



MONTHLY REVENUE REPORT

FEBRUARY 2018

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1.0 billion in February 2018, a 7.9% increase from the February 2017 level. February 2018 tax collections were approximately \$92.9 million above the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in January 2018. The above-forecast revenue primarily reflected less-than-expected individual income tax refunds and greater-than-expected use tax collections that more than offset less-than-expected sales tax revenue and greater-than-expected Michigan Business Tax refunds.

Collections earmarked to the General Fund were \$74.5 million above the expected level for February, while School Aid Fund tax collections were \$17.6 million above the forecasted level. The remaining \$800,000 in above-forecast collections was directed to other funds, most notably the Medicaid Trust Fund. Through February, year-to-date General Fund collections were \$145.1 million above, and School Aid Fund collections \$5.9 million above, the level expected based on the January 2018 consensus revenue estimates.

Net income tax revenue totaled \$345.7 million in February 2018, down 1.3% from February 2017, but \$40.8 million above the forecasted level. Withholding payments (which represented the majority of gross income tax revenue) were 1.3% above the February 2017 level but \$200,000 below the predicted level for the month. Individual income tax refunds totaled \$431.3 million, up 3.0% from February 2017, but \$39.2 million less than predicted. Refunds generally depend on when taxpayers file their returns, so data from future months' collections will be needed to determine if the refund estimate is too high or if taxpayers are merely filing refund requests later than usual.

February 2018 sales tax receipts increased 1.7% from February 2017 and were \$5.5 million above the forecasted level. Year-to-date sales tax collections through February 2018 were up 0.6% from the year-ago level and \$25.4 million below the forecasted level. Sales tax collections from motor vehicle sales were up 0.9% from February 2017. Use tax collections in February 2018 were 57.2% above the February 2017 level, and \$80.2 million above the forecasted level, largely due to the reclassification of revenue previously booked in error as sales tax revenue.

Combined business tax collections from the Single Business Tax, Michigan Business Tax (MBT), and Corporate Income Tax (CIT) were a negative \$278.6 million (a net loss of revenue to the State due to refunds exceeding collections) and \$35.6 million below the SFA's negative estimate for the month (reflecting a greater loss). Net CIT collections totaled \$32.4 million while net MBT revenue totaled a negative \$308.3 million. Most taxpayers who still file the MBT do so to collect refundable tax credits. When these refunds will be claimed and processed will significantly affect the accuracy of monthly MBT estimates.

Real estate transfer tax receipts in February 2018 were 4.6% above the February 2017 level, putting the year-to-date growth rate of 6.7% on track to be the slowest yearly rate of growth since FY 2010-11. The slowdown is largely expected: year-to-date real estate transfer tax receipts are \$800,000 below forecast.

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 February 2018. Also presented are the revised consensus revenue estimates for FY 2017-18, which were adopted at the January 2018 Consensus Revenue Estimating Conference.



