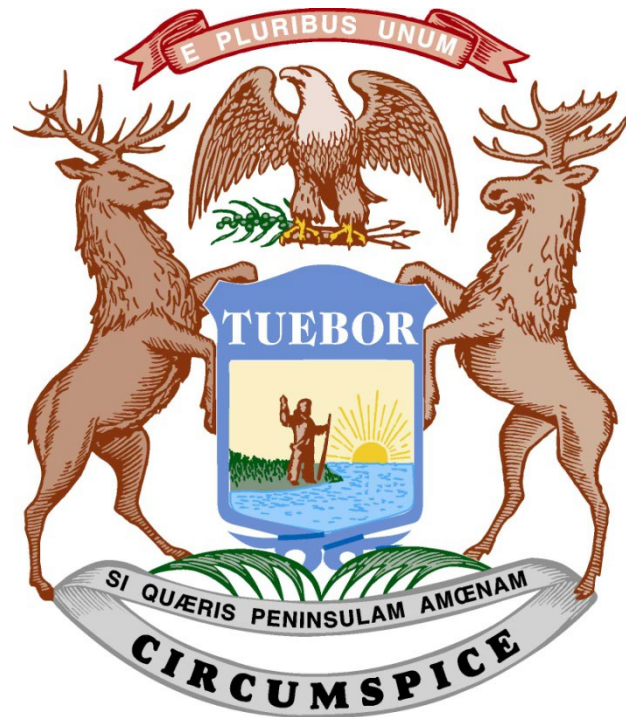


ECONOMIC AND REVENUE FORECASTS

FY 2026 • FY 2027 • FY 2028



CONSENSUS REVENUE ESTIMATING CONFERENCE (CREC)

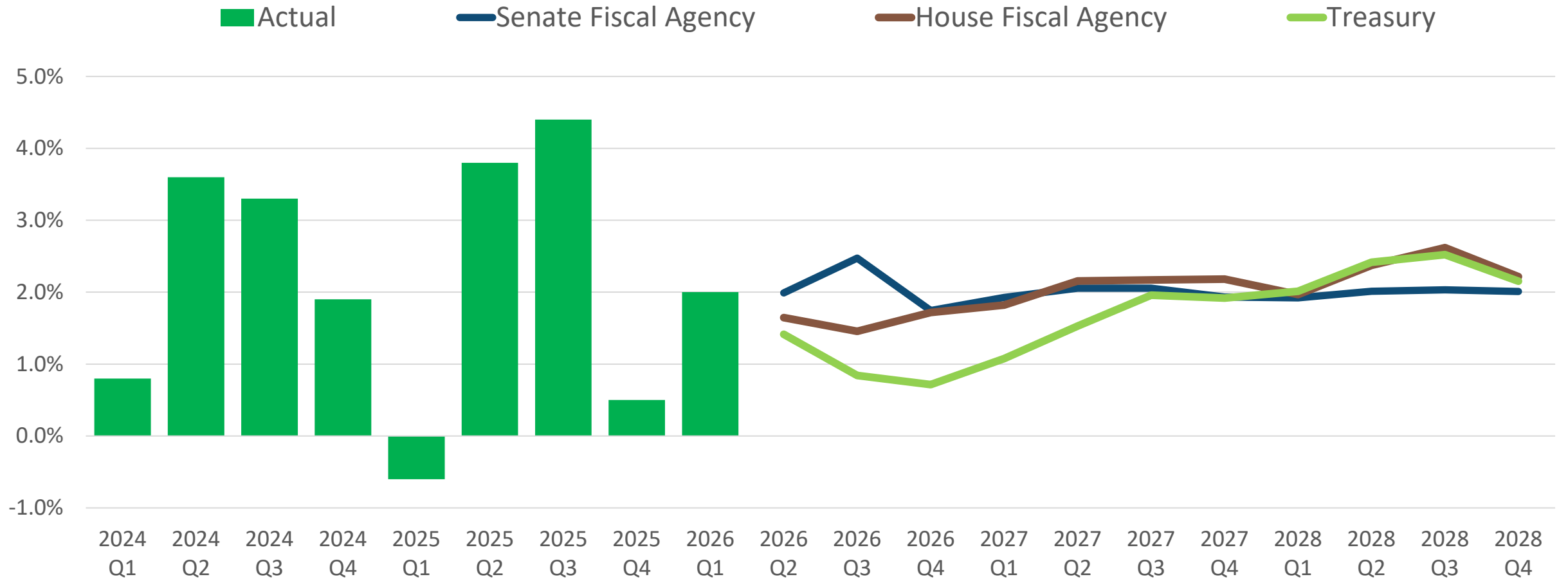
MAY 15, 2026

OUTLINE

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

U.S. REAL GROSS DOMESTIC PRODUCT (GDP)

Quarterly Real GDP

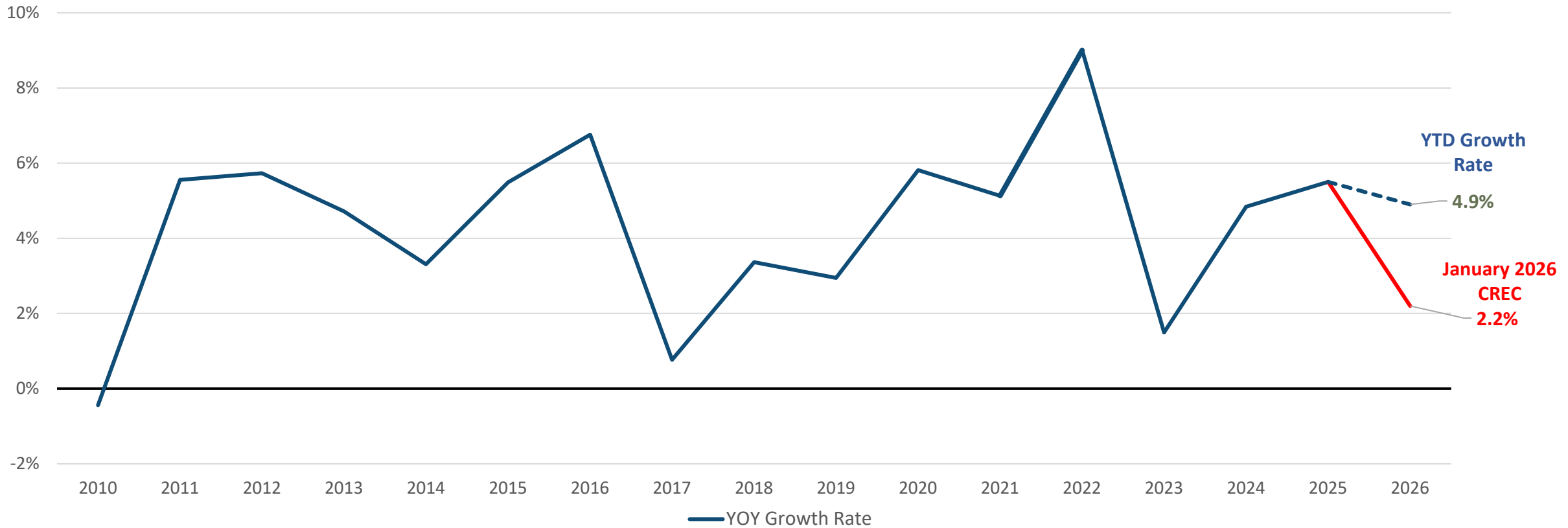


REVENUE SINCE JANUARY CREC—MAJOR TAXES

	January CREC Forecast	Fiscal-Year-to-Date
Total Income Tax	4.9%	7.9%
Income Tax Withholding	2.2%	4.9%
Income Tax Refunds	-0.3%	0.7%
Other Income Tax Payments (Annual, Estimated, Flow Through)	-0.5%	7.1%
Sales Tax	-4.1%	-5.1%
Use Tax	3.1%	8.3%

