



# MONTHLY REVENUE REPORT

## MAY 2020

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Revenue from Michigan's major taxes with General Fund and School Aid Fund earmarks totaled \$1.6 billion in May 2020, a 15.9% decrease from the May 2019 level. May 2020 tax collections were approximately \$112.2 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 2020. Above-forecast individual income tax withholding and sales tax more than offset less-than-expected use tax collections and individual income tax annual payments.

Collections earmarked to the General Fund were \$72.0 million above the expected level for May 2020, while School Aid Fund tax collections were \$37.3 million above the forecasted level. The remaining \$2.9 million in less-than-expected collections was directed to other funds, most notably constitutional revenue sharing. Because the May 2020 consensus estimates revised the forecasted values for the year, the fiscal year-to-date deviations from forecast effectively are the same as the deviations for May.

The impact of Governor Whitmer's Executive Orders, which temporarily closed or restricted many businesses and required most individuals to stay at home, was apparent in the collections for many taxes. However, for several revenue sources, the dynamics of Federal stimulus checks, the impact of other temporary Federal stimulus measures such as the "Paycheck Protection Program" and additional unemployment benefits, and new liquidity facilities from the Federal Reserve, offset some of those impacts. Similarly, postponed due dates for selected Michigan tax payments offered financial relief for many taxpayers but reduced May collections from historical averages (and will boost July collections above what they would have otherwise been).

Net income tax revenue totaled \$715.5 million in May 2020, a 3.8% decrease from May 2019, but \$104.3 million above the forecasted level. Withholding payments (which represented the majority of gross income tax revenue) were 4.1% above the year-ago level and \$119.9 million above the predicted level. The relative strength in withholding compared to other taxes primarily reflected payments from taxpayers who elected to have withholding taken from their unemployment insurance benefits, combined with the impact of supplementary Federal provisions, which both increased benefit amounts and expanded eligibility for payments. The Department of Treasury reported that withholding payments on unemployment insurance benefits totaled \$142.7 million in May, representing 18.0% of total withholding.

Sales tax collections totaled \$536.1 million in May 2020, down 22.8% from the level in May 2019, but \$15.4 million above forecast. Use tax collections were down 41.1% from May 2019 and \$11.7 million below the expected level for the month.

Combined business tax collections from the Single Business Tax, Michigan Business Tax, and Corporate Income Tax (CIT) totaled \$29.2 million for the month (meaning collections exceeded refunds) and were \$8.2 million above the expected level. May 2020 CIT collections were down 66.6% from May 2019, largely reflecting the postponed due date for both annual and quarterly payments.

Between May 2019 and May 2020, casino tax revenue fell 100% because of the closure of the Detroit casinos. Offsetting that decline, lottery revenue to the School Aid Fund was up 13.0% and \$9.0 million above forecast. However, because of government office closures and stay-at-home orders, unclaimed prizes are running above prior year levels. To the extent that these prizes are claimed later, it will offset a portion of the current above-forecast growth.

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 2020. Also presented are the revised consensus revenue estimates for fiscal year 2019-20, which were adopted at the May 2020 Consensus Revenue Estimating Conference.



MICHIGAN REVENUE UPDATE (dollars in millions)						
Type of Revenue	May Collections		FY 2019-20 to Date <sup>2</sup>		FY 2019-20 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 2018-19
Gross Individual Income Tax	\$850.1	(5.4%)	\$6,958.3	(9.5%)	\$11,553.6	(8.0%)
Refunds	(134.6)	(13.4)	(1,853.3)	(1.4)	(2,256.3)	6.2
Net Income Tax	715.5	(3.8)	5,105.1	(12.2)	9,297.3	(10.9)
Sales Tax	536.1	(22.8)	4,373.6	(4.0)	7,512.8	(9.0)
Motor Vehicles	72.6	(23.4)	485.5	(13.5)	---	---
All Other Sales Tax	463.4	(22.8)	3,888.1	(2.6)	---	---
Use Tax <sup>5)</sup>	94.1	(41.1)	920.2	(11.7)	1,532.4	(14.6)
Tobacco Taxes	72.9	1.6	494.9	0.1	880.3	(1.0)
Corporate Income Tax	26.2	(66.6)	464.9	(29.8)	910.1	(28.8)
Michigan Business Tax	(3.4)	58.6	(487.6)	(5.3)	(641.0)	25.3
Insurance Tax	(4.6)	(363.4)	196.3	11.5	351.8	11.7
Essential Services Assessment	0.9	(64.1)	1.7	(34.9)	121.0	8.8
State Education Property Tax	18.5	(14.9)	442.0	18.4	2,155.9	2.1
Real Estate Transfer Tax	18.9	(27.5)	182.1	5.7	300.6	(14.1)
Casino Wagering Tax <sup>6)</sup>	0.0	0.0	44.7	(25.2)	71.4	(39.1)
Oil & Gas Severance Tax	(0.3)	(110.6)	9.4	(34.4)	14.0	(37.2)
Other Taxes <sup>7)</sup>	18.6	(6,677.5)	136.7	50.2	270.5	13.1
<b>Total Taxes</b>	<b>\$1,493.4</b>	<b>(17.5%)</b>	<b>\$11,883.9</b>	<b>(8.2%)</b>	<b>\$22,777.1</b>	<b>(10.3%)</b>
Lottery, Net to School Aid Fund <sup>6)</sup>	115.2	13.0	671.5	(6.8)	970.0	(9.4)
<b>Total</b>	<b>\$1,608.6</b>	<b>(15.9%)</b>	<b>\$12,555.4</b>	<b>(7.9%)</b>	<b>\$23,747.1</b>	<b>(10.3%)</b>

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2019-20 year-to-date collections begin with November 2019 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 15, 2020, 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 2019-20 collections will reflect October 2019 to September 2020.
- 7) Other Taxes include beer, wine, liquor, single business tax, industrial facilities, utility property, estate taxes, and tax penalties and interest.

