



# MONTHLY REVENUE REPORT

## JANUARY 2017

---

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes and lottery net revenue totaled \$2.4 billion in January 2017, up 4.4% from the January 2016 level. January 2017 tax collections were approximately \$21.4 million above the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in January 2017. Above-forecast collections under the sales tax accounted for \$47.6 million of the amount by which revenue was above forecast, but were partially offset by less-than-expected use tax, real estate transfer tax, and Corporate Income Tax collections.

Collections earmarked to the General Fund were \$100,000 above the expected level for January, while School Aid Fund tax collections were \$15.9 million above the forecasted level. The remaining \$5.4 million in above-forecast collections was directed to other funds, most notably constitutional revenue sharing. Because the January 2017 consensus estimates revised the forecasted values for the year, the year-to-date deviations from forecast are effectively the same as the deviations for January.

Net income tax revenue totaled slightly more than \$1.3 billion in January 2017, a 12.7% increase from the January 2016 level. Withholding payments (which represented the majority of gross income tax revenue) were 11.9% above the January 2016 level, only \$200,000 below the predicted level. Quarterly payments grew 14.0% from the January 2016 level, reflecting strong capital gains realizations at the end of 2016. Individual income tax refunds totaled \$25.8 million, up 10.3% from January 2016 but \$22.6 million less than predicted. Refunds generally depend on when taxpayers file their returns, so data from future months' collections will be necessary to determine if the refund estimate is too high or if taxpayers are merely filing refund requests later than usual.

Sales tax receipts totaled \$695.1 million in January 2017, a 15.6% increase from January 2016 and is the strongest monthly year-over-year growth in sales tax collections since January 2015 and the sixth-strongest growth since the 2008-2009 recession. A portion of the increase reflects a 19.3% increase in sales tax collections from motor vehicle sales that is the most rapid monthly year-over-year growth since February 2012. Fiscal year-to-date sales tax collections are up 9.2% from fiscal year 2015-16. In contrast, use tax collections were down 7.3% from the January 2016 level, and \$27.5 million below the expected level for the month.

Combined business tax collections from the Single Business Tax, Michigan Business Tax (MBT), and Corporate Income Tax (CIT) were \$49.1 million, down 59.1% from January 2016. Net CIT collections were down 38.7% from the January 2016 level and \$23.0 million below the monthly estimate. Net revenue from the MBT was a negative \$37.3 million (a net loss of revenue to the State due to refunds' exceeding collections), but the loss was \$7.6 million less than expected. Most taxpayers that 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 collections were down 16.4% from January 2016, the first monthly year-over-year decline since July 2016. Despite the decline, year-to-date collections are up 11.6%.

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 January 2017. Also presented are the revised consensus revenue estimates for FY 2016-17, which were adopted at the January 2017 Consensus Revenue Estimating Conference.



MICHIGAN REVENUE UPDATE (dollars in millions)						
Type of Revenue	January Collections		FY 2016-17 to Date <sup>2</sup>		FY 2016-17 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 2015-16
Gross Individual Income Tax	\$1,294.0	12.6	\$2,966.8	4.4	\$11,636.0	3.5
Refunds	(25.8)	10.3	(80.1)	(10.4)	(\$1,879.0)	0.3
Net Income Tax	1,268.2	12.7	2,886.6	4.9	\$9,757.0	4.1
Sales Tax	695.1	15.6	1,985.9	9.2	7,485.2	2.6
Motor Vehicles	74.6	19.3	222.1	9.7	---	---
All Other Sales Tax	620.5	15.1	1,763.8	9.1	---	---
Use Tax	118.9	(7.3)	355.1	(0.4)	1,574.5	3.7
Tobacco Taxes	76.9	(1.5)	231.8	(0.5)	934.4	(1.3)
Corporate Income Tax	81.8	(38.7)	312.9	24.2	946.5	1.8
Michigan Business Tax	(37.3)	125.2	(140.2)	(48.9)	(672.8)	(23.4)
Insurance Tax	78.6	0.5	74.6	7.1	405.6	23.2
Essential Services Assessment	0.0	---	0.1	---	75.0	10.9
State Education Property Tax	11.3	(40.3)	275.3	14.4	1,933.9	1.9
Real Estate Transfer Tax	17.7	(16.4)	75.0	11.6	305.2	5.5
Casino Wagering Tax <sup>5)</sup>	9.1	2.7	27.6	(0.8)	114.0	1.0
Oil & Gas Severance Tax	2.4	34.4	6.0	13.2	23.6	24.7
Other Taxes <sup>6)</sup>	24.1	9.6	73.4	(14.0)	295.9	3.5
<b>Total Taxes</b>	<b>\$2,346.8</b>	<b>6.6</b>	<b>\$6,164.0</b>	<b>9.4</b>	<b>\$23,178.0</b>	<b>4.5</b>
Lottery, Net to School Aid Fund <sup>4)</sup>	70.9	(38.3)	296.8	(1.9)	892.0	0.3
<b>Total</b>	<b>\$2,417.6</b>	<b>4.4</b>	<b>\$6,460.9</b>	<b>8.6</b>	<b>\$24,070.0</b>	<b>4.3</b>

- 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 January 12, 2017, 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.