INDIVIDUAL INCOME TAX WITHHOLDING GROWTH RATE

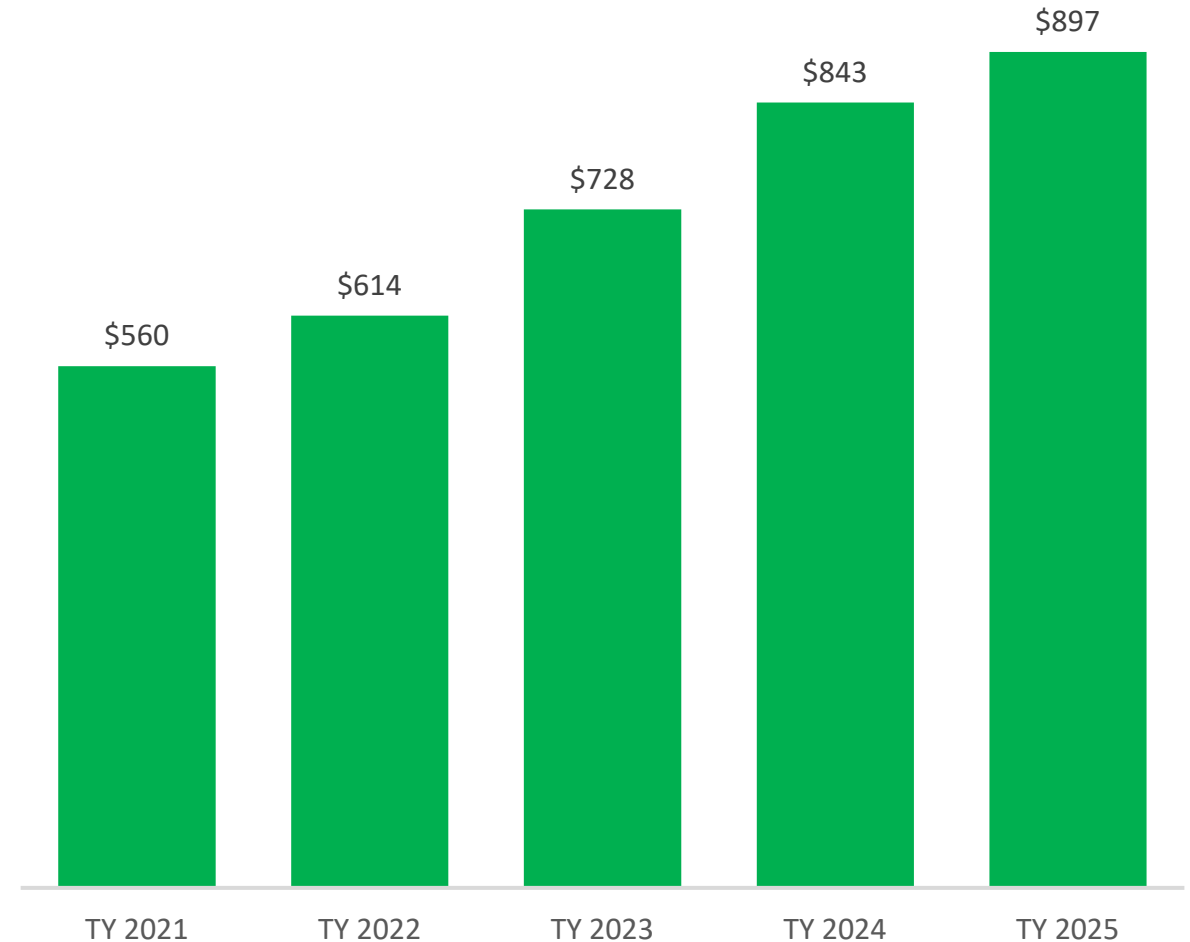
Income Tax Withholding Fiscal Year-Over-Year Growth Rate



INDIVIDUAL INCOME TAX RETURNS

- As designed, the May CREC is after Individual Income Tax returns are due on April 15
- Continued increases from various policy changes
 - Homestead Property Tax Credits
 - Earned Income Tax Credit (EITC) refunds
 - Higher refunds for retirees that benefited from retirement tax changes

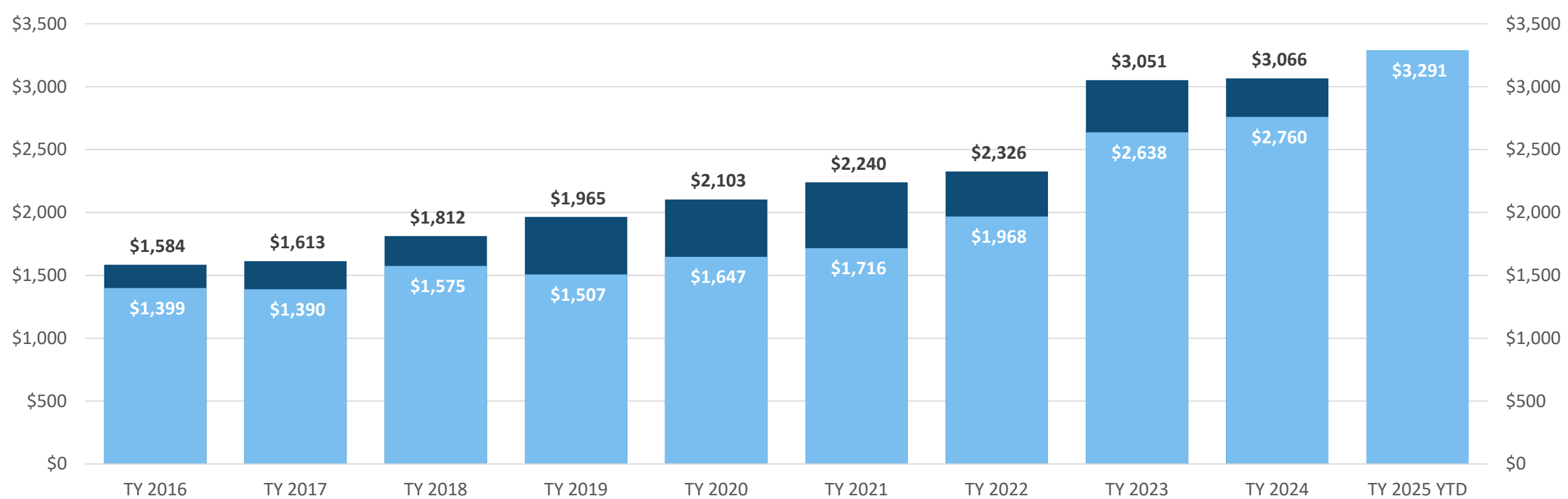
IIT Average Refund by Tax Year
Processing through May 15 each year



INDIVIDUAL INCOME TAX REFUNDS

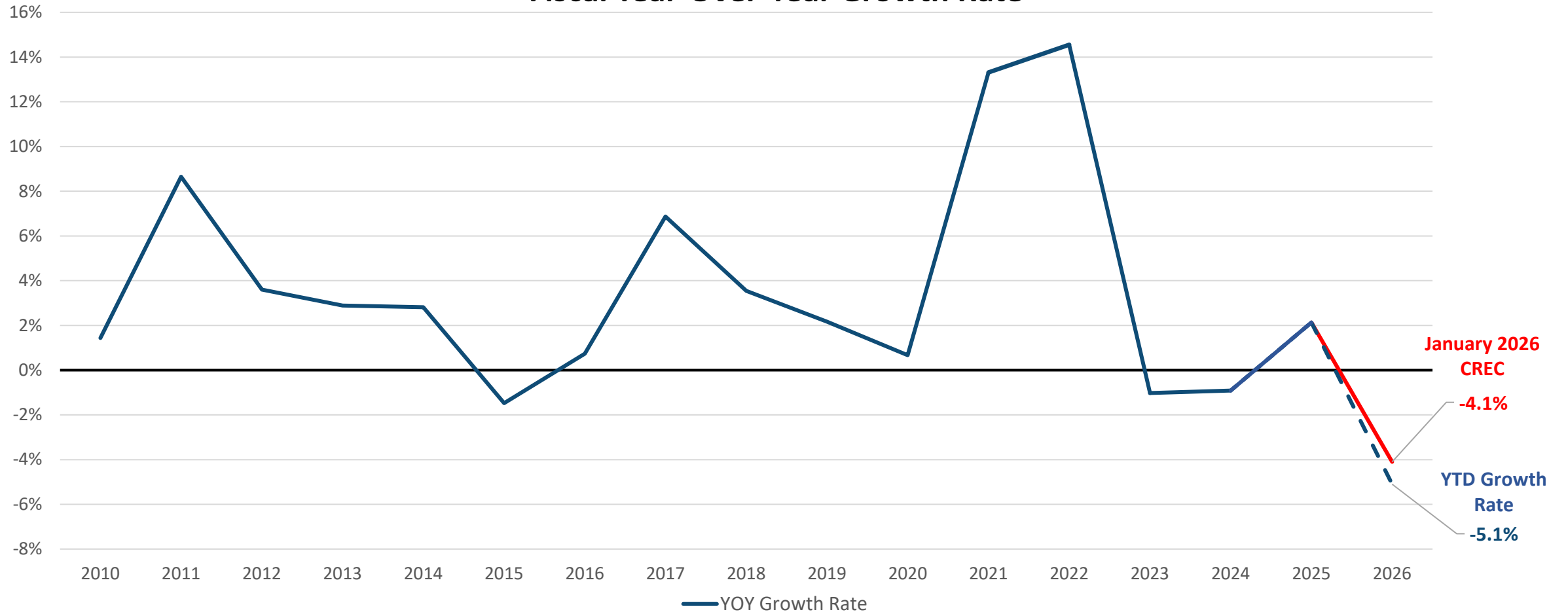
Income Tax Refunds Paid
(millions)

■ Total Income Tax Refunds Paid for Tax Year ■ Income Tax Refunds Paid Through May 15



