



# MONTHLY REVENUE REPORT

## DECEMBER 2017

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Michigan's General Fund and School Aid Fund earmarked major taxes and lottery net revenue totaled \$2.0 billion in December 2017, down 5.3% from December 2016. December 2017 tax collections were approximately \$40.6 million above the Senate Fiscal Agency's estimate for the month, based on the May 2017 consensus revenue estimates, primarily due to greater-than-expected collections under Michigan's sales tax, use tax, and individual income tax. The January 11, 2018, consensus revenue estimates will be used beginning with the January 2018 report.

Collections earmarked to the General Fund were \$2.0 million above the expected level for December 2017, while School Aid Fund tax collections were \$37.6 million above the forecasted level. The remaining \$1.0 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 \$40.3 million higher, and School Aid Fund collections \$13.6 million lower, than the level expected based on the May 2017 consensus revenue estimates.

Net income tax in December 2017 was 12.2% above the December 2016 level, primarily due to increased quarterly payments and reduced refunds compared to the levels in December 2016. Quarterly payments increased by 69.2%, primarily due to individuals' submitting estimated payments in December rather than January because new Federal tax provisions will limit the deductibility of State and local tax payments in tax year 2018. Withholding payments (which represented the majority of gross income tax revenue) increased by 4.5%. Overall, net income tax collections were \$27.0 million above the Senate Fiscal Agency estimate for the month.

Sales tax revenue in December 2017 was up 2.1% from the December 2016 level and \$12.9 million above the expected level based on the May 2017 consensus estimates. Collections from vehicle sales were 3.4% above the December 2016 level. On a year-to-date basis, sales tax collections were up 1.3% from 2016 and \$8.8 million above the expected level. Use tax collections in December 2017 were 26.6% above the December 2016 level, largely offsetting the 25.5% year-over-year decline experienced in November 2017. Year-to-date use tax revenue was up 2.0% from 2016 and \$33.7 million above the expected level.

Net business tax revenue from the repealed Single Business Tax, Michigan Business Tax (MBT), and Corporate Income Tax (CIT) totaled a negative \$164.1 million, as refunds exceeded tax payments, and was \$44.6 million below the expected level. Net MBT collections were \$25.3 million below forecast in December 2017 while net CIT collections were down 34.8% from December 2016 and \$23.0 million below the forecasted level. Each year, MBT revenue is dominated by several large refunds. When these refunds will be claimed and processed will significantly affect the accuracy of monthly MBT estimates.

Real estate transfer tax collections in December 2017 were up 27.7% from the December 2016 level, while State Education Tax (SET) collections were down 17.6%. Collections from the SET are typically concentrated in August, September, October, and November, and collections over those four months in 2017 were up 3.6% from the same four months in 2016.

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 2017. Also presented are the consensus revenue estimates for fiscal year 2017-18, which were adopted at the May 2017 Consensus Revenue Estimating Conference. As noted above, the January 11, 2018, consensus revenue estimates will be used beginning with the January 2018 report.



