



MONTHLY REVENUE REPORT

MARCH 2022

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$2.6 billion in March 2022, up 73.3% from the March 2021 level. March 2022 tax collections were approximately \$984.4 million above the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in January 2022. While greater-than-expected individual income tax withholding and sales and use tax collections accounted for approximately \$137.0 million of the above-forecast revenue, timing issues associated with the recently adopted flow-through entity tax and individual income tax refunds accounted for an overwhelming majority of above-forecast revenue.

Collections earmarked to the General Fund were \$756.6 million above the expected level for March 2022, while School Aid Fund tax collections were \$236.2 million above the forecasted level. The remaining \$8.4 million in below-forecast collections was directed to other funds, most notably the Medicaid Benefits Trust Fund. Through March 2022, fiscal year-to-date General Fund collections were \$1.0 billion above, and School Aid Fund collections \$371.0 million above, the level expected based on the January 2022 consensus revenue estimates.

Net income tax revenue totaled \$1.3 billion in March 2022, a 185.5% increase from the level in March 2021, and \$889.7 million above the level forecasted for the month. Withholding payments (which represented a majority of gross income tax revenue) were 8.5% above the year-ago level and \$83.4 million above the predicted level. Estimated tax payments for the individual income tax and flow-through entity tax totaled \$741.8 million, compared to \$24.5 million in March 2021. Michigan adopted the flow-through entity tax in December 2021, providing, for flow-through entities such as S-corporations and limited liability companies (which previously reported their income under the individual income tax) a way to avoid the Federal government's \$10,000 limit on deducting state and local income taxes when calculating Federal individual income taxes. Under the flow-through entity tax, many deadlines related to tax year 2021 occurred in March 2022. Because flow-through entity tax payments for tax year 2021 generally will duplicate estimated individual income payments made during 2021, a timing issue exists reflecting when and how much in estimated flow-through entity tax payments will be made for tax year 2021 and when those payments will be offset by refund claims under the individual income tax. Through March 2022, the volume of individual income tax returns was approximately 11% less than under normal years, and individual income tax refunds fell below the monthly forecast by \$87.2 million, suggesting that much of the over-forecast income tax revenue reflects timing issues associated with the flow-through entity tax.

March 2022 sales tax collections were 17.4% above the March 2021 level and \$13.3 million above the forecasted level. Sales tax collections from vehicle sales reached a new all-time record high in March 2022 at \$134.8 million. (The previous record was set in April 2021 at \$130.2 million.) Use tax collections were up 14.0% from March 2021 and \$40.3 million above the forecasted level. On a fiscal year-to-date basis, sales tax collections were up 18.0% from fiscal year (FY) 2020-21 and \$135.5 million above forecast, while use tax collections were down 1.5% but \$72.0 million above the forecasted level.

The table on the next page of this report identifies the major taxes included in the report and provides their respective revenue levels and growth rates for March 2022. Also presented are the revised consensus revenue estimates for FY 2021-22, which were adopted at the January 2022 Consensus Revenue Estimating Conference.



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MICHIGAN REVENUE UPDATE (dollars in millions)						
Type of Revenue	March Collections		FY 2021-22 to Date ²		FY 2021-22 CREC Estimate ^{3,4)}	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total	% Change From FY 2020-21
Gross Individual Income Tax ⁵⁾	\$1,996.1	71.4%	\$7,150.5	30.2%	\$14,727.2	1.2%
Refunds	(744.0)	2.5	(1,257.8)	10.6	(2,838.2)	5.2
Net Income Tax	1,252.1	185.5	5,892.7	35.3	11,889.0	0.3
Sales Tax	761.5	17.4	4,065.6	18.0	9,412.6	0.1
Motor Vehicles	134.8	4.3	564.8	14.6	---	---
All Other Sales Tax	626.6	20.7	3,500.8	18.6	---	---
Use Tax ⁶⁾	239.0	14.0	1,073.4	(1.5)	2,539.3	(3.2)
Tobacco Taxes	58.3	(7.3)	320.5	(8.5)	878.0	(1.3)
Corporate Income Tax	89.0	39.3	614.2	18.8	1,461.6	(13.9)
Michigan Business Tax	0.9	(100.8)	(478.2)	0.7	(594.3)	21.4
Insurance Tax	6.8	53.2	111.1	27.1	380.0	7.1
Essential Services Assessment	0.2	32.3	1.0	13.0	135.0	7.3
State Education Property Tax	55.6	156.7	449.1	10.6	2,360.0	4.2
Real Estate Transfer Tax	35.1	11.3	225.8	19.9	487.5	(0.6)
Wagering Taxes ⁷⁾	15.2	67.4	70.5	142.0	0.0	0.0
Oil & Gas Severance Tax	4.2	114.2	15.9	119.3	22.0	5.3
Other Taxes ⁸⁾	23.6	(29.7)	104.1	0.3	337.0	(1.5)
Total Taxes	\$2,541.3	79.4%	\$12,465.7	23.3%	\$29,307.7	(0.9%)
Lottery, Net to School Aid Fund ⁶⁾	106.7	(4.0)	598.2	(10.7)	1,280.0	(9.8)
Total	\$2,647.9	73.3%	\$13,063.9	21.4%	\$30,587.7	(1.3%)

1) Total collections are unadjusted cash collections unless otherwise noted.
 2) FY 2021-22 year-to-date collections begin with November 2021 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 14, 2022, Consensus Revenue Estimating Conference.
 5) Includes payments made under the Flow-Through Entity Tax.
 6) Includes both the State share and the local share (Local Community Stabilization Authority).
 7) Lottery and casino revenue are not accrued, so FY 2021-22 collections will reflect October 2021 to September 2022.
 8) Other Taxes include beer, wine, liquor, single business tax, industrial facilities, utility property, estate taxes, and tax penalties and interest.