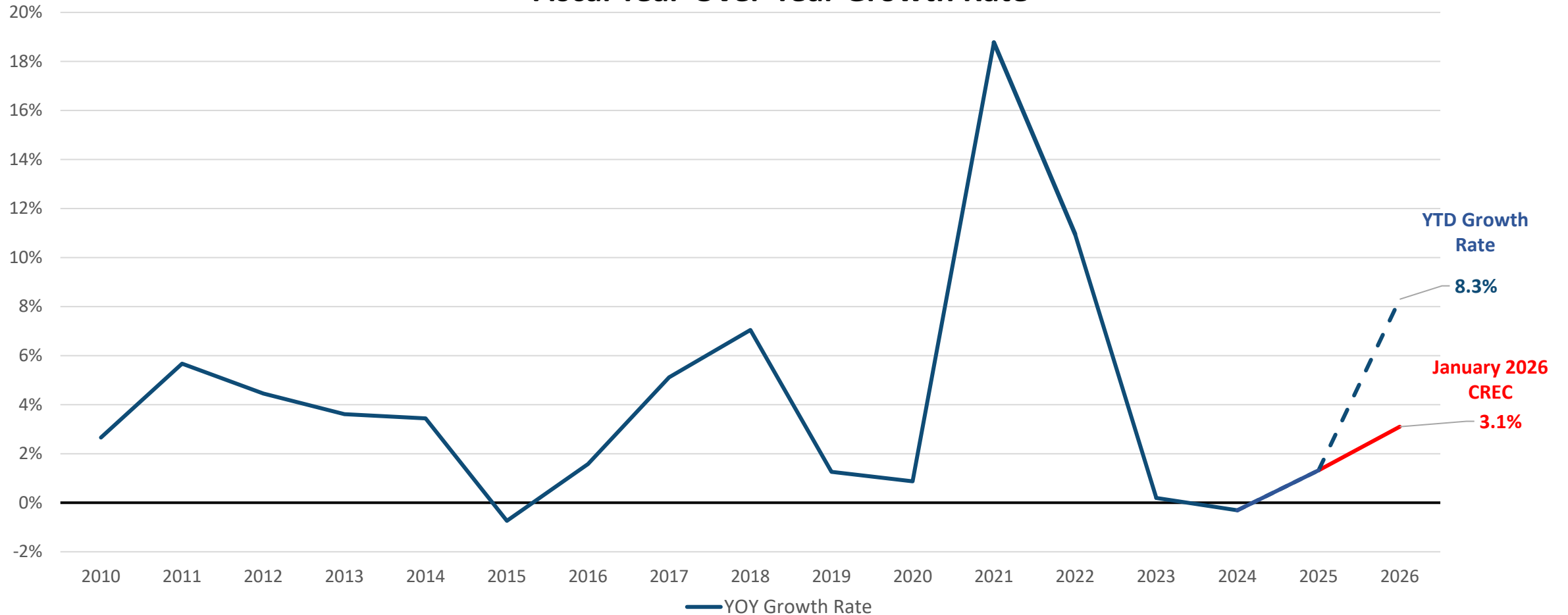
SALES TAX GROWTH RATE

Sales Tax Fiscal Year-Over-Year Growth Rate



USE TAX GROWTH RATE

Use Tax Fiscal Year-Over-Year Growth Rate



GENERAL FUND SALES TAX TRANSFER

- Public Act 17 of 2025 requires additional revenue to be deposited into the School Aid Fund to offset revenue lost from the exemption of the sales/use tax on motor fuels
- The transfer prevents the SAF from any revenue impact related to removing motor fuel from the sales tax base
- Volatility from price changes is now entirely on General Fund

Gas/Diesel Price Assumption	Full Year Cost (in millions)
\$3.00/\$4.00	\$588
\$3.50/\$4.50	\$699
\$4.00/\$5.00	\$811
\$4.50/\$5.50	\$922
\$5.00/\$6.00	\$1,033

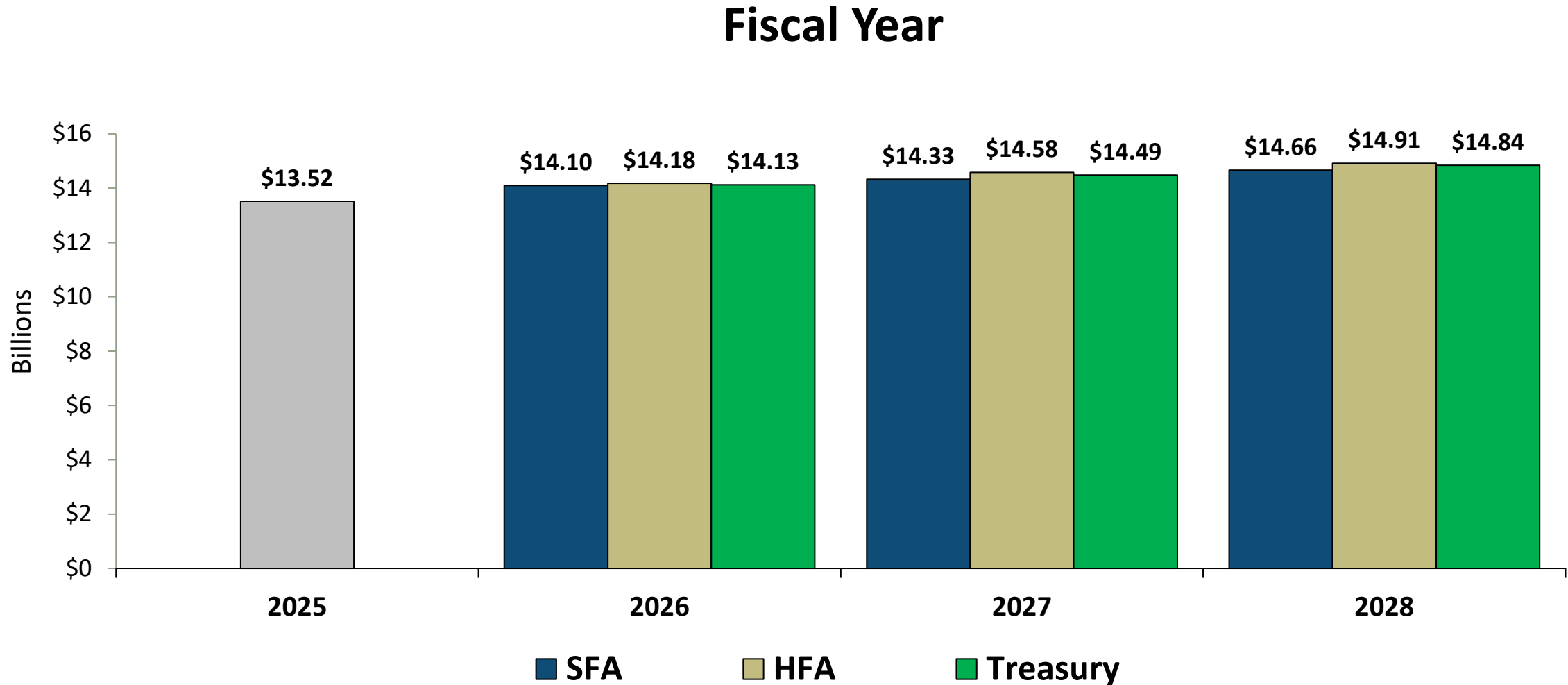
GENERAL FUND SALES TAX TRANSFER

- Significant motor fuel price increases since January reduce General Fund revenue
- Current price assumptions are about a dollar per gallon more than in January

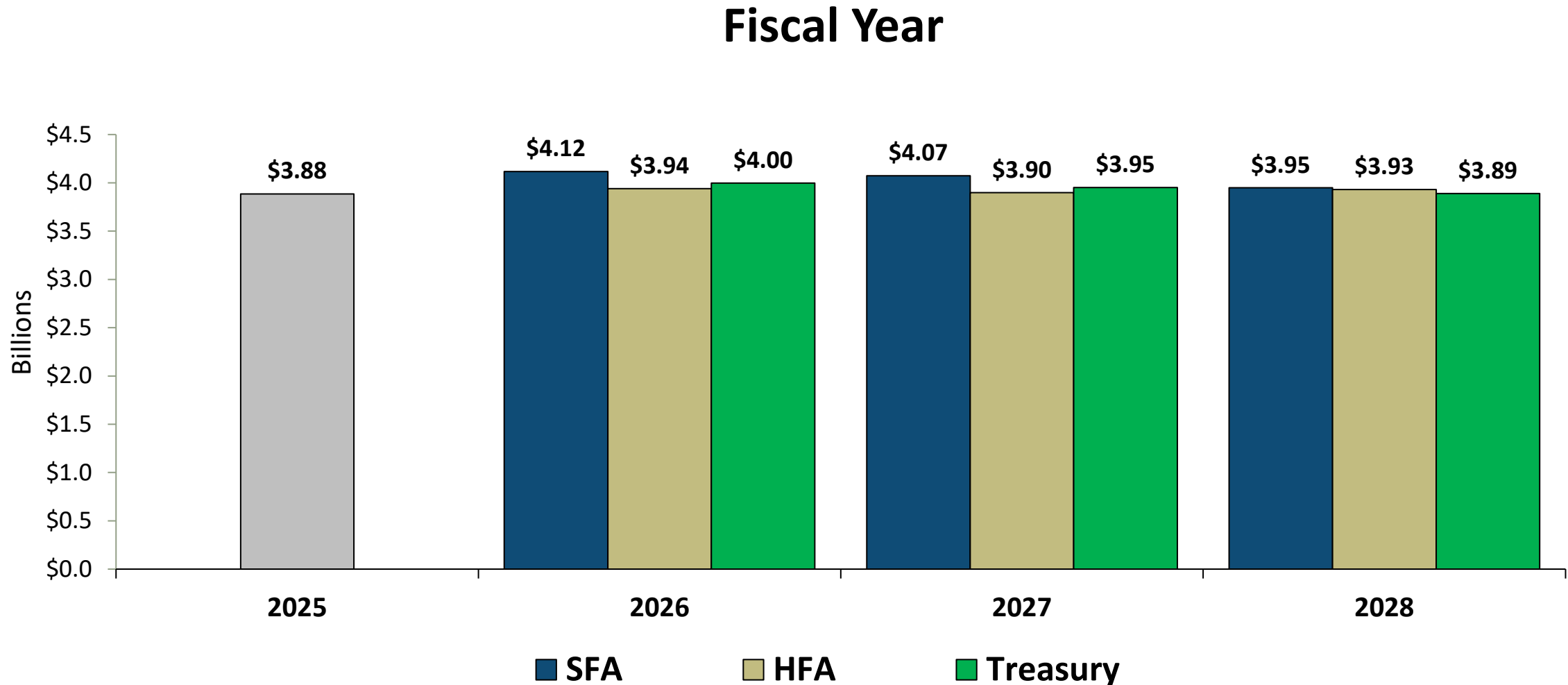
	Transfer from GF to SAF		
	FY26	FY27	FY28
January 2026 CREC	\$468.9	\$622.7	\$638.3
May 2026 CREC	\$609.6	\$778.4	\$797.8
Change in May CREC	\$140.6	\$155.7	\$159.6

