7	13.3		(5.0)	
Michigan Business Tax	(13.8)	(1,011.0)	(747.9)	263.1		(922.8)	
Corporate Income Tax	81.3	885.3	1,050.8	165.5	18.7%	1,078.0	15.9%
Insurance Company Premiums Taxes	<u>93.5</u>	<u>314.3</u>	<u>363.0</u>	<u>48.7</u>	15.5%	<u>366.3</u>	11.3%
Subtotal	166.6	194.0	684.6	490.6		516.5	37.9%
Consumption Taxes							
Sales Tax	683.2	7,287.7	7,841.0	553.3	7.6%	7,694.9	5.4%
Use Tax	83.2	1,397.4	1,241.0	(156.5)	-11.2%	1,185.0	-16.6%
Beer and Wine Taxes	2.5	51.7	49.4	(2.3)	-4.5%	52.0	0.4%
Liquor Excise Tax	0.0	96.8	112.0	15.2	15.7%	105.6	0.9%
Tobacco Taxes	<u>78.5</u>	<u>957.6</u>	<u>946.2</u>	<u>(11.4)</u>	-1.2%	<u>944.4</u>	-0.2%
Subtotal	847.5	9,791.3	10,189.6	398.3	4.1%	9,981.9	1.6%
Other Miscellaneous Taxes							
State Education Tax	1,021.7	1,863.1	1,996.8	133.7	7.2%	1,945.9	2.6%
Real Estate Transfer Tax	28.8	281.1	323.9	42.8	15.2%	312.7	8.1%
Essential Services Assessment	0.3	68.1	84.0	15.9	23.3%	78.0	15.4%
Industrial & Commercial Facilities Taxes	6.0	36.5	40.6	4.1	11.3%	35.0	7.7%
Casino Wagering Tax	10.3	112.7	113.4	0.7	0.6%	114.0	1.0%
Gas and Oil Severance Tax	2.1	19.9	23.5	3.6	18.1%	24.8	31.2%
Telephone and Telegraph Tax	0.0	36.5	34.7	(1.8)	-5.0%	36.6	5.5%
Penalties and Interest	4.0	98.0	105.5	7.5	7.7%	114.3	-8.1%
Lottery Transfer to SAF	<u>38.1</u>	<u>853.0</u>	<u>885.1</u>	<u>32.1</u>	3.8%	<u>887.0</u>	-0.2%
Subtotal	1,111.2	3,368.9	3,607.5	238.6	7.1%	3,548.3	2.4%
TOTAL	\$2,924.4	\$22,778.5	\$24,028.3	\$1,249.8	5.5%	\$23,743.1	3.1%

Note: Numbers may not add due to rounding.