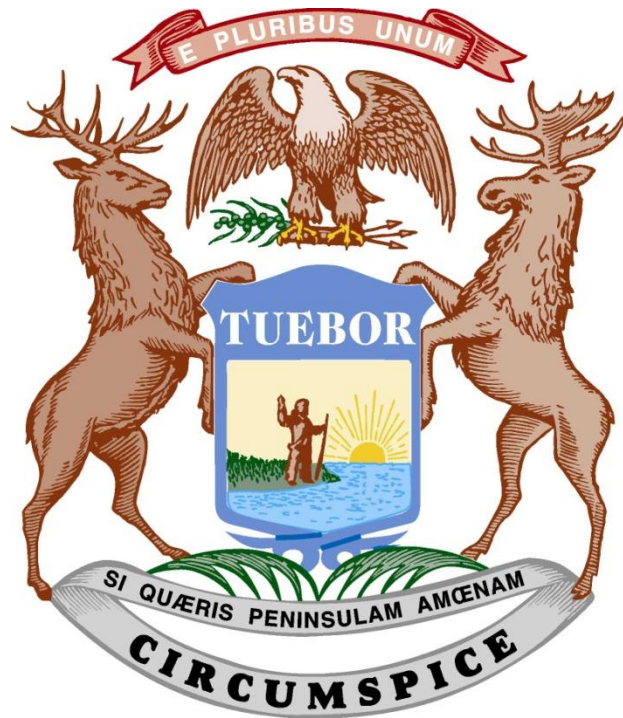


ECONOMIC AND REVENUE FORECASTS

FY 2024 • FY 2025 • FY 2026



CONSENSUS REVENUE ESTIMATING CONFERENCE (CREC)

MAY 17, 2024

OUTLINE

- **Recent Economic and Revenue Updates**
Ben Gielczyk, House Fiscal Agency
- **Revenue Estimates for Major Taxes**
David Zin, Senate Fiscal Agency
- **Revenue Estimates by Fund**
Eric Bussis, Department of Treasury

ECONOMIC OUTLOOK

- U.S. Economy

- All three forecasts estimate that GDP will grow at modest rates through the forecast
- Wage and salary employment growth remains positive but slow
- Inflation is forecast to slow over the next three years

- Michigan Economy

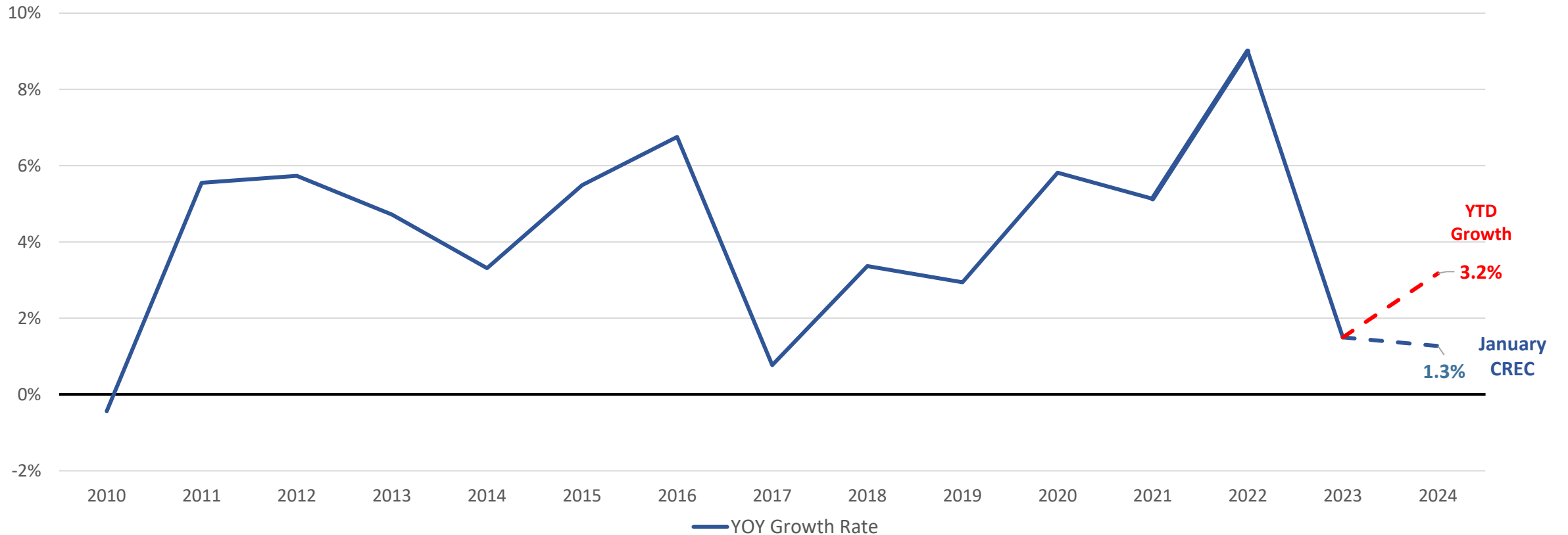
- Michigan economic outlook expected to track national growth
- Michigan Personal Income growth expected through the next three years, even after adjusting for inflation

REVENUE SINCE JANUARY CREC— MAJOR TAXES ON TARGET

- Revenue collections remain solid
- Major taxes generally on target
- IIT refunds
 - Prior-year retroactive EITC processing and rate reduction boosting cash refunds
 - Significant amounts of FY 2024 cash refunds were already accounted for in FY 2023