FORECAST OF MAJOR TAXES

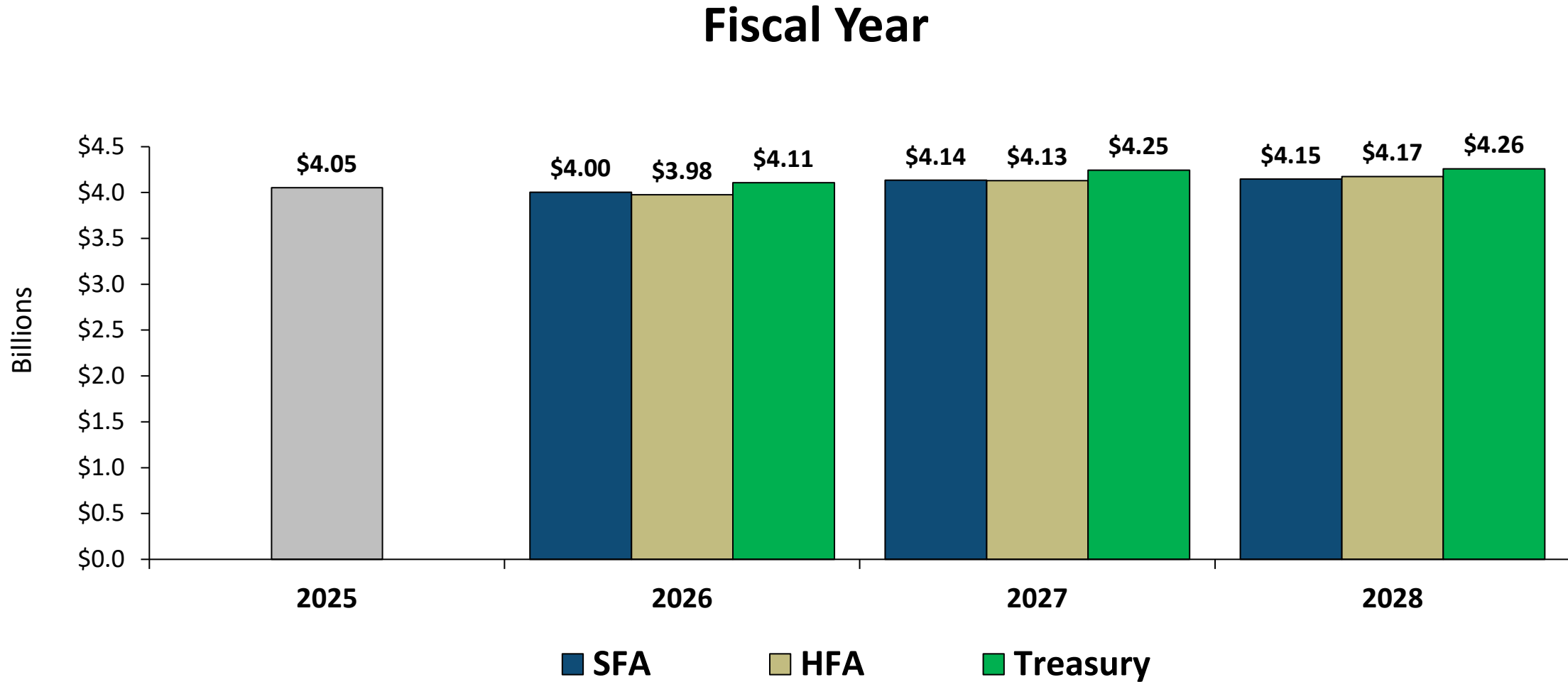
Individual Income Tax Withholding



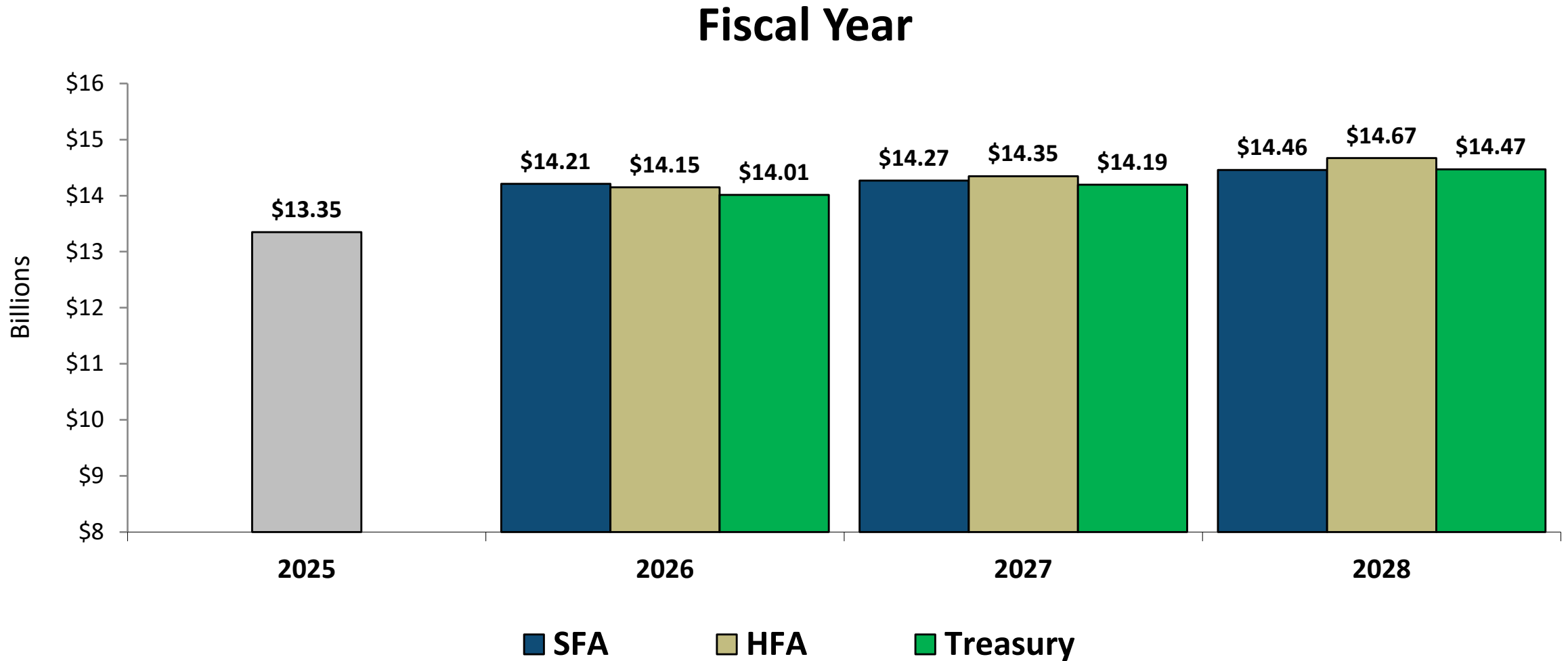
Individual Income Quarterly, Annual, and Flow-Through Entity Payments



