



MONTHLY REVENUE REPORT

MAY 2018

Revenue from Michigan's major taxes with General Fund and School Aid Fund earmarks totaled \$1.8 billion in May 2018, a 1.6% decrease from the May 2017 level. May 2018 tax collections were approximately \$73.4 million above the level expected in the Senate Fiscal Agency's estimate for the month, based on the revised consensus revenue estimates adopted in May 2018. Above-forecast individual income tax annual payments, use tax collections, and Corporate Income Tax (CIT) collections combined with less-than-expected Michigan Business Tax (MBT) and individual income tax refunds to more than offset less-than-expected sales tax and individual income tax withholding.

Collections earmarked to the General Fund were \$97.5 million above the expected level for May 2018, while School Aid Fund tax collections were \$20.5 million below the forecasted level. The remaining \$3.6 million in less-than-expected collections was directed to other funds, most notably constitutional revenue sharing. Because the May 2018 consensus estimates revised the forecasted values for the year, the fiscal year-to-date deviations from forecast are effectively the same as the deviations for May.

Net income tax revenue totaled \$706.5 million in May 2018, a 13.6% decrease from May 2017 that reflects May 2017 collections being boosted by calendar issues. Withholding payments (which represented the majority of gross income tax revenue) were 8.4% below the year-ago level, and after adjusting for calendar effects, were still \$44.3 million below the predicted level. Individual income tax refunds were down 7.3% from May 2017 and \$38.6 million less than expected. On a fiscal year-to-date basis, net individual income revenue was up 10.0%.

Sales tax collections totaled \$655.5 million in May 2018, up 1.1% from the level in May 2017 but \$11.1 million below forecast. Use tax collections were up 30.8% from May 2017 and \$19.9 million above the expected level for the month, reflecting new rules for how businesses with both a traditional storefront and online sales should report sales and use tax liabilities. Fiscal year-to-date sales tax collections were up 1.6%, compared to a 21.5% increase in use tax collections. In May 2018, sales tax collections from vehicle sales were 5.3% above the May 2017 level.

Combined business tax collections from the Single Business Tax, MBT, and CIT totaled \$60.5 million for the month, \$47.8 million above the expected level. While May 2018 CIT collections were up 78.8% from May 2017, fiscal year-to-date CIT collections were down 25.2%. Net MBT revenue totaled a negative \$2.0 million (as refunds exceeded payments), but refunds were \$31.5 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.

In May 2018, real estate transfer taxes were down 0.7% from the May 2017 level, recording an infrequent second consecutive month of year-over-year declines. Despite the declines, fiscal year-to-date real estate transfer tax collections were up 3.5% from fiscal year (FY) 2016-17.

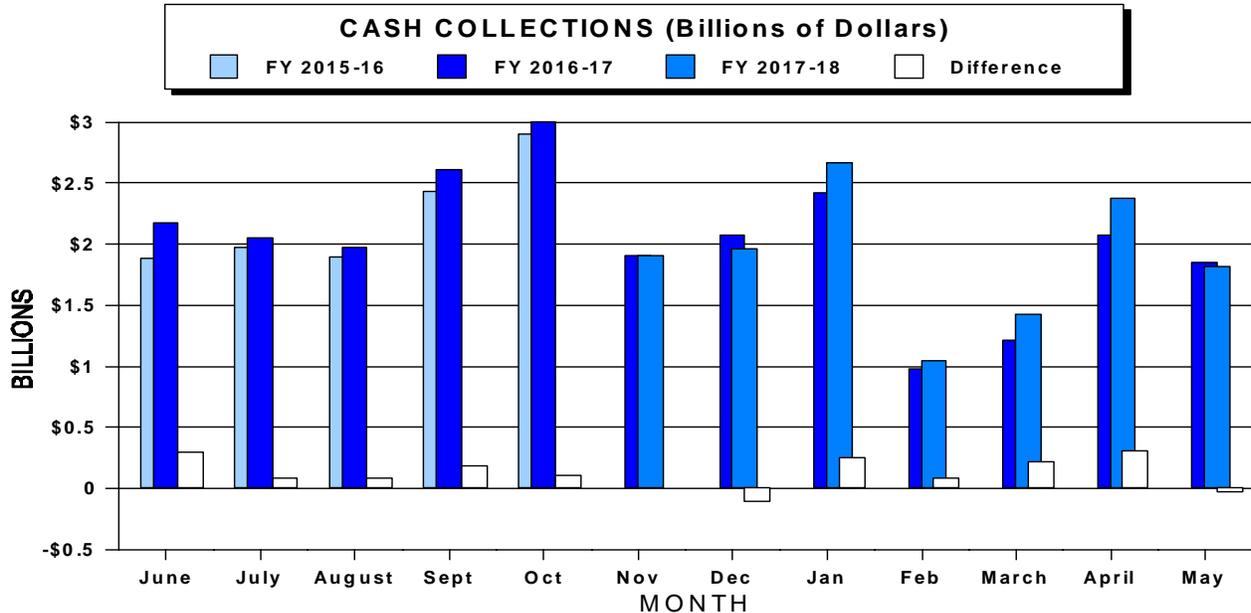
The table on the back of this report identifies the major taxes included in the report, and provides their respective revenue levels and growth rates for May 2018. Also presented are the revised consensus revenue estimates for FY 2017-18, which were adopted at the May 2018 Consensus Revenue Estimating Conference.



MICHIGAN REVENUE UPDATE (dollars in millions)						
Type of Revenue	May 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	\$860.2	(12.5%)	\$7,571.4	7.4%	\$12,205.8	7.0%
Refunds	(153.7)	(7.3)	(1,703.7)	(0.7)	(\$1,999.3)	2.2
Net Income Tax	706.5	(13.6)	5,867.7	10.0	\$10,206.5	8.0
Sales Tax	655.5	1.1	4,430.8	1.6	8,041.8	3.1
Motor Vehicles	96.3	5.3	574.2	4.4	---	---
All Other Sales Tax	559.2	0.5	3,856.6	1.2	---	---
Use Tax ⁵⁾	159.8	30.8	1,031.7	21.5	1,622.0	10.5
Tobacco Taxes	68.7	(3.5)	505.9	(2.9)	930.5	(1.6)
Corporate Income Tax	67.0	78.8	488.9	(25.2)	859.8	(22.2)
Michigan Business Tax	(2.0)	---	(630.8)	---	(787.9)	11.8
Insurance Tax	0.2	(137.6)	187.1	8.7	398.1	7.4
Essential Services Assessment	0.7	---	1.0	---	91.1	8.5
State Education Property Tax	19.3	3.5	312.7	(10.7)	2,039.1	3.8
Real Estate Transfer Tax	24.7	(0.7)	170.6	3.5	331.1	4.4
Casino Wagering Tax ⁶⁾	10.1	3.9	67.9	1.0	114.0	0.7
Oil & Gas Severance Tax	2.3	3.2	14.8	6.5	25.0	6.4
Other Taxes ⁷⁾	25.3	(12.6)	176.3	14.0	316.6	1.5
Total Taxes	\$1,738.1	(2.1%)	\$12,624.7	5.7%	\$24,187.7	4.0%
Lottery, Net to School Aid Fund ⁶⁾	73.0	11.4	628.0	4.9	944.4	2.2
Total	\$1,811.1	(1.6%)	\$13,252.7	5.6%	\$25,132.1	4.0%

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 16, 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*
June 2016 to May 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.