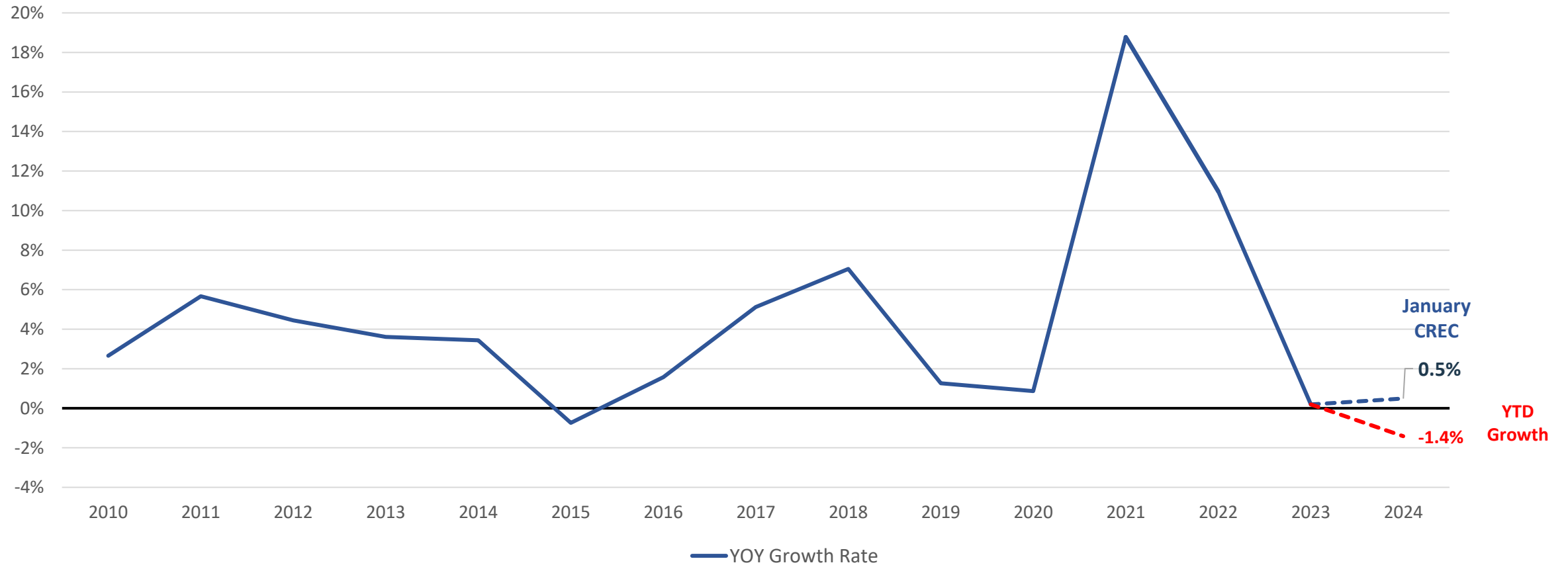
INCOME TAX WITHHOLDING GROWTH RATE

Income Tax Withholding Fiscal Year-Over-Year Growth Rate



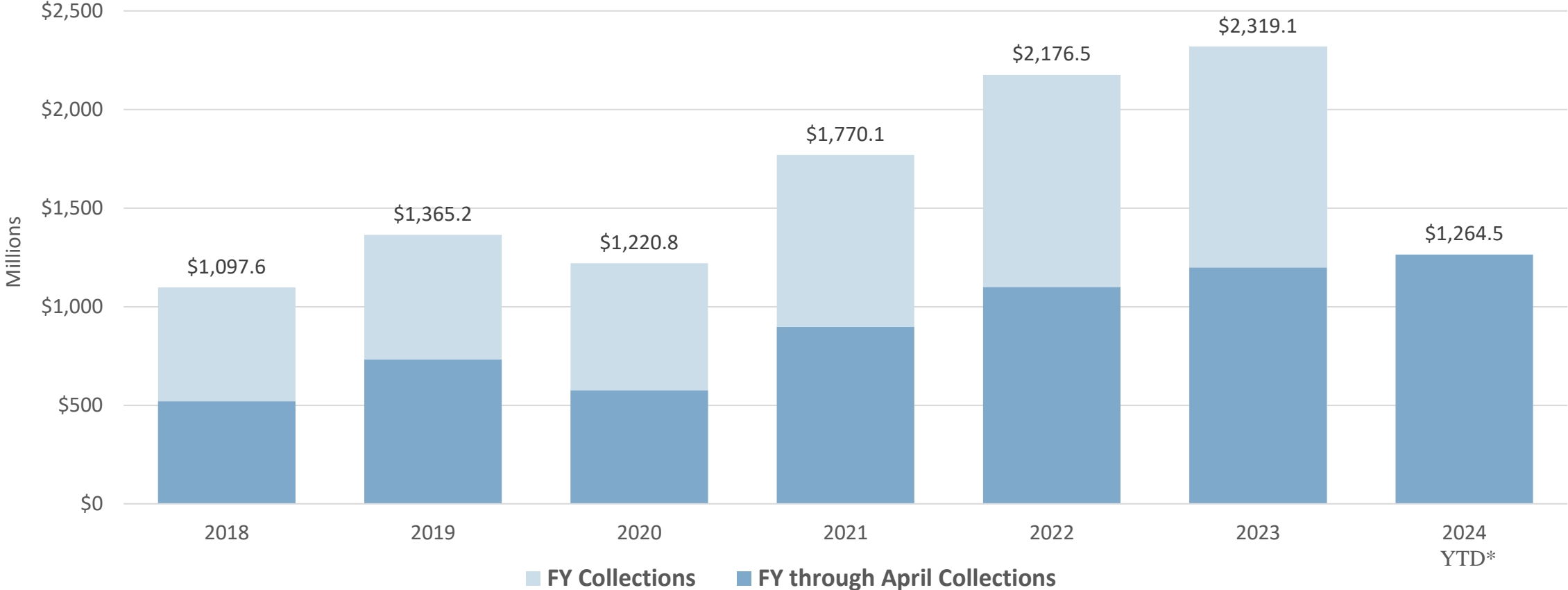
SALES AND USE GROWTH RATE

Sales and Use Fiscal Year-Over-Year Growth Rate



CORPORATE INCOME TAX--STRONG GROWTH CONTINUES

CIT and MBT Excluding MEGA and MBT Credits

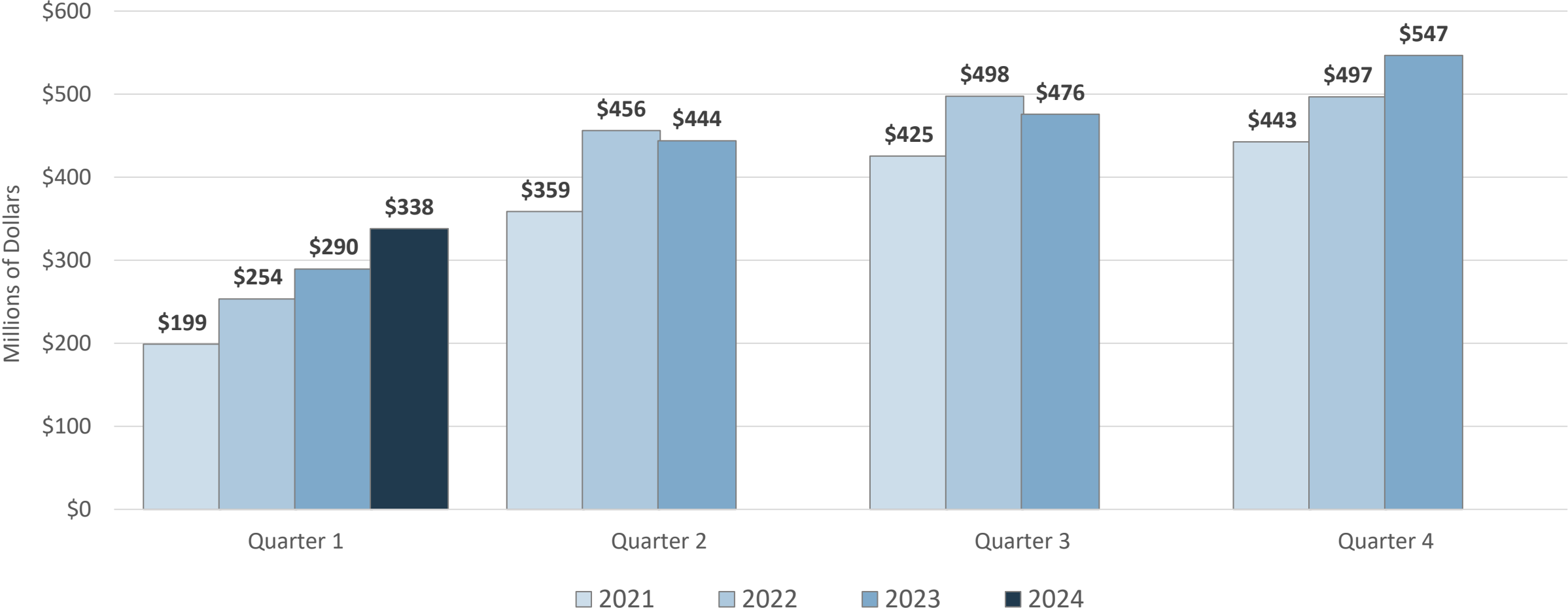


Source: Michigan Department of Treasury, 05/16/2024.