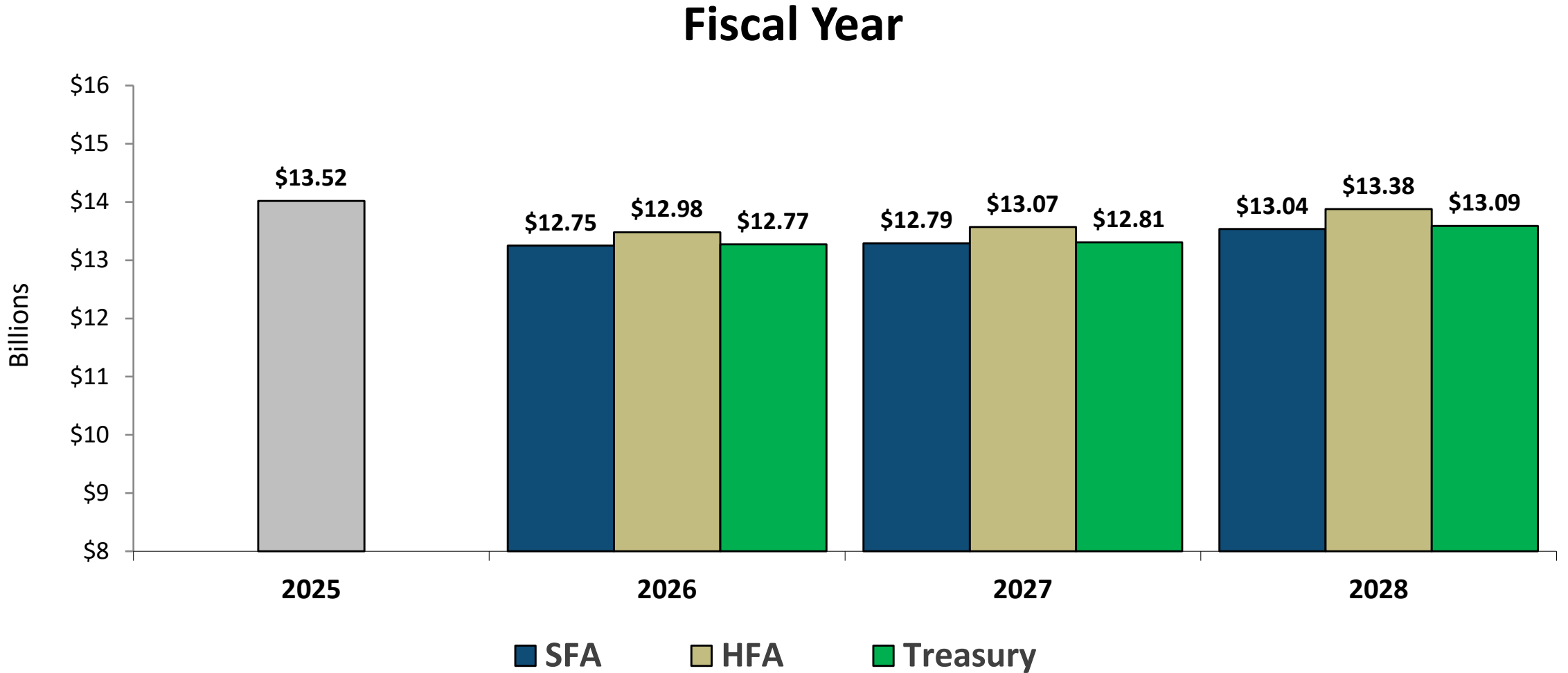
Net Individual Income Tax Refunds



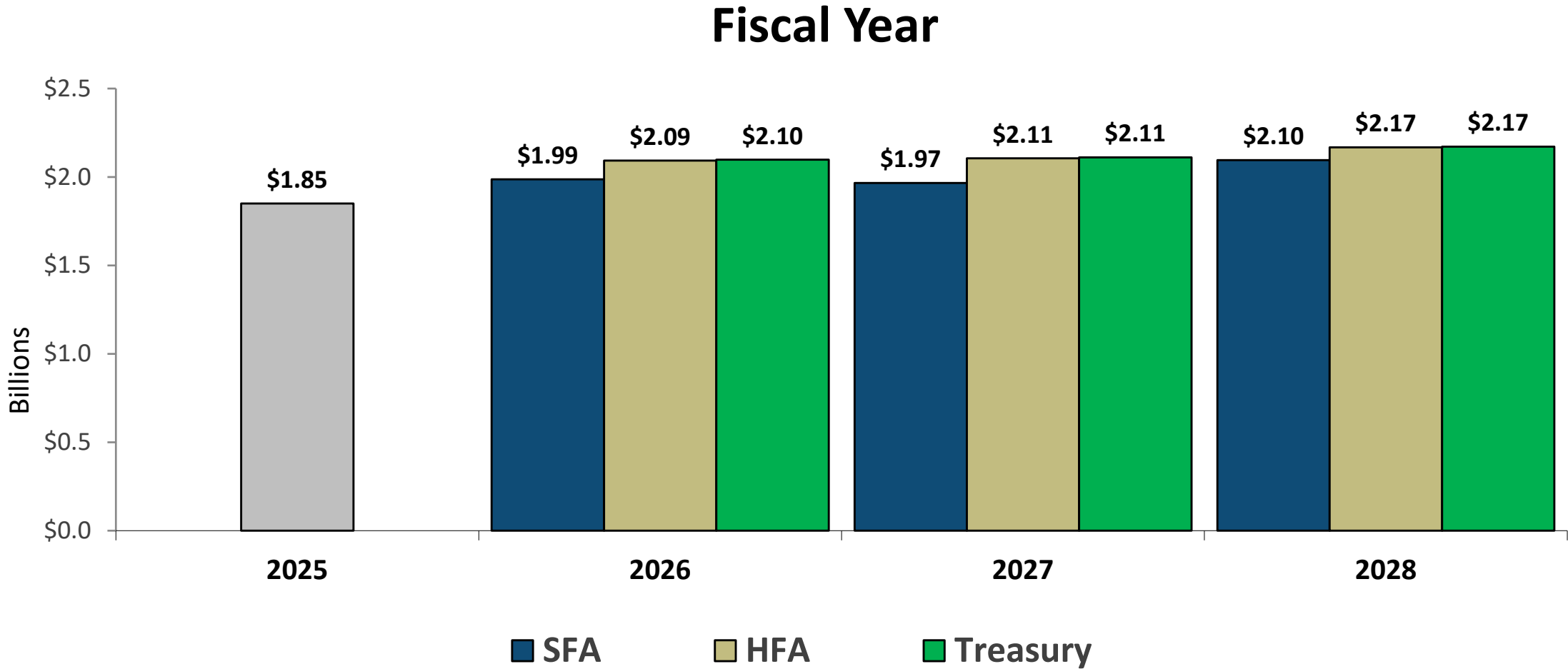
Net Individual Income Tax (IIT) Revenue Estimates



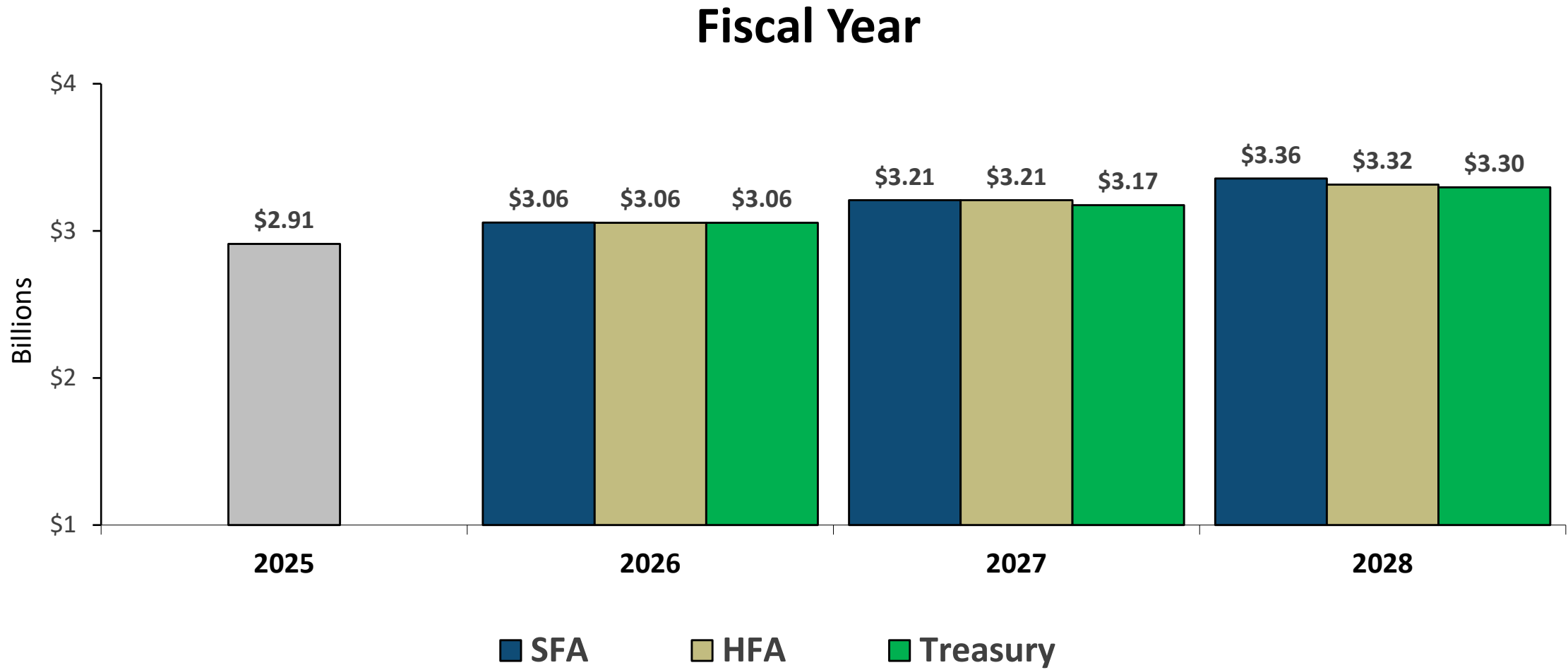
Net Sales and Use Taxes Revenue Estimates



