MONTHLY REVENUE REPORT
DECEMBER 2016

Michigan's General Fund and School Aid Fund earmarked major taxes and lottery net revenue totaled $2.1 billion in December 2016, up 13.3% from one year ago. December tax collections were approximately $134.1 million above the Senate Fiscal Agency's estimate for the month, based on the May 2016 consensus revenue estimates, primarily due to greater-than-expected sales tax collections, individual income tax quarterly payments, and Corporate Income Tax collections. The January 12, 2017, consensus revenue estimates will be used beginning with the January 2017 report.

Collections earmarked to the General Fund were $85.7 million above the expected level for December, while School Aid Fund tax collections were $44.2 million above the forecasted level. The remaining $4.2 million in above-forecast revenue was directed to other funds, most notably constitutional revenue sharing. On a year-to-date basis, General Fund collections were $53.8 million higher, and School Aid Fund collections $61.4 million higher, than the level expected based on the May 2016 consensus revenue estimates.

Net income tax was 4.1% above the year-ago level, primarily due to increased quarterly payments and reduced refunds compared to the level in December 2015. Quarterly payments increased by 16.2% and withholding payments (which represented the majority of gross income tax revenue) increased by 0.6%. Income tax refunds declined by 42.5% from the December 2015 level, which increased the growth in net income tax revenue. Overall, net income tax collections were $28.3 million above the SFA estimate for the month.

Sales tax revenue was up 6.4% from the December 2015 level and $40.9 million above the expected level based on the May 2016 consensus estimates. Unlike recent months in which the growth in overall sales tax revenue has been accounted for by increases in sales tax revenue from vehicle sales, collections from vehicle sales were up 0.9% from the year-ago level while sales tax revenue on all other taxable sales was up 7.1%. On a year-to-date basis, sales tax collections were up 6.0% from 2015 and $73.4 million above the expected level.

Combined business tax collections from the Single Business Tax, Michigan Business Tax (MBT), and Corporate Income Tax (CIT) were $50.8 million above the estimate for December, based on the May 2016 revenue estimates. Net CIT collections were 22.6% higher than in December 2015 and $32.3 million over forecast collections for the month. Net revenue from the MBT was $14.1 million above the monthly estimate. Most taxpayers that still file the MBT do so to collect refundable tax credits. Forecasted MBT revenue in FY 2016-17 is expected to be dominated by several large refunds. When these refunds will be claimed and processed will significantly affect the accuracy of monthly MBT estimates.

In December 2016, real estate transfer tax collections were up 15.7% from the year-ago level while State Education Tax (SET) collections were down 3.3%. On a year-to-date basis, however, SET collections were up 19.1%. Collections from the SET are typically concentrated in August, September, October, and November, and collections over those four months in 2016 were up 2.8% from the same four months in 2015.

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 December 2016. Also presented are the consensus revenue estimates for FY 2016-17, which were adopted at the May 2016 Consensus Revenue Estimating Conference.