CORPORATE INCOME TAX--STRONG GROWTH CONTINUES

CIT and MBT Quarterly Payments

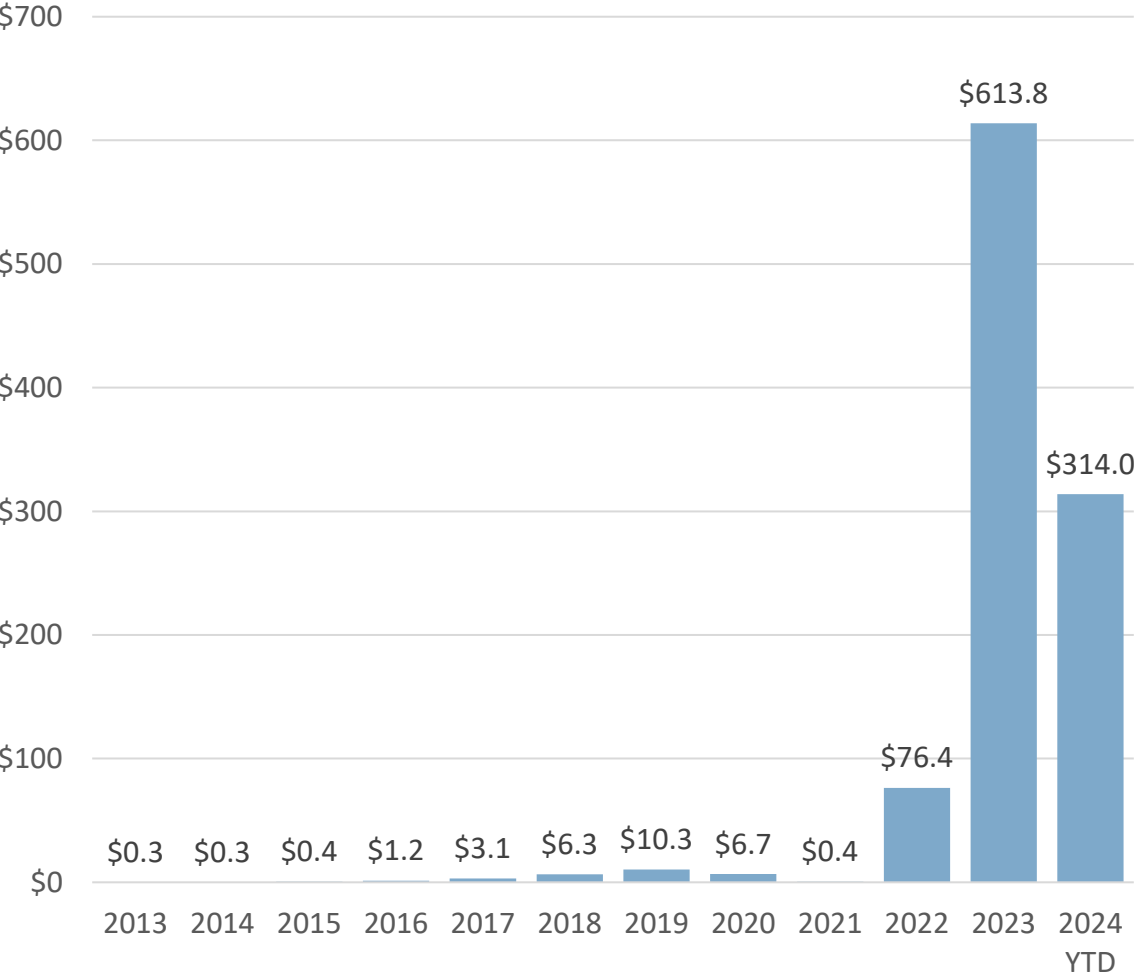
Values shown based on estimated collections for each Tax Year's Quarter



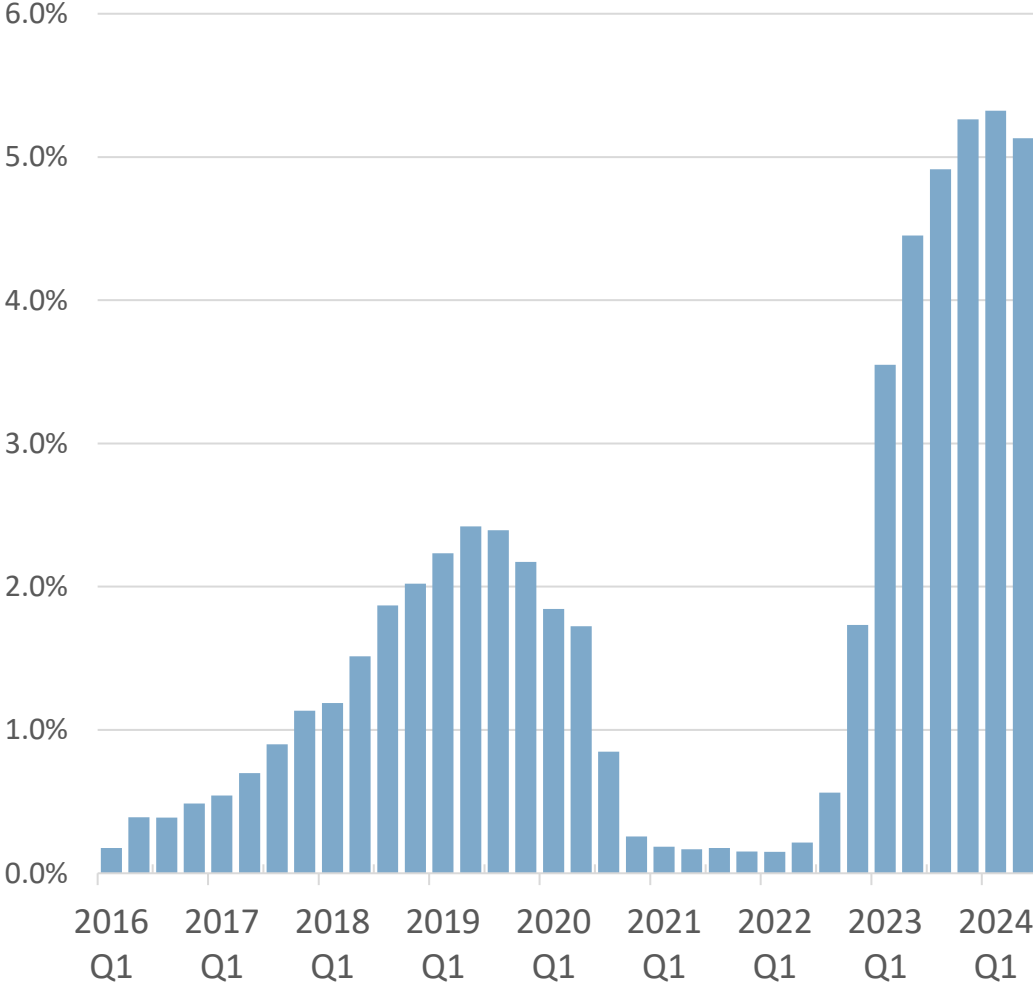
Source: Michigan Department of Treasury, 05/10/2024.

