



# MONTHLY REVENUE REPORT

## AUGUST 2018

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Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$2.3 billion in August 2018, a 15.5% increase from August 2017 and \$252.5 million above the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in May 2018. In August, the State received approximately \$57.9 million in Federal reimbursements for Home Heating Credit refunds, which accounted for \$56.6 million of the amount by which revenue exceeded the forecast. Among other revenue sources, below-forecast collections from individual income tax withholding were more than offset by above-forecast collections from sales and use taxes, the State Education Tax (SET), the Michigan Business Tax (MBT), and the Corporate Income Tax (CIT). Timing issues dominated the majority of the circumstances under which tax revenue exceeded forecast.

Collections earmarked to the General Fund were \$165.6 million above the expected level for August 2018, and School Aid Fund tax collections were \$84.1 million above the forecasted level. The remaining \$2.8 million in less-than-expected collections was directed to other funds, most notably constitutional revenue sharing. Through August 2018, fiscal year-to-date General Fund collections were \$382.6 million above, and School Aid Fund collections \$55.9 million above, the level expected based on the May 2018 consensus revenue estimates.

Net income tax revenue totaled \$770.3 million in August 2018, up 9.6% from August 2017. Withholding payments (which represented the majority of gross income tax revenue) were 1.5% above the year-ago level, but \$29.0 million below the predicted level. The growth in individual income tax revenue reflected the Federal reimbursement for the Home Heating Credit. As a result of the reimbursement, individual income tax refunds for the month were a positive \$10.7 million, representing a net gain in revenue. Fiscal year-to-date net individual income tax collections in August 2018 were up 7.9% from August 2017 and \$20.7 million above the forecasted level.

Sales tax receipts totaled \$735.3 million in August 2018, up 9.2% from August 2017 and \$14.4 million above the forecast for the month. Use tax collections in August 2018 were 30.8% above the August 2017 level, and \$40.2 million above the forecasted level, partially due to new rules on how businesses with both a traditional storefront and online sales should report sales and new rules adopted subsequent to the U.S. Supreme Court's recent *Wayfair* decision, which concerned the ability of states to require out-of-state sellers to remit sales and use taxes.

Combined business tax collections from the Single Business Tax, MBT, and CIT totaled \$44.1 million in August 2018, \$79.1 million above the expected level. Reflecting the volatile nature of corporate income taxes, August 2018 CIT collections were 79.5% above the August 2017 level and \$39.0 million above the forecasted level. MBT collections were \$40.0 million above the forecasted level. Most taxpayers who still file the MBT do so to collect refundable tax credits. When these refunds are processed significantly affects the accuracy of monthly MBT estimates.

State Education Tax (SET) collections in August 2018 were 40.6% above the August 2017 level, and \$51.3 million above the expected level for the month. The timing of SET collections is influenced by when counties remit payments to the State, and the majority of collections are received in September and October.

The table on the back of this report identifies the major taxes included in the report, and provides their respective revenue levels and growth rates for August 2018. Also presented are the revised consensus revenue estimates for fiscal year 2017-18, which were adopted at the May 2018 Consensus Revenue Estimating Conference.



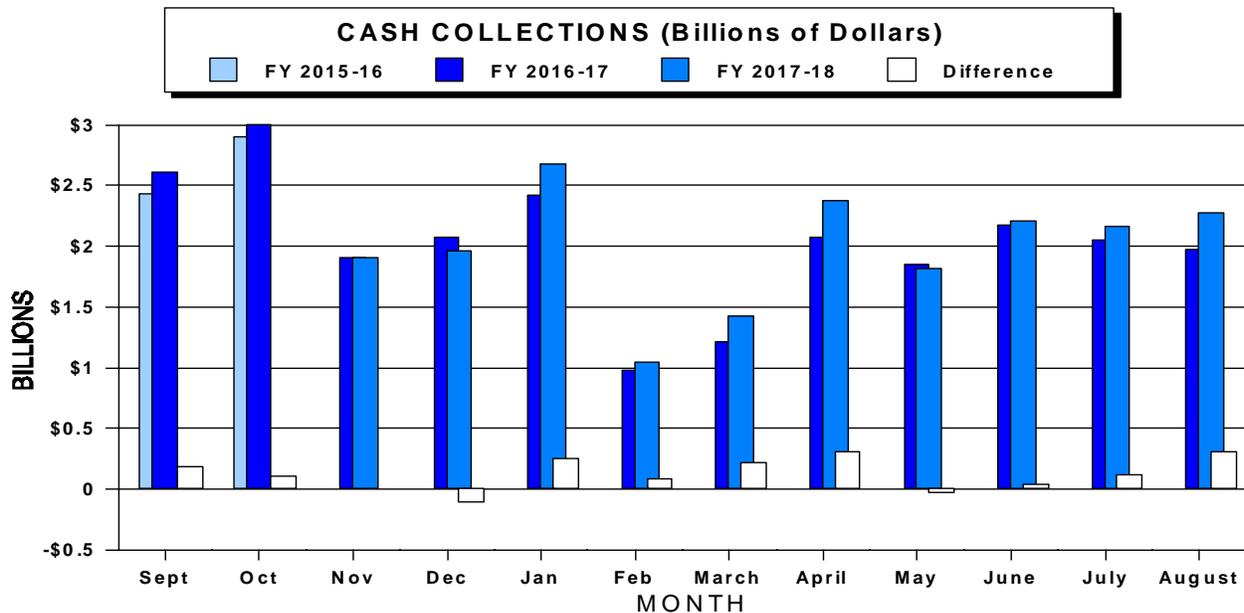
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AUGUST 2018