Net Corporate Income Tax (CIT) Revenue Estimates

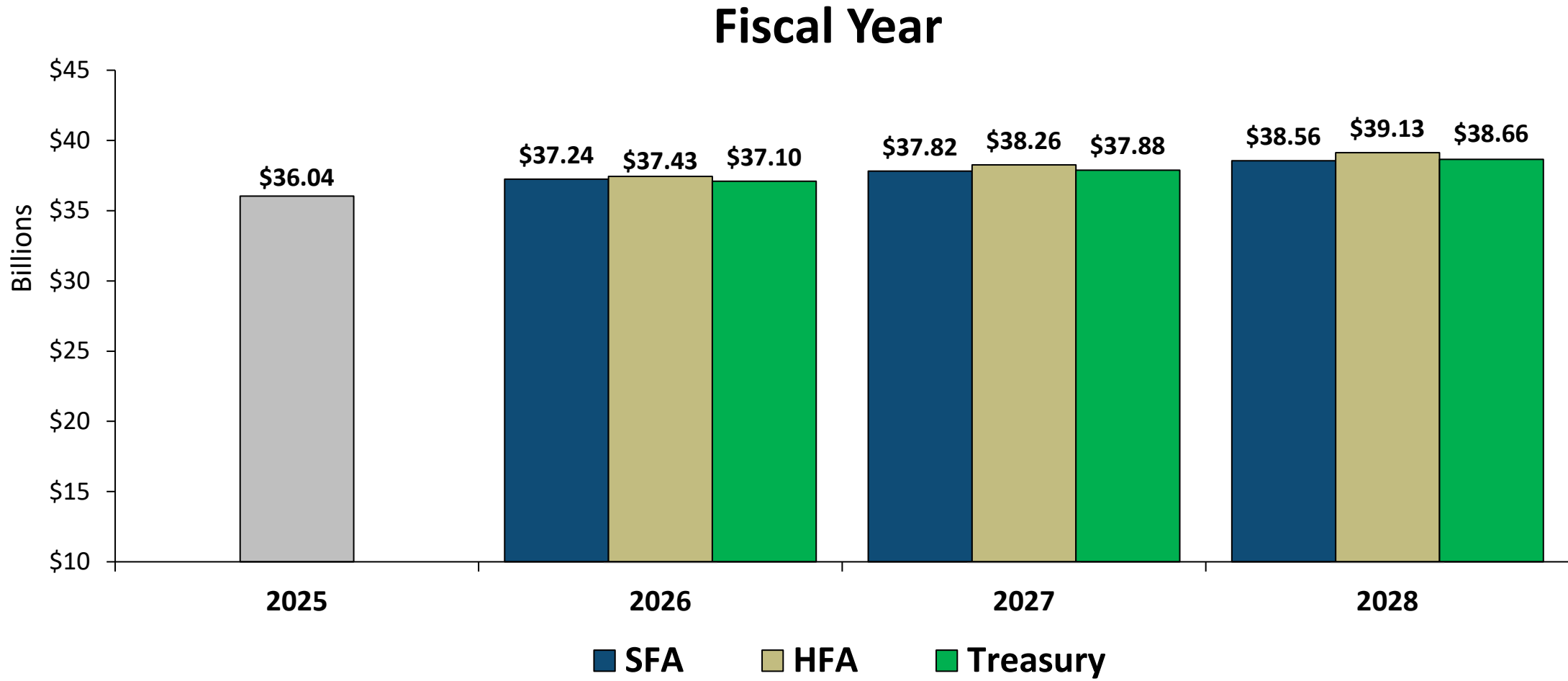


Net State Education Tax (SET) Revenue Estimates



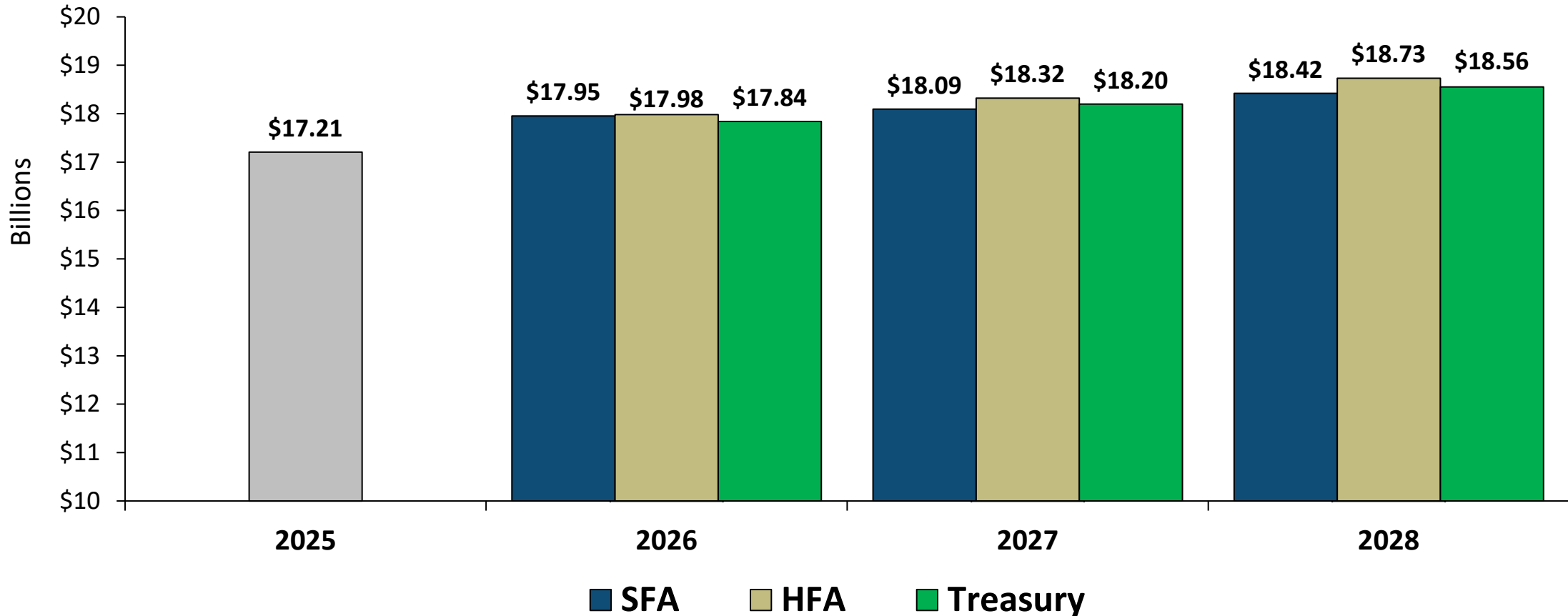
FORECAST OF GF-GP AND SCHOOL AID FUND

Baseline Revenue: Total GF-GP and SAF



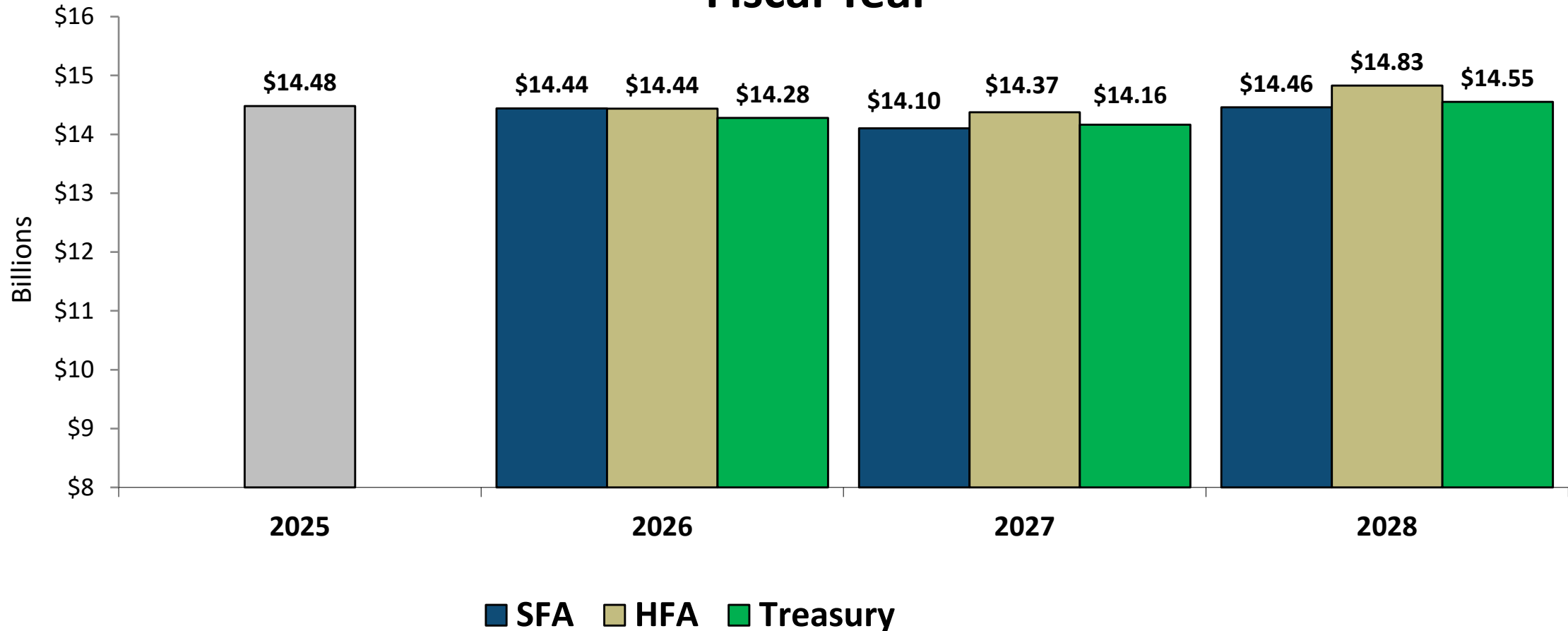
Baseline Revenue: General Fund-General Purpose