GENERAL FUND COMMON CASH EARNINGS

General Fund Cash Earnings



Common Cash Interest Rate

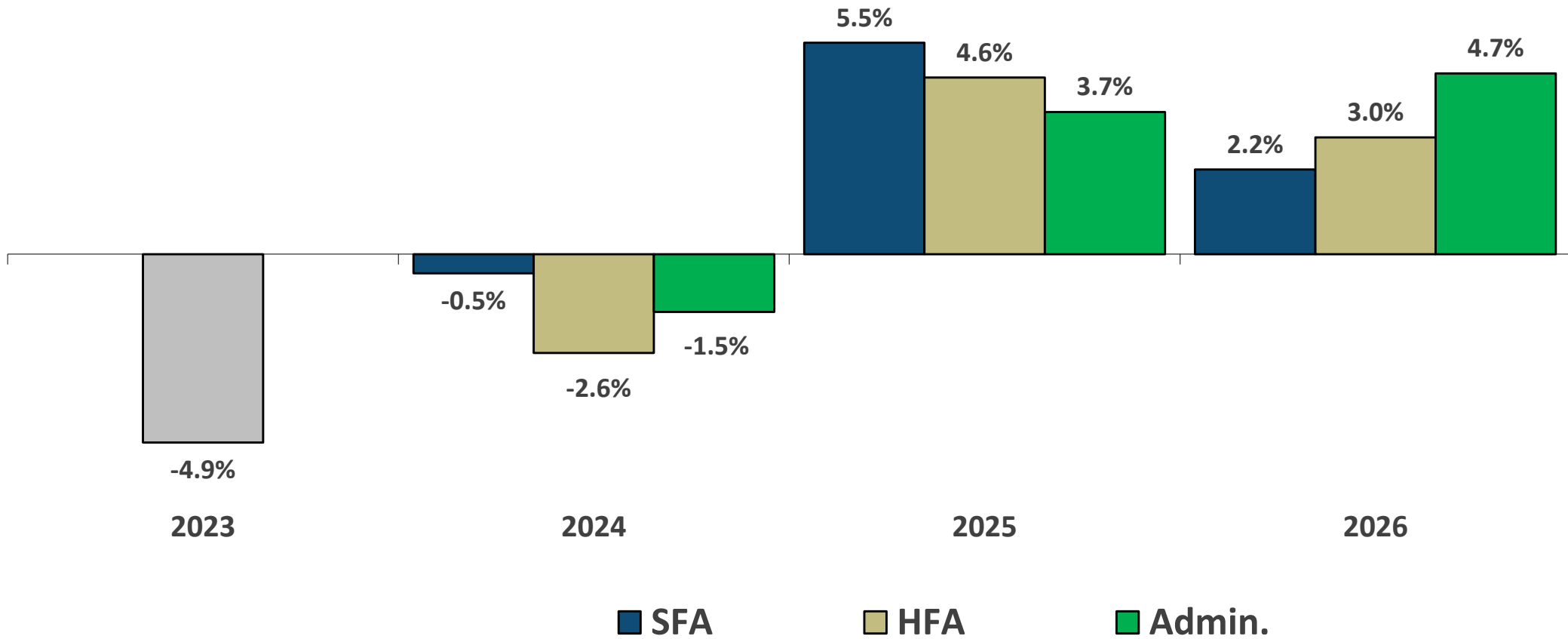


Source: Michigan Department of Treasury, 05/10/2024.

