



MONTHLY REVENUE REPORT

DECEMBER 2018

Michigan's General Fund and School Aid Fund earmarked major taxes and lottery net revenue totaled \$2.1 billion in December 2018, up 5.5% from December 2017. December 2018 tax collections were approximately \$69.8 million below the Senate Fiscal Agency's (SFA's) estimate for the month, based on the May 2018 consensus revenue estimates, primarily due to lower-than-expected sales tax, Michigan Business Tax (MBT), and individual income tax quarterly estimates, partially offset by higher-than-expected income tax withholding and Corporate Income Tax (CIT) collections.

Collections earmarked to the General Fund were \$30.2 million below the expected level for December 2018, and School Aid Fund tax collections were \$35.0 million below the forecasted level. The remaining \$4.6 million in below-forecast revenue was directed to other funds, most notably constitutional revenue sharing. On a year-to-date basis, General Fund collections were \$24.6 million lower, and School Aid Fund collections \$77.7 million lower, than the level expected based on the May 2018 consensus revenue estimates.

Net income tax revenue in December 2018 was 5.9% below the December 2017 level, primarily due to reduced quarterly payments and increased refunds compared to the level in December 2017. Quarterly payments fell by 70.7% from an historically high level in December 2017, while refunds were up 19.0%. Withholding payments (which represented the majority of gross income tax revenue) increased by 10.8%, boosted by a fifth Monday in the month. Overall, net income tax collections were \$9.1 million below the SFA estimate for the month.

Sales tax revenue in December 2018 was up 4.1% from the December 2017 level, but \$43.5 million below the expected level based on the May 2018 consensus estimates. Collections from vehicle sales were 0.9% above the December 2017 level. On a year-to-date basis, sales tax collections were up 4.0% from 2017, but \$52.8 million below the expected level. Use tax collections in December 2018 were 18.3% below the December 2017 level, partially offsetting the 87.1% year-over-year increase experienced in November 2018. Year-to-date use tax revenue was up 18.0% from 2017 and \$25.8 million above the expected level.

Net business tax revenue from the MBT, CIT, and repealed Single Business Tax, totaled \$12.3 million, \$5.5 million below the expected level. Net MBT collections were \$40.4 million below forecast in December 2018, while net CIT collections were up 43.5% from December 2017 and \$26.4 million above 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.

State Education Tax (SET) collections in December 2018 were up 85.1% from the December 2017 level, while real estate transfer tax collections were down 18.9%. Collections from the SET are typically concentrated in August, September, October, and November, and collections over those four months in 2018 were up 1.4% from the same four months in 2017.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for December 2018. Also presented are the consensus revenue estimates for fiscal year 2018-19, which were adopted at the May 2018 Consensus Revenue Estimating Conference. The January 11, 2019, consensus revenue estimates will be used beginning with the January 2019 report.



