



# MONTHLY REVENUE REPORT

OCTOBER 2017

---

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$3.0 billion in October 2017, up 3.4% from the level in October 2016 but \$91.8 million below the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in May 2017. The below-forecast revenue primarily reflected less-than-expected collections from individual income tax withholding, the use tax, and the Corporate Income Tax (CIT) that more than offset above-forecast sales tax and State Education Tax collections. Fiscal year 2016-17 revenue generally reflects November 2016 through October 2017 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 \$105.2 million below the expected level for October 2017, while School Aid Fund tax collections were \$14.0 million above the forecasted level. The remaining \$600,000 in below-forecast revenue was directed to other funds, most notably the Medicaid Trust Fund. On a year-to-date basis, General Fund collections are \$19.2 million more, and School Aid Fund collections \$159.1 million more, than expected based on the May 2017 consensus revenue estimates. The remaining \$15.2 million in above-forecast revenue is directed to other funds, primarily constitutional revenue sharing, resulting in year-to-date total revenue that is \$193.6 million above the forecast.

Net income tax revenue totaled \$799.0 million in October 2017, a 2.0% decrease from the 2016 level. Withholding payments (which represented the majority of gross income tax revenue) were 1.6% below the year-ago level, the third consecutive month of year-over-year declines in withholding. The last time withholding exhibited three consecutive months of year-over-year declines was February 2010, when the Michigan economy was still in recession. On a year-to-date basis, withholding is \$155.2 million below the level forecasted in May 2017 and net income tax revenue is \$149.9 million below the predicted level.

Sales tax receipts totaled \$683.2 million in October 2017, up 10.3% from the October 2016 level and representing the second time in the last four months that sales tax collections have exhibited double-digit year-over-year growth. While sales tax collections from motor vehicle sales were 8.7% above the October 2016 level, collections from nonvehicle sales were up 10.5%, marking the third time in the last four months that year-over-year growth has exceeded 10.0%. Year-to-date sales tax collections were 7.6% above the level a year ago and \$145.2 million above the May 2017 consensus estimates.

In October 2017, combined business tax collections from the Single Business Tax (SBT), Michigan Business Tax (MBT), and CIT were down 26.6% from October 2016 and \$21.7 million below the expected level, with CIT collections \$24.3 million below forecast. Each year, MBT revenue is dominated by several large refunds. When these refunds will be claimed and processed will significantly affect the accuracy of monthly MBT estimates. Both MBT and CIT collections also have been affected by processing adjustments, which have moved payments that were incorrectly classified as MBT payments to the CIT. The adjustments left total revenue unchanged, but decreased MBT revenue and increased CIT revenue.

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 \$50.9 million above 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 2017. Also presented are the consensus revenue estimates for FY 2016-17 adopted at the May 2017 Consensus Revenue Estimating Conference.