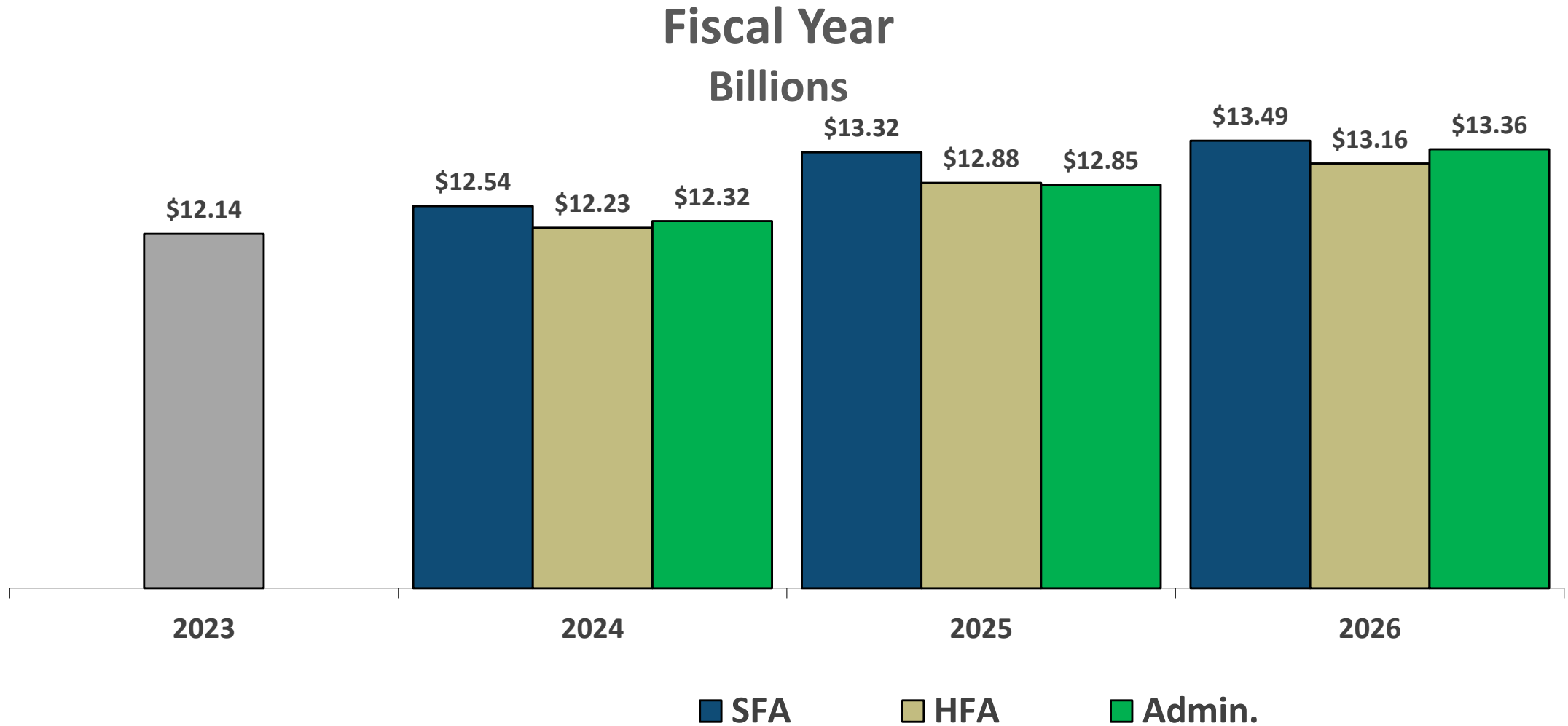
FORECAST OF MAJOR TAXES

Baseline Income Tax Growth

Fiscal Year Growth

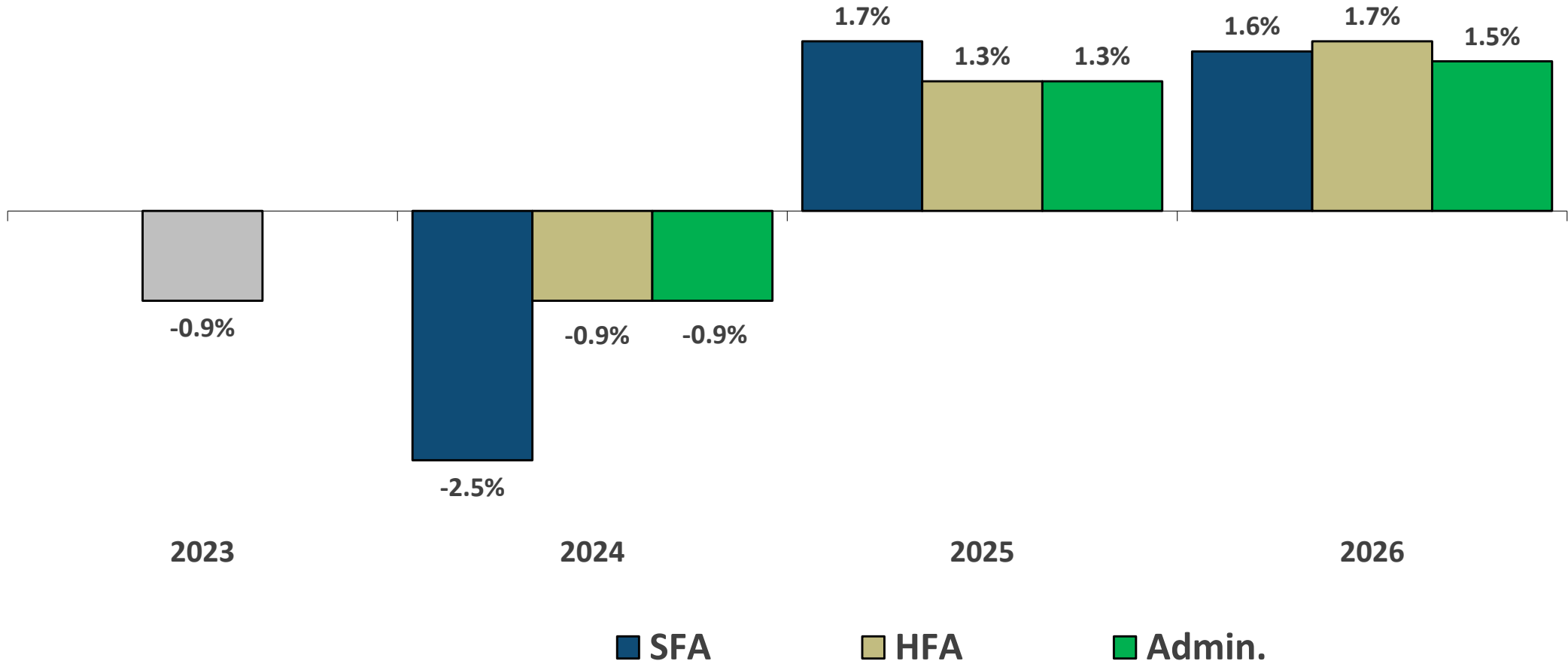


Net Income Tax Revenue Estimates



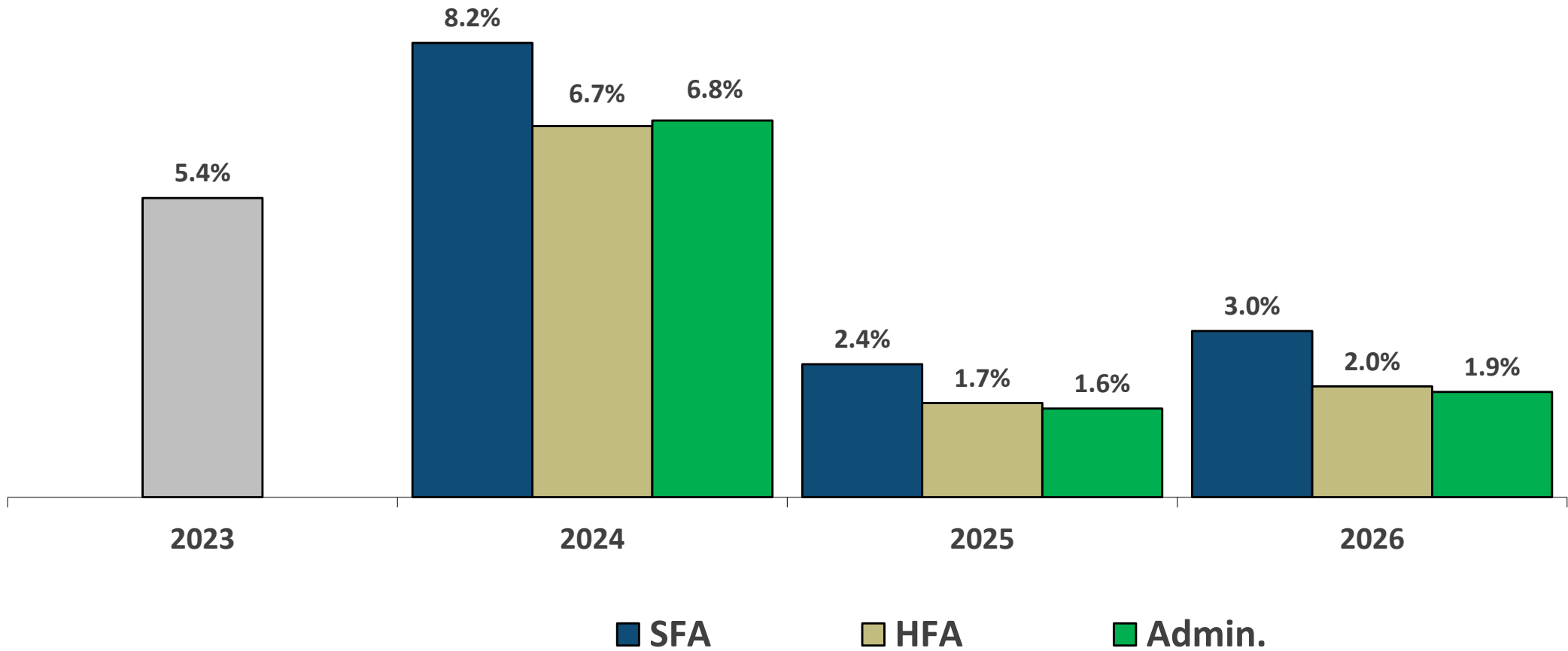