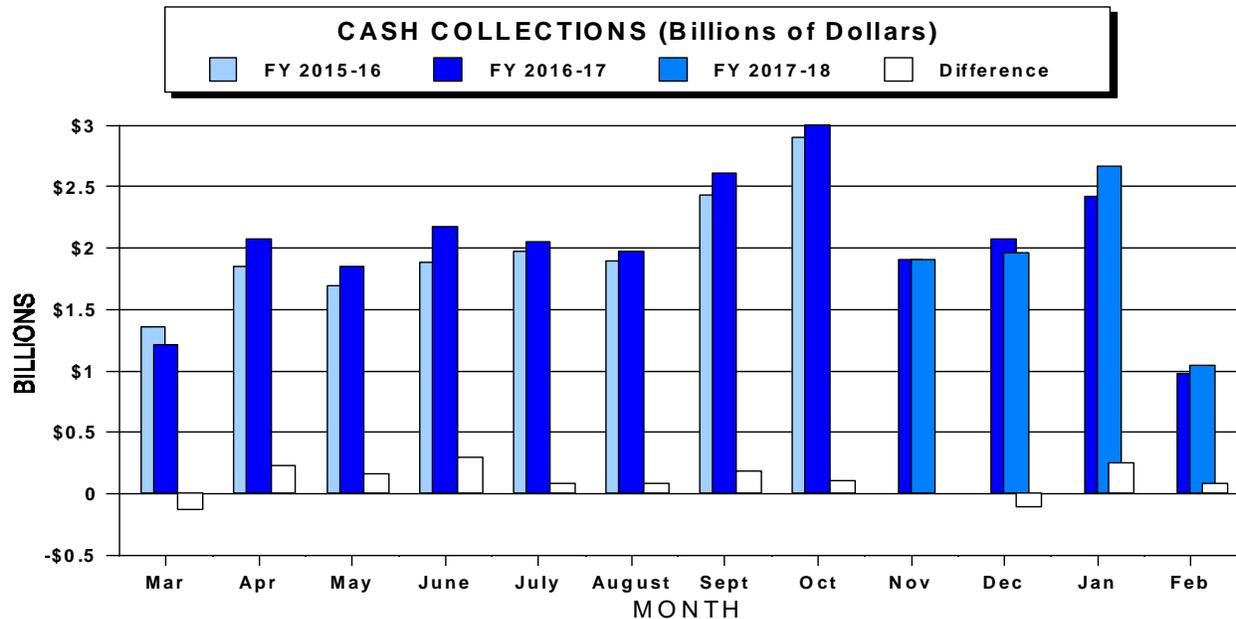
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MICHIGAN REVENUE UPDATE (dollars in millions)						
Type of Revenue	February Collections		FY 2017-18 to Date ²		FY 2017-18 CREC Estimate ^{3,4)}	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total	% Change From FY 2016-17
Gross Individual Income Tax	\$776.9	1.0%	\$4,116.9	10.2%	\$11,890.1	4.2%
Refunds	(431.3)	3.0	(530.4)	6.3	(\$1,990.1)	1.7
Net Income Tax	345.7	(1.3)	3,586.5	10.8	\$9,900.0	4.7
Sales Tax	551.7	1.7	2,543.4	0.6	8,026.9	2.9
Motor Vehicles	66.9	0.9	299.0	3.7	----	----
All Other Sales Tax	484.8	1.8	2,244.4	0.2	----	----
Use Tax ⁵⁾	186.4	57.2	573.0	20.9	1,517.8	3.4
Tobacco Taxes	71.8	(0.2)	297.9	(1.9)	938.5	(0.8)
Corporate Income Tax	32.4	66.4	252.0	(24.2)	955.2	(13.6)
Michigan Business Tax	(308.3)	5.1	(617.4)	42.4	(757.9)	7.6
Insurance Tax	11.9	(3.1)	110.8	27.6	412.1	11.2
Essential Services Assessment	0.0	----	0.1	----	91.1	8.5
State Education Property Tax	19.3	11.6	254.7	(12.9)	2,027.1	3.2
Real Estate Transfer Tax	23.9	4.6	104.4	6.7	322.6	1.7
Casino Wagering Tax ⁶⁾	0.0	0.0	27.6	0.1	113.0	(0.2)
Oil & Gas Severance Tax	1.8	(6.8)	8.3	5.9	25.0	6.4
Other Taxes ⁷⁾	30.0	80.5	110.2	22.5	298.5	(3.4)
Total Taxes	\$966.4	8.6%	\$7,251.6	2.8%	\$23,869.9	2.7%
Lottery, Net to School Aid Fund ⁶⁾	76.6	0.1	393.3	5.3	926.0	0.2
Total	\$1,043.0	7.9%	\$7,644.9	2.9%	\$24,795.9	2.6%

- 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 January 11, 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 penalties and interest.

Actual Revenue Collections for Major State Taxes* March 2016 to February 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 penalties & interest revenue.