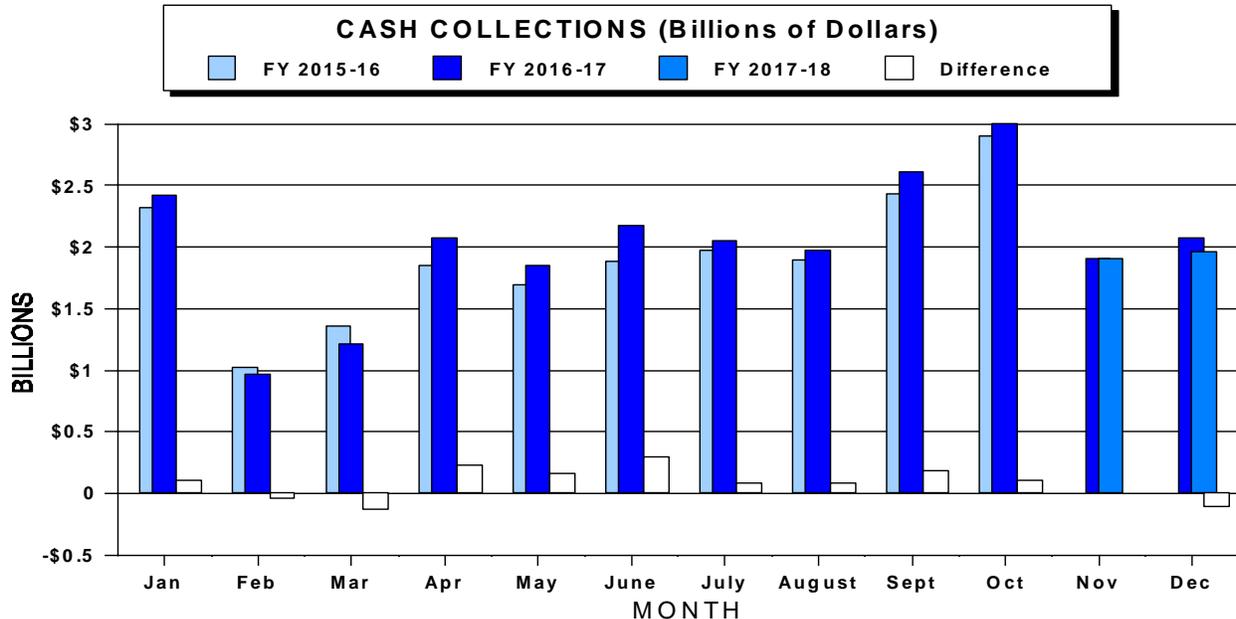
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<b>MICHIGAN REVENUE UPDATE</b> (dollars in millions)						
Type of Revenue	December Collections		FY 2017-18 to Date <sup>2</sup>		FY 2017-18 CREC Estimate <sup>3,4)</sup>	
	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago	Total	% Change From FY 2016-17
Gross Individual Income Tax	\$1,062.3	12.5%	\$1,860.9	11.2%	\$11,970.0	3.4%
Refunds	(26.1)	26.4	(59.7)	9.9	(\$1,927.5)	2.6
Net Income Tax	1,036.1	12.2	1,801.2	11.3	\$10,042.5	3.6
Sales Tax	669.1	2.1	1,307.6	1.3	7,929.3	3.0
Motor Vehicles	73.3	3.4	153.2	3.9	----	----
All Other Sales Tax	595.8	1.9	1,154.4	1.0	----	----
Use Tax <sup>5)</sup>	158.0	26.6	240.9	2.0	1,549.3	(1.1)
Tobacco Taxes	75.2	(2.7)	153.5	(0.9)	935.8	(0.9)
Corporate Income Tax	101.4	(34.8)	128.2	(44.5)	950.2	(11.9)
Michigan Business Tax	(269.2)	554.9	(293.3)	185.3	(755.6)	(18.1)
Insurance Tax	5.7	212.1	7.6	(288.9)	408.9	11.6
Essential Services Assessment	0.1	----	0.1	139.7	82.1	5.3
State Education Property Tax	28.5	(17.6)	219.7	(16.8)	2,002.6	2.9
Real Estate Transfer Tax	29.6	27.7	56.9	(0.8)	315.7	1.0
Casino Wagering Tax <sup>6)</sup>	9.4	(0.6)	18.6	0.4	115.0	0.9
Oil & Gas Severance Tax	1.9	(15.2)	3.9	10.3	27.0	8.9
Other Taxes <sup>7)</sup>	18.3	(15.9)	44.3	(10.1)	295.2	3.3
<b>Total Taxes</b>	<b>\$1,864.1</b>	<b>(6.3%)</b>	<b>\$3,689.2</b>	<b>(3.4%)</b>	<b>\$23,898.0</b>	<b>3.1%</b>
Lottery, Net to School Aid Fund <sup>6)</sup>	99.5	18.0	246.2	8.9	887.7	0.1
<b>Total</b>	<b>\$1,963.6</b>	<b>(5.3%)</b>	<b>\$3,935.4</b>	<b>(2.8%)</b>	<b>\$24,785.7</b>	<b>3.0%</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 17, 2017, 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 penalties and interest.

### Actual Revenue Collections for Major State Taxes\* January 2016 to December 2017



\* 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.