Baseline Sales Tax Growth

Fiscal Year Growth



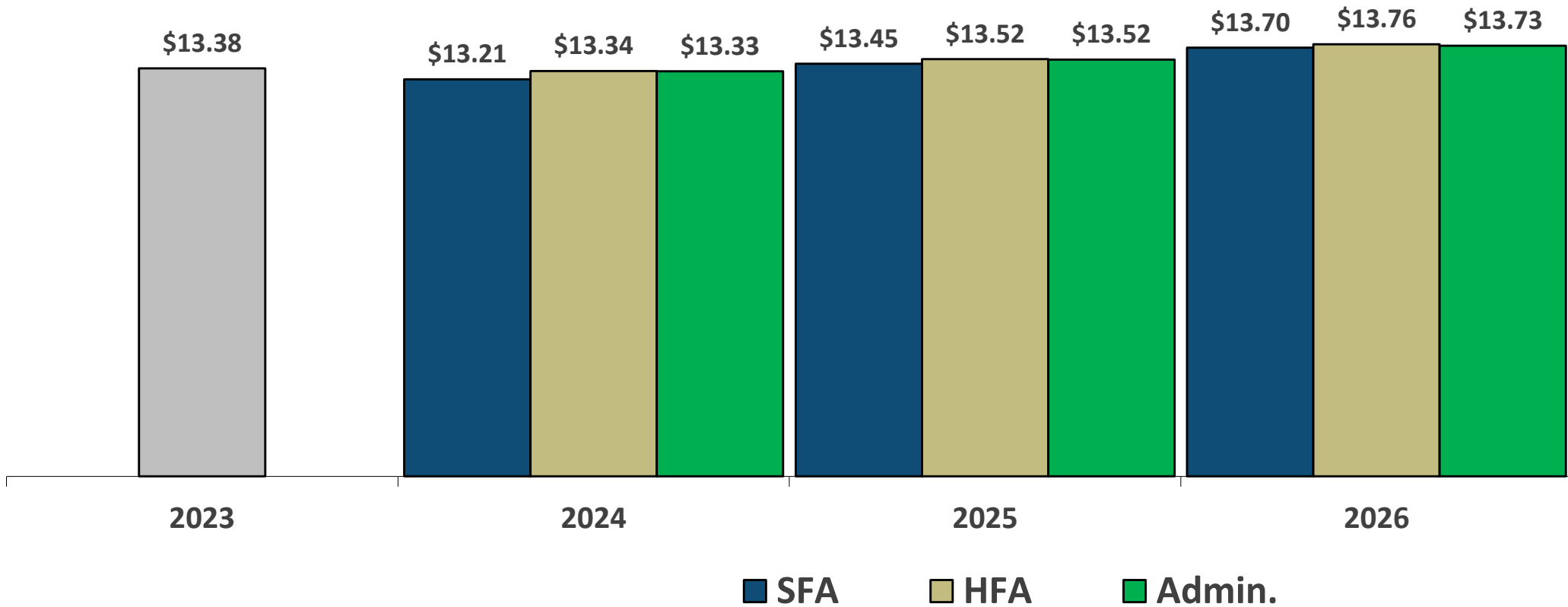
Baseline Use Tax Growth

Fiscal Year Growth



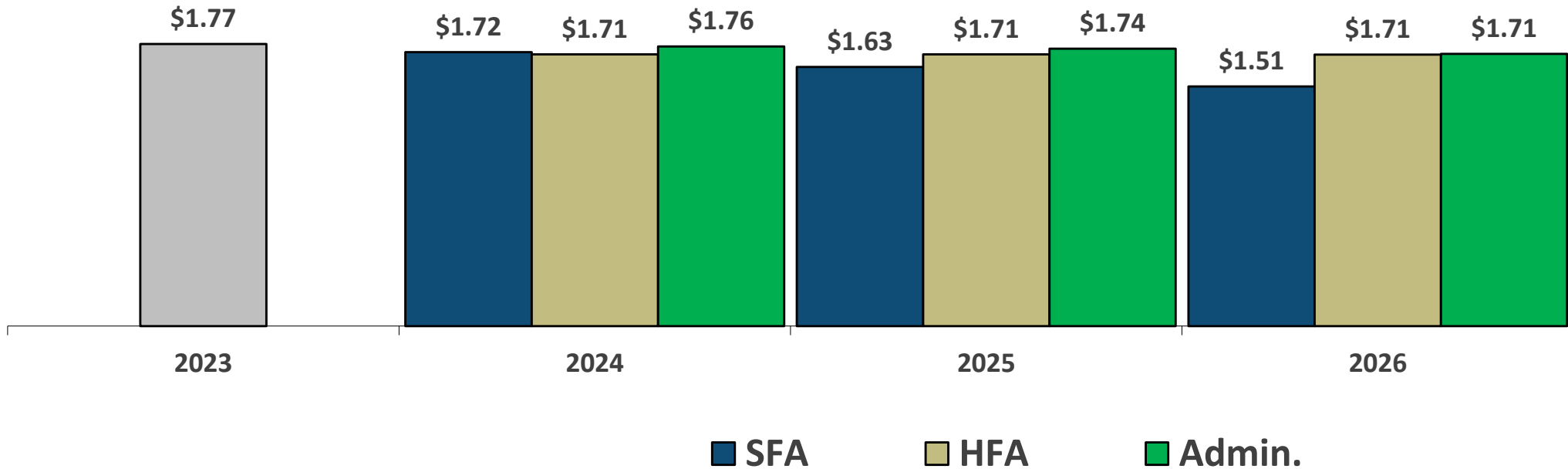
Net Sales and Use Taxes Revenue Estimates