MICHIGAN REVENUE UPDATE (dollars in millions)						
Type of Revenue	August Collections		FY 2017-18 to Date <sup>2</sup>		FY 2017-18 CREC Estimate <sup>3,4)</sup>	
	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago	Total	% Change From FY 2016-17
Gross Individual Income Tax	\$759.7	2.1%	\$10,187.1	6.2%	\$12,205.8	7.0%
Refunds	10.7	(125.9)	(1,810.3)	(1.0)	(\$1,999.3)	2.2
Net Income Tax	770.3	9.6	8,376.8	7.9	\$10,206.5	8.0
Sales Tax	735.3	9.2	6,614.9	2.4	8,041.8	3.1
Motor Vehicles	96.4	(0.8)	853.9	4.0	----	----
All Other Sales Tax	638.9	10.9	5,761.0	2.2	----	----
Use Tax <sup>5)</sup>	167.6	30.8	1,531.4	22.5	1,622.0	10.5
Tobacco Taxes	90.1	5.4	755.1	(3.0)	930.5	(1.6)
Corporate Income Tax	51.0	79.5	746.9	(13.0)	859.8	(22.2)
Michigan Business Tax	(7.1)	----	(620.5)	----	(787.9)	11.8
Insurance Tax	5.4	31.4	300.9	12.5	398.1	7.4
Essential Services Assessment	76.8	16.2	96.7	----	91.1	8.5
State Education Property Tax	204.8	40.6	557.4	3.6	2,039.1	3.8
Real Estate Transfer Tax	34.1	11.3	268.6	5.7	331.1	4.4
Casino Wagering Tax <sup>6)</sup>	9.8	8.1	97.0	2.0	114.0	0.7
Oil & Gas Severance Tax	2.0	(10.5)	22.6	16.3	25.0	6.4
Other Taxes <sup>7)</sup>	39.0	19.3	269.3	9.9	316.6	1.5
<b>Total Taxes</b>	<b>\$2,179.2</b>	<b>15.9%</b>	<b>\$19,017.0</b>	<b>6.4%</b>	<b>\$24,187.7</b>	<b>4.0%</b>
Lottery, Net to School Aid Fund <sup>6)</sup>	90.0	7.0	860.9	(0.9)	944.4	2.2
<b>Total</b>	<b>\$2,269.2</b>	<b>15.5%</b>	<b>\$19,878.0</b>	<b>6.1%</b>	<b>\$25,132.1</b>	<b>4.0%</b>

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2017-18 year-to-date collections begin with November 2017 collections to reflect accrual accounting.
- 3) Year-to-date figures represent cash collections only, while the fiscal year estimate also includes accruals.
- 4) Consensus revenue estimates adopted at the May 16, 2018, Consensus Revenue Estimating Conference.
- 5) Includes both the State share and the local share (Local Community Stabilization Authority).
- 6) Lottery and casino revenue is not accrued, so FY 2017-18 collections will include October 2017 to September 2018.
- 7) Other Taxes include beer, wine, liquor, single business tax, industrial facilities, utility property, estate taxes, and tax penalties and interest.

## Actual Revenue Collections for Major State Taxes\* September 2016 to August 2018



\* Comparison of actual collections. Major taxes include the beer, casino wagering, estate, income, industrial facilities, insurance retaliatory, liquor, MBT, oil & gas severance, real estate transfer, sales, SBT, State education property, tobacco (cigarette & other tobacco products), use, utility property, wine taxes, the essential services assessment, net lottery revenue to the school aid fund, and tax penalties & interest revenue.