Fiscal Year

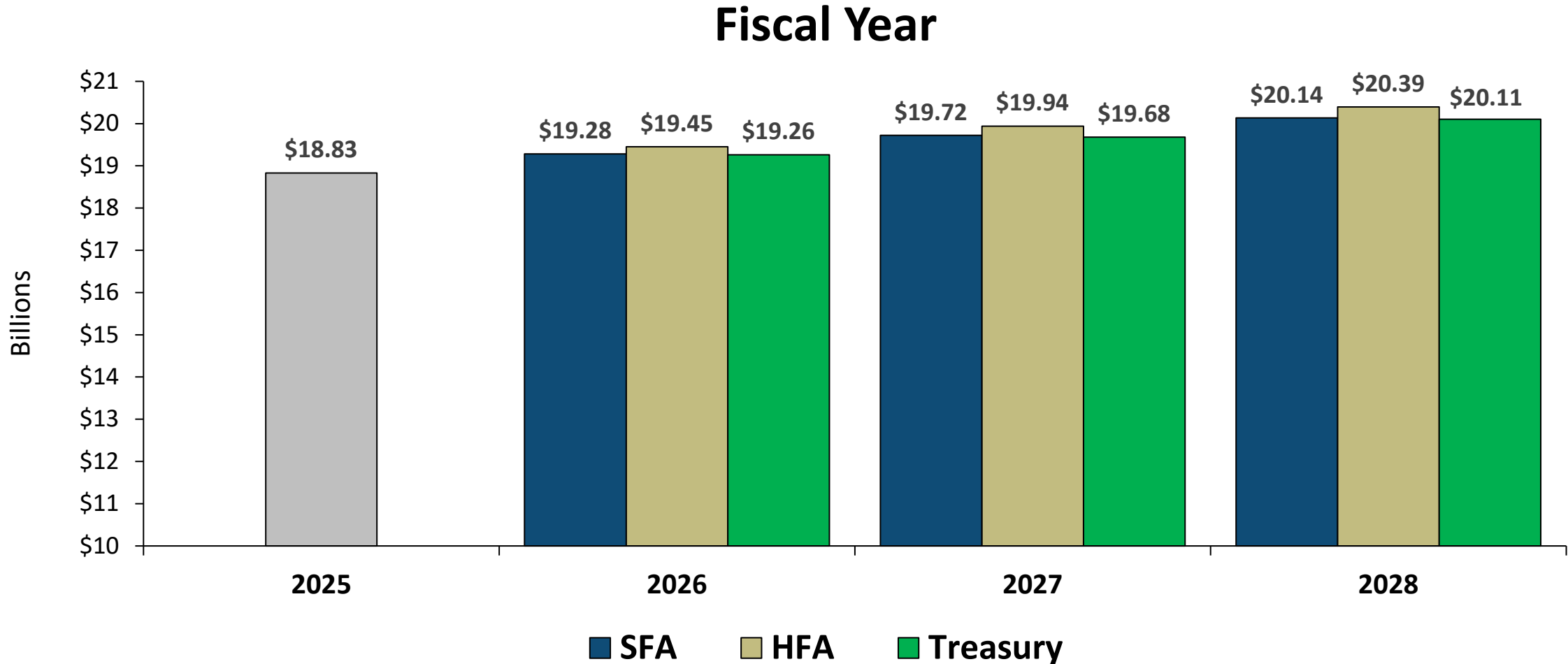


General Fund-General Purpose Net Revenue

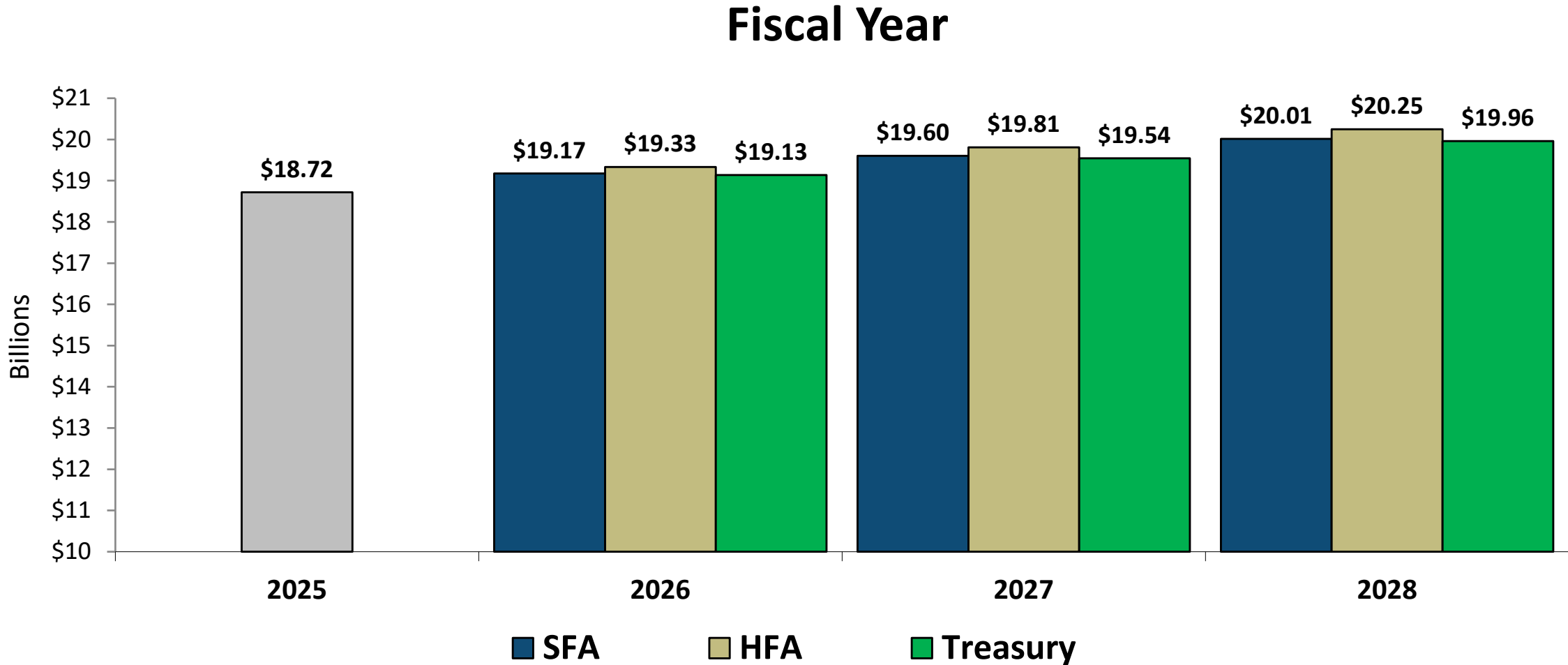
Fiscal Year



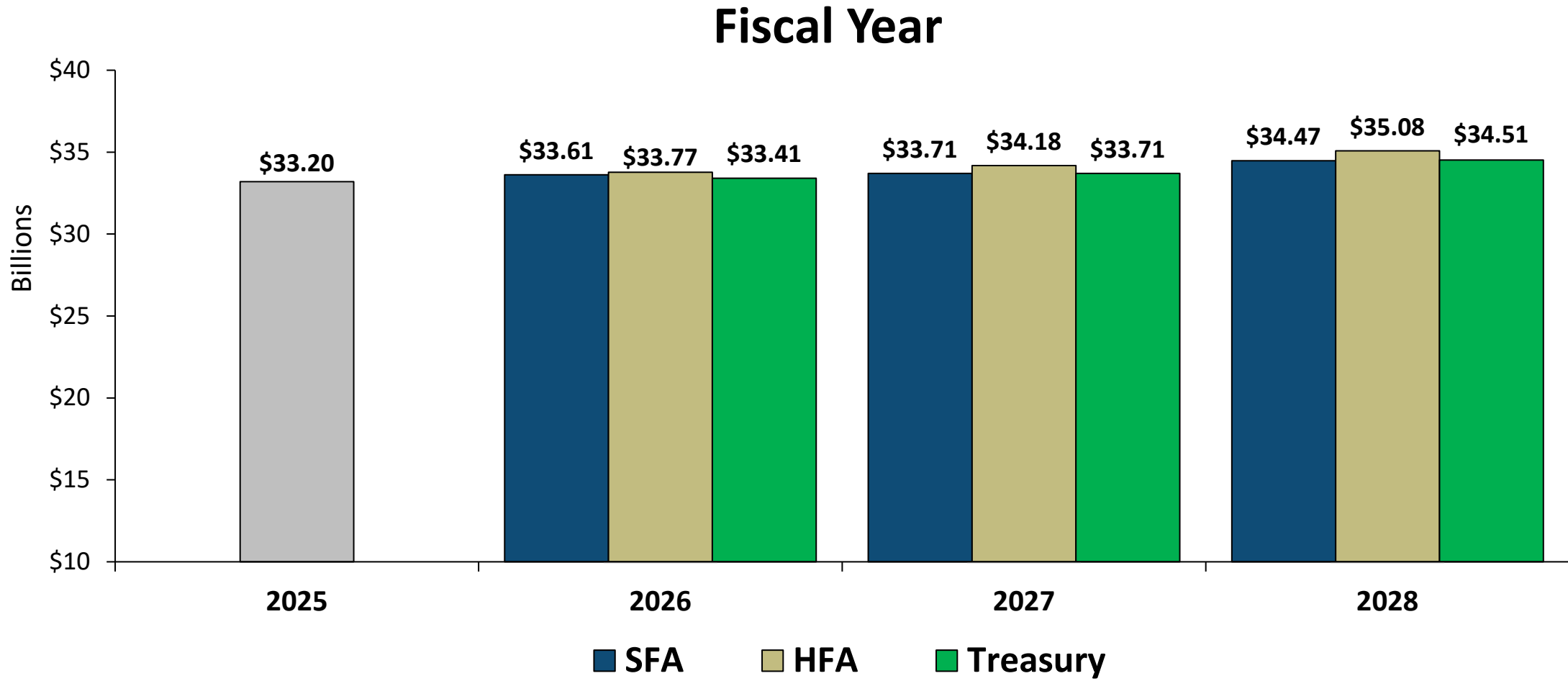
Baseline Revenue: School Aid Fund



School Aid Fund Net Revenue Estimates



Total GF-GP and SAF Net Revenue

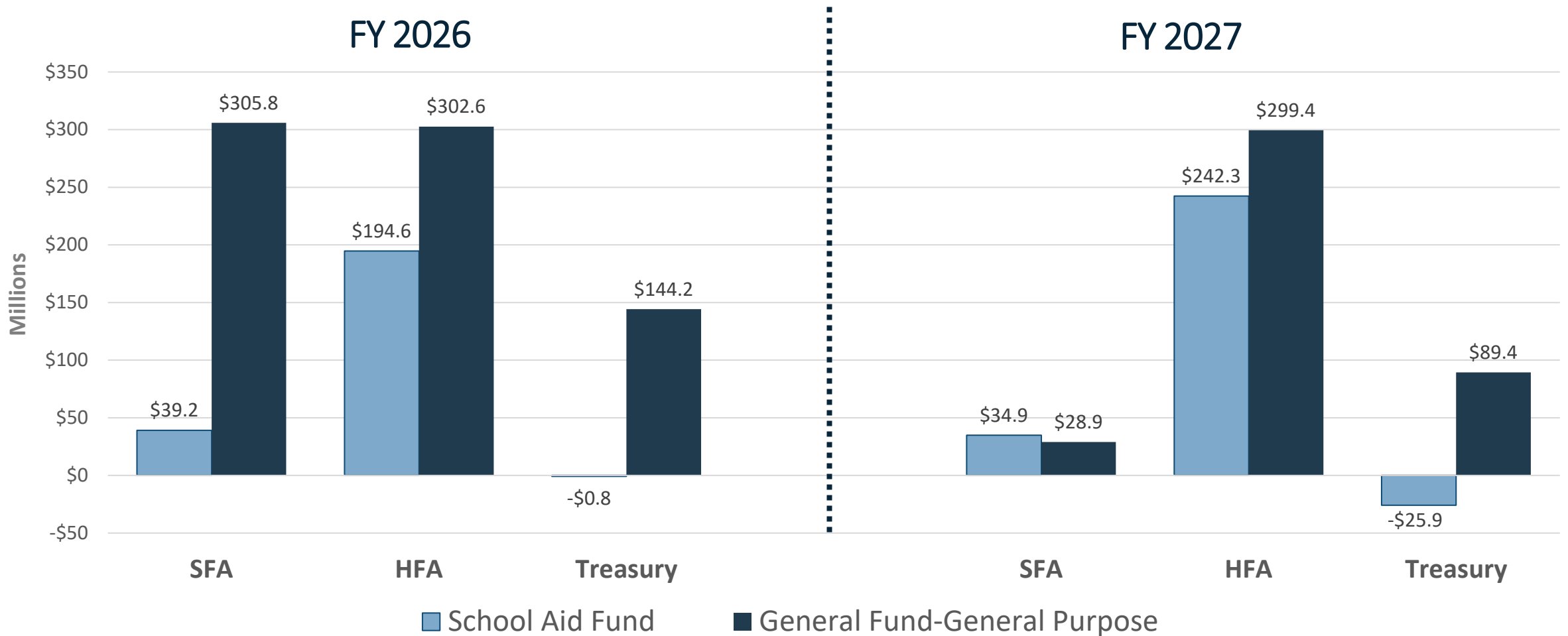


Revenue Forecast Comparison

Total Revenue (Values in Millions)									
	FY 2026			FY 2027			FY 2028		
	<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	\$14,439.9	\$14,436.7	\$14,278.3	\$14,103.5	\$14,374.0	\$14,164.0	\$14,459.6	\$14,829.4	\$14,552.2
School Aid Fund	\$19,174.6	\$19,330.0	\$19,134.6	\$19,603.2	\$19,810.6	\$19,542.4	\$20,012.5	\$20,246.8	\$19,960.8
Difference from January 2026 Consensus Estimates									
	FY 2026			FY 2027			FY 2028		
	<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	\$305.8	\$302.6	\$144.2	\$28.9	\$299.4	\$89.4	-\$24.6	\$345.2	\$68.0
School Aid Fund	\$39.2	\$194.6	-\$0.8	\$34.9	\$242.3	-\$25.9	\$46.8	\$281.1	-\$4.9
Combined	\$345.0	\$497.2	\$143.4	\$63.8	\$541.7	\$63.5	\$22.2	\$626.3	\$63.1