Fiscal Year Billions

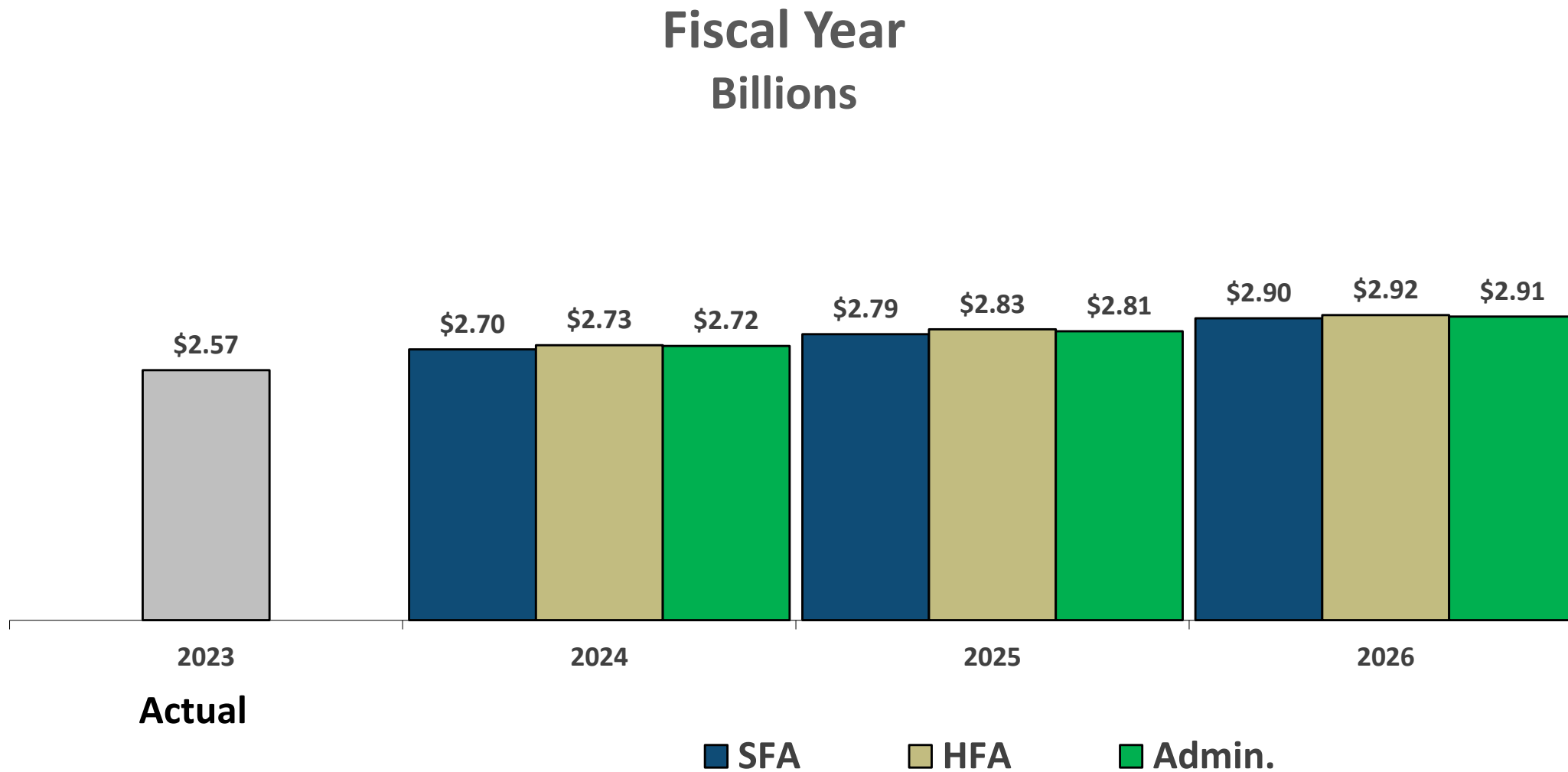


Net CIT/MBT Revenue Estimates

Fiscal Year Billions



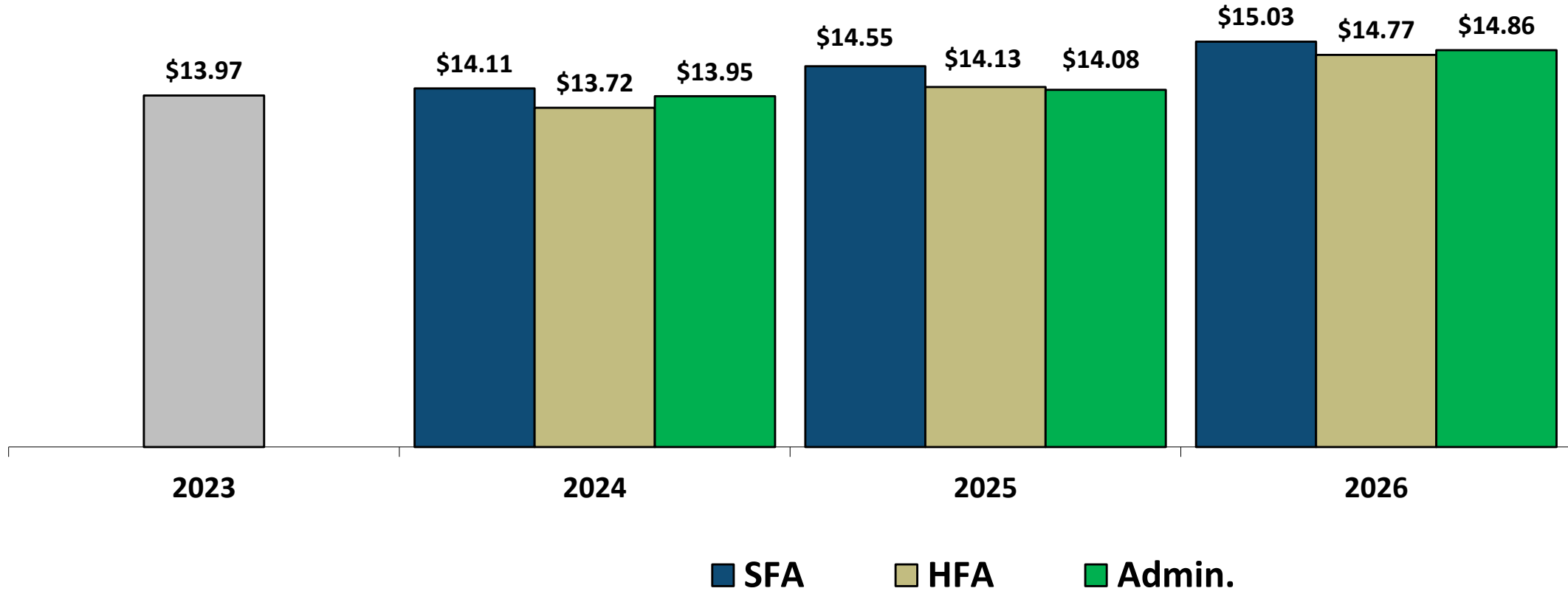
Net SET Revenue Estimates



FORECAST OF GF-GP AND SCHOOL AID FUND

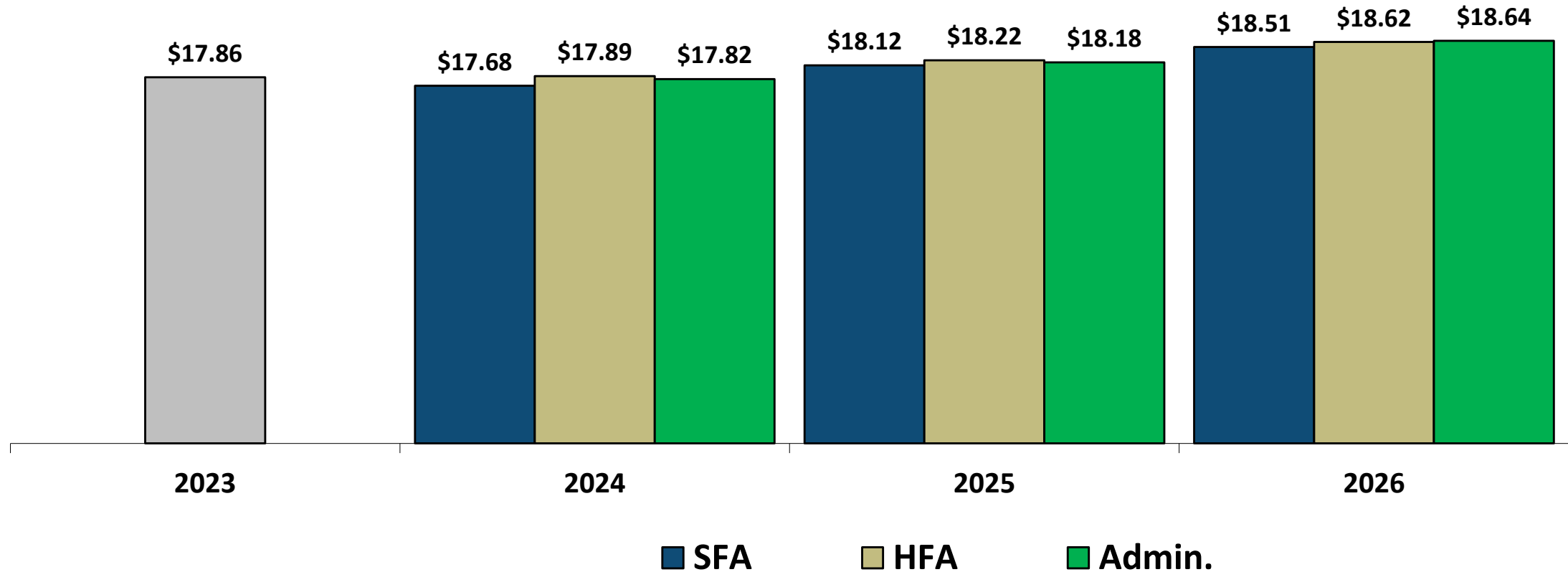
GF-GP Net Revenue Estimates

Fiscal Year
Billions



School Aid Fund Net Revenue Estimates

Fiscal Year
Billions



Revenue Forecast Comparison

Total Revenue (Values in Millions)									
	FY 2024			FY 2025			FY 2026		
	<u>SFA</u>	<u>HFA</u>	<u>Admin.</u>	<u>SFA</u>	<u>HFA</u>	<u>Admin.</u>	<u>SFA</u>	<u>HFA</u>	<u>Admin.</u>
GF-GP	\$14,105.3	\$13,719.9	\$13,948.4	\$14,546.4	\$14,132.8	\$14,077.1	\$15,033.1	\$14,769.1	\$14,861.2
School Aid Fund	\$17,677.1	\$17,885.3	\$17,820.5	\$18,117.7	\$18,224.5	\$18,179.4	\$18,509.7	\$18,620.4	\$18,642.0