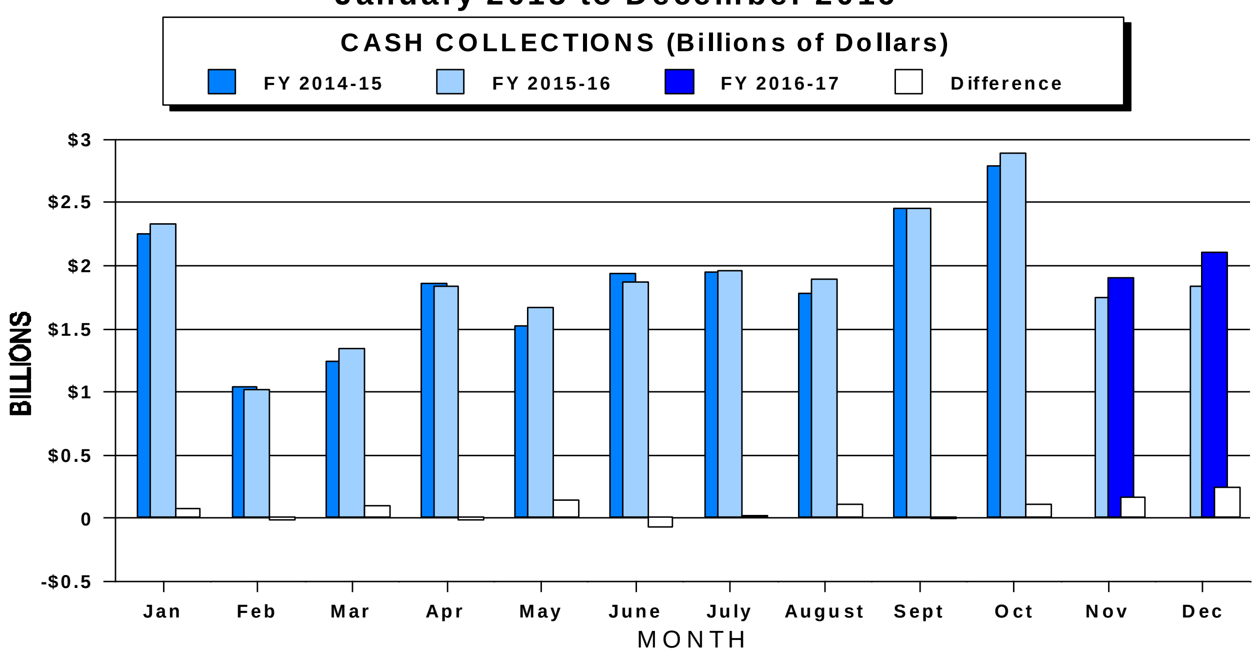
This report is prepared by **Elizabeth Pratt**, Fiscal Analyst, and **David Zin**, Chief Economist,
and is available on the Senate Fiscal Agency website - **www.senate.michigan.gov/sfa**

MICHIGAN REVENUE UPDATE
(dollars in millions)

Type of Revenue	December Collections Total[1)]	December Collections % Change From Year Ago	FY 2016-17 to Date[2] Total[1)]	FY 2016-17 to Date[2] % Change From Year Ago	FY 2016-17 CREC Estimate[3,4)] Total	FY 2016-17 CREC Estimate[3,4)] % Change From FY 2015-16
Gross Individual Income Tax	$944.5	2.2	$1,672.8	(1.2)	$11,574.8	3.6
Refunds	(20.7)	(42.5)	(54.3)	(17.7)	($1,823.1)	2.8
Net Income Tax	923.8	4.1	1,618.5	(0.5)	$9,751.7	3.7
Sales Tax	655.6	6.4	1,290.8	6.0	7,529.7	3.0
Motor Vehicles	70.8	0.9	147.5	5.4	----	----
All Other Sales Tax	584.8	7.1	1,143.4	6.1	----	----
Use Tax	124.8	12.9	236.1	3.5	1,535.7	6.6
Tobacco Taxes	77.3	4.7	154.9	(0.0)	948.4	(0.9)
Corporate Income Tax	155.5	22.6	231.0	95.0	966.5	3.7
Michigan Business Tax	(41.1)	(74.2)	(102.8)	(60.1)	(743.9)	(27.8)
Insurance Tax	1.8	(45.8)	(4.0)	(53.4)	319.0	0.9
Essential Services Assessment	(0.0)	----	0.1	----	69.0	----
State Education Property Tax	34.5	(3.3)	264.0	19.1	1,938.9	2.4
Real Estate Transfer Tax	23.2	15.7	57.3	24.5	287.7	4.2
Casino Wagering Tax[5)]	9.5	(6.8)	18.5	(2.4)	113.0	0.9
Oil & Gas Severance Tax	2.3	18.7	3.6	2.3	22.5	10.3
Other Taxes[6)]	21.7	(19.7)	49.3	(22.2)	303.9	6.1
Total Taxes	$1,988.9	13.4	$3,817.3	11.2	$23,042.1	5.4
Lottery, Net to School Aid Fund[4)]	84.3	12.8	226.0	9.9	843.1	(0.8)
Total	$2,073.2	13.3	$4,043.2	11.3	$23,885.2	3.4

1) Total collections are unadjusted cash collections unless otherwise noted. Use tax includes both the State share and the LCSA share.
2) FY 2016-17 year-to-date collections begin with November 2016 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 17, 2016, Consensus Revenue Estimating Conference.
5) Lottery and casino revenue is not accrued, so FY 2016-17 collections will include October 2016 to September 2017.
6) Other Taxes include beer, wine, liquor, single business tax, industrial facilities, utility property, estate taxes, and penalties and interest.

Actual Revenue Collections for Major State Taxes*
January 2015 to December 2016



* 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 penalties & interest revenue.