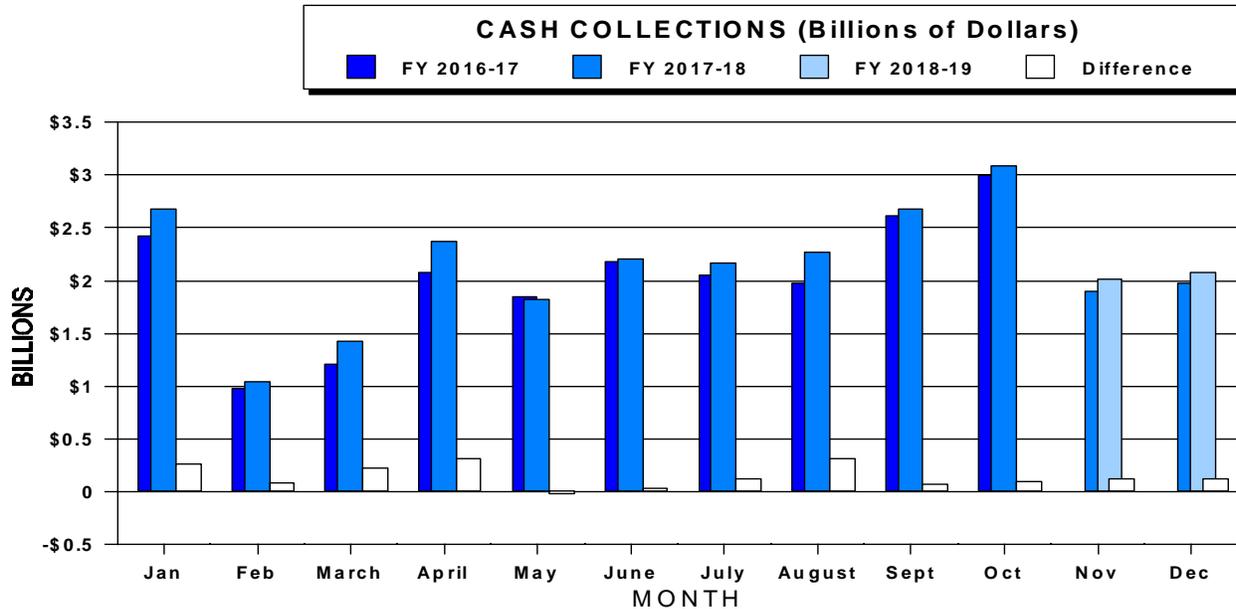
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MICHIGAN REVENUE UPDATE (dollars in millions)						
Type of Revenue	December Collections		FY 2018-19 to Date ²		FY 2018-19 CREC Estimate ^{3,4)}	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total	% Change From FY 2017-18
Gross Individual Income Tax	\$1,006.1	(5.3%)	\$1,765.2	(5.1%)	\$12,402.5	1.6%
Refunds	(31.1)	19.0	(53.3)	(10.7)	(2,259.2)	13.0
Net Income Tax	975.0	(5.9)	1,711.9	(5.0)	\$10,143.3	(0.6)
Sales Tax	696.5	4.1	1,360.5	4.0	8,308.8	3.3
Motor Vehicles	73.9	0.9	153.0	(0.1)	---	---
All Other Sales Tax	622.6	4.5	1,207.5	4.6	---	---
Use Tax ⁵⁾	129.0	(18.3)	284.1	18.0	1,613.0	(0.6)
Tobacco Taxes	74.2	(1.4)	140.9	(8.2)	919.8	(1.1)
Corporate Income Tax	145.4	43.5	183.4	43.1	922.6	7.3
Michigan Business Tax	(141.6)	(47.4)	(152.9)	(47.9)	(649.5)	(17.6)
Insurance Tax	3.5	(39.0)	2.2	(70.4)	406.3	2.1
Essential Services Assessment	0.0	---	0.0	(70.8)	97.0	6.5
State Education Property Tax	52.7	85.1	263.9	20.1	2,121.7	4.1
Real Estate Transfer Tax	24.0	(18.9)	57.0	0.3	336.5	1.6
Casino Wagering Tax ⁶⁾	10.3	9.7	19.9	6.9	115.0	0.9
Oil & Gas Severance Tax	1.7	(13.3)	3.7	(5.2)	26.6	6.4
Other Taxes ⁷⁾	23.8	30.1	37.1	(16.3)	313.5	(1.0)
Total Taxes	\$1,994.4	7.0%	\$3,911.9	6.0%	\$24,674.6	2.0%
Lottery, Net to School Aid Fund ⁶⁾	77.5	(22.1)	276.3	12.2	950.0	0.6
Total	\$2,071.9	5.5%	\$4,188.2	5.7%	\$25,624.6	2.0%

- Total collections are unadjusted cash collections unless otherwise noted.
- FY 2018-19 year-to-date collections begin with November 2018 collections to reflect accrual accounting.
- Year-to-date figures represent cash collections only, while the fiscal year estimate also includes accruals.
- Consensus revenue estimates adopted at the May 16, 2018, Consensus Revenue Estimating Conference.
- Includes both the State share and the local share (Local Community Stabilization Authority).
- Lottery and casino revenue is not accrued, so FY 2018-19 collections will include October 2018 to September 2019.
- 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* January 2017 to December 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.