Difference from January 2024 Consensus Estimates									
	FY 2024			FY 2025			FY 2026		
	<u>SFA</u>	<u>HFA</u>	<u>Admin.</u>	<u>SFA</u>	<u>HFA</u>	<u>Admin.</u>	<u>SFA</u>	<u>HFA</u>	<u>Admin.</u>
GF-GP	\$507.9	\$122.5	\$351.0	\$524.2	\$110.5	\$65.6	\$325.5	\$61.5	\$153.5
School Aid Fund	(\$269.8)	(\$61.6)	(\$126.5)	(\$189.3)	(\$82.5)	(\$127.5)	(\$196.3)	(\$85.6)	(\$63.9)
Combined	\$238.1	\$60.9	\$224.5	\$334.9	\$28.1	(\$72.7)	\$129.2	(\$24.1)	\$89.6

Budget Stabilization Fund

Both pay-ins and pay-outs require an appropriation

The agency estimates calculate:

Pay-ins

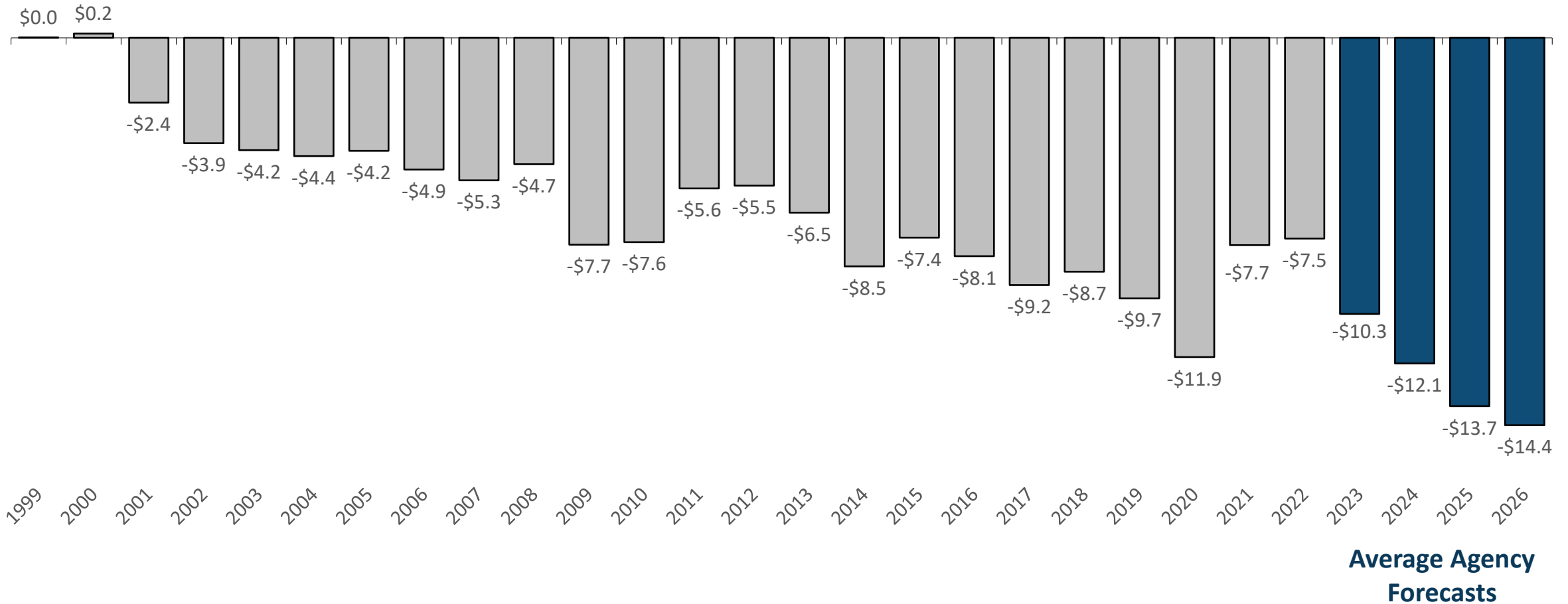
- No pay-ins during FY 2024 & FY 2025
- FY 2026 estimated to be between \$0 and \$34 million

Pay-outs

- No pay-outs during FY 2024 through FY 2026

Constitutional Revenue Limit Calculation

Amount Under/Over the Constitutional Revenue Limit Billions

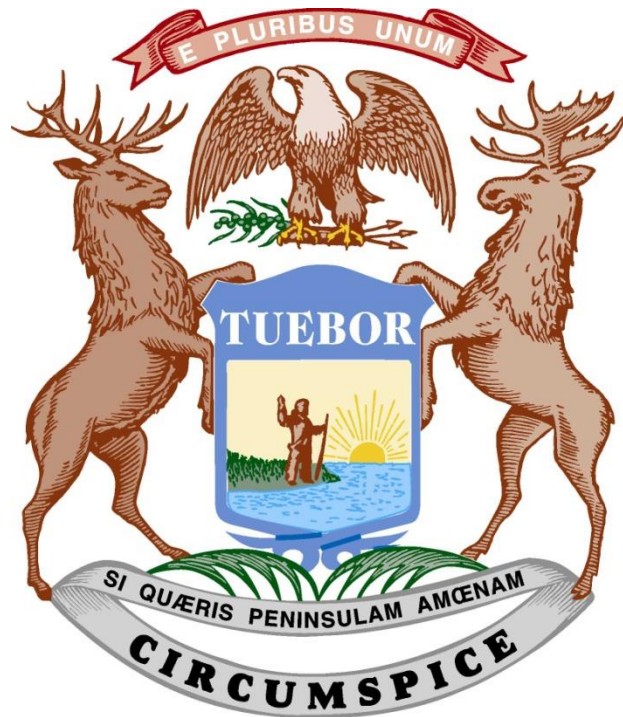


MICHIGAN TAX REVENUE FORECAST RISKS

- Individual Income Tax Extension returns
 - Potential surprises in refunds and payments
- Many provisions in the Tax Cuts and Jobs Act sunset beginning in 2026
 - Some provisions that impact the Michigan tax base may lapse
- Potential changes to the revenue accrual process and standards
- Transformational Brownfield and Good Jobs for Michigan incentive uncertainty
 - Incentives total over \$1 billion
 - Nearly all impacts are outside the forecast horizon

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