



# MONTHLY REVENUE REPORT

OCTOBER 2016

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Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$2.9 billion in October 2016, up 3.7% from the level in October 2015 and \$7.3 million above the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in May 2016. The above-forecast revenue primarily reflected greater-than expected collections from individual income tax withholding and less-than-expected refunds under the Michigan Business Tax (MBT) that more than offset below-forecast sales tax and State Education Tax collections and greater-than-expected individual income tax refunds. Fiscal year (FY) 2015-16 revenue generally reflects November 2015 through October 2016 collections, but final revenue will be adjusted through the accrual process and should be known in mid- to late-December.

Collections earmarked to the General Fund were \$50.5 million above the expected level for October 2016, while School Aid Fund tax collections were \$41.4 million below the forecasted level. The remaining \$1.8 million in below-forecast revenue was directed to other funds, most notably constitutional revenue sharing. On a year-to-date basis, General Fund collections are \$9.2 million less, and School Aid Fund collections \$33.0 million more, than expected based on the May 2016 consensus revenue estimates.

Net income tax revenue totaled \$815.2 million in October 2016, a 12.7% increase from the 2015 level. Withholding payments (which represented the majority of gross income tax collections) were 12.9% above the year-ago level, boosted by an extra Monday. On a year-to-date basis, year-to-date withholding is \$75.5 million above the level forecasted in May 2016, although that gain has been offset by increased income tax refunds, which are \$79.8 million more than expected.

Sales tax receipts totaled \$619.4 million in October 2016, up 0.5% from the October 2015 level. If sales tax collections from vehicle sales are removed, collections were up only 0.2%. Year-to-date sales tax collections were 0.2% above the 2015 level (or 0.2% below if vehicles sales are removed) and \$24.1 million below the May 2016 consensus estimates.

Corporate Income Tax (CIT) collections were down 28.3% from October 2015, and this was the 10<sup>th</sup> time out of the last 12 months that CIT revenue declined from the prior-year level. Revenue from the MBT totaled \$2.1 million, the first month of positive collections in 2016 and \$79.6 million above the expected level, reflecting stronger payments and less-than-expected refunds. Forecasted MBT revenue is expected to be dominated by several large refunds and may be affected significantly by end-of-year accruals.

State Education Tax (SET) revenue is influenced by when counties remit payments. Most collections are received between August and November of each year. Year-to-date SET collections are \$31.0 million below the estimate. The forecast for State Education Tax revenue is primarily based on taxable values, which are known earlier in the year, so significant deviations from the fiscal year estimate are unusual and are often settled in the accrual process.

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 October 2016. Also presented are the consensus revenue estimates for FY 2015-16 adopted at the May 2016 Consensus Revenue Estimating Conference.



<b>MICHIGAN REVENUE UPDATE</b> (dollars in millions)						
Type of Revenue	October Collections		FY 2015-16 to Date <sup>2</sup>		FY 2015-16 CREC Estimate <sup>3</sup>	
	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago	Total	% Change From FY 2014-15
Gross Individual Income Tax	\$867.1	11.2%	\$11,278.1	5.5%	\$11,175.2	4.7%
Refunds	(51.9)	(8.0)	(1,853.8)	6.4	(\$1,774.0)	4.8
Net Income Tax	815.2	12.7	9,424.3	5.3	\$9,401.2	4.7
Sales Tax	619.4	0.5	7,285.9	0.2	7,310.0	0.9
Motor Vehicles	80.3	2.3	952.8	3.0	---	---
All Other Sales Tax	539.1	0.2	6,333.1	(0.2)	---	---
Use Tax	117.3	12.5	1,378.2	0.1	1,362.8	0.4
Tobacco Taxes	83.7	(0.1)	957.7	1.4	957.1	0.4
Corporate Income Tax	91.5	(28.3)	885.3	(16.3)	932.0	(13.5)
Michigan Business Tax	2.1	---	(1,011.0)	---	(1,031.0)	61.2
Insurance Tax	80.5	15.7	314.3	(8.1)	316.0	(2.0)
Essential Services Assessment	1.6	---	68.1	---	55.0	---
State Education Property Tax	936.9	(2.0)	1,863.1	0.4	1,894.1	2.0
Real Estate Transfer Tax	31.2	21.5	281.1	7.5	276.0	6.8
Casino Wagering Tax <sup>5)</sup>	9.6	(1.6)	112.7	1.8	112.0	1.1
Oil & Gas Severance Tax	1.9	1.2	20.0	(35.2)	20.4	(32.9)
Other Taxes <sup>6)</sup>	23.1	42.3	272.3	(2.7)	286.5	(4.9)
<b>Total Taxes</b>	<b>\$2,814.0</b>	<b>6.8</b>	<b>\$21,851.9</b>	<b>1.1</b>	<b>\$21,892.1</b>	<b>(0.3)</b>
Lottery, Net to School Aid Fund <sup>4)</sup>	69.6	1.2	890.2	11.0	850.0	8.4
<b>Total</b>	<b>\$2,883.6</b>	<b>3.7</b>	<b>\$22,741.5</b>	<b>1.5</b>	<b>\$22,742.1</b>	<b>0.0</b>

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2015-16 year-to-date collections begin with November 2015 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, 2016, Consensus Revenue Estimating Conference.
- 5) Lottery and casino revenue is not accrued, so FY 2015-16 collections will include October 2015 to September 2016.
- 6) Other Taxes include beer, wine, liquor, single business tax, industrial facilities, utility property, estate taxes, and penalties and interest.