Revenue Forecast Comparison—Change From January

Difference from January 2026 Consensus Estimates



Budget Stabilization Fund

Both pay-ins and pay-outs require an appropriation

The agency estimates calculate:

Pay-ins

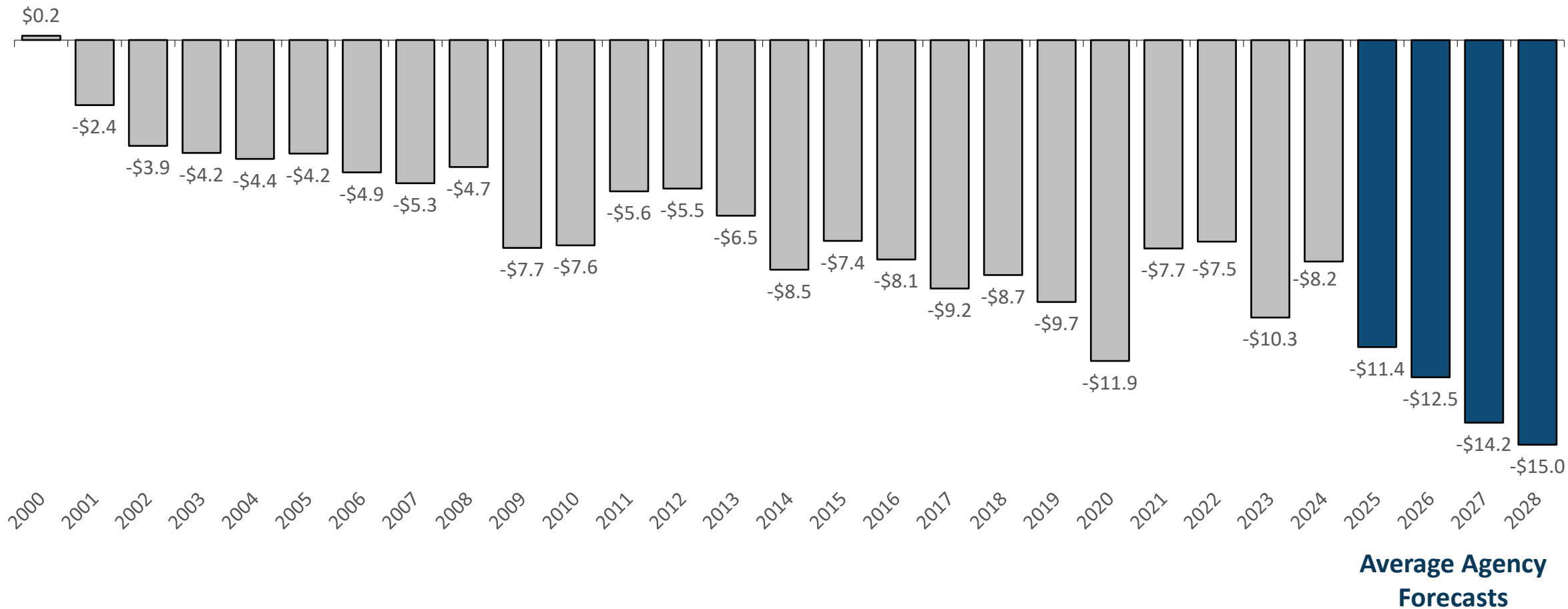
- No pay-ins during FY 2026 to FY 2028

Pay-outs

- Pay-out of up to \$538.7 million in FY 2026
- No pay-outs FY 2027 & FY 2028

Constitutional Revenue Limit Calculation

Amount Under/Over the Constitutional Revenue Limit Billions

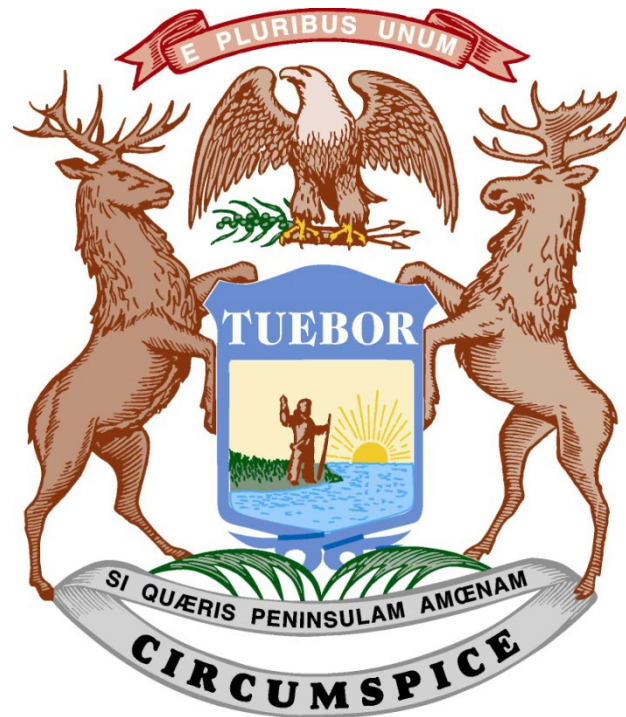


MICHIGAN REVENUE FORECAST RISKS

- International Conflict and Energy Prices
 - Higher prices could dampen consumer spending
- Federal Policy Changes: Trade, Tariffs, and Fiscal Policy
 - United States-Mexico-Canada Agreement (USMCA) renegotiation in 2026
- Michigan labor markets
- Transformational Brownfield
 - Incentives awarded or in process of \$1.8 billion currently
 - Nearly all impacts are outside the forecast horizon

ECONOMIC AND REVENUE FORECASTS

FY 2026 • FY 2027 • FY 2028



CONSENSUS REVENUE ESTIMATING CONFERENCE

MAY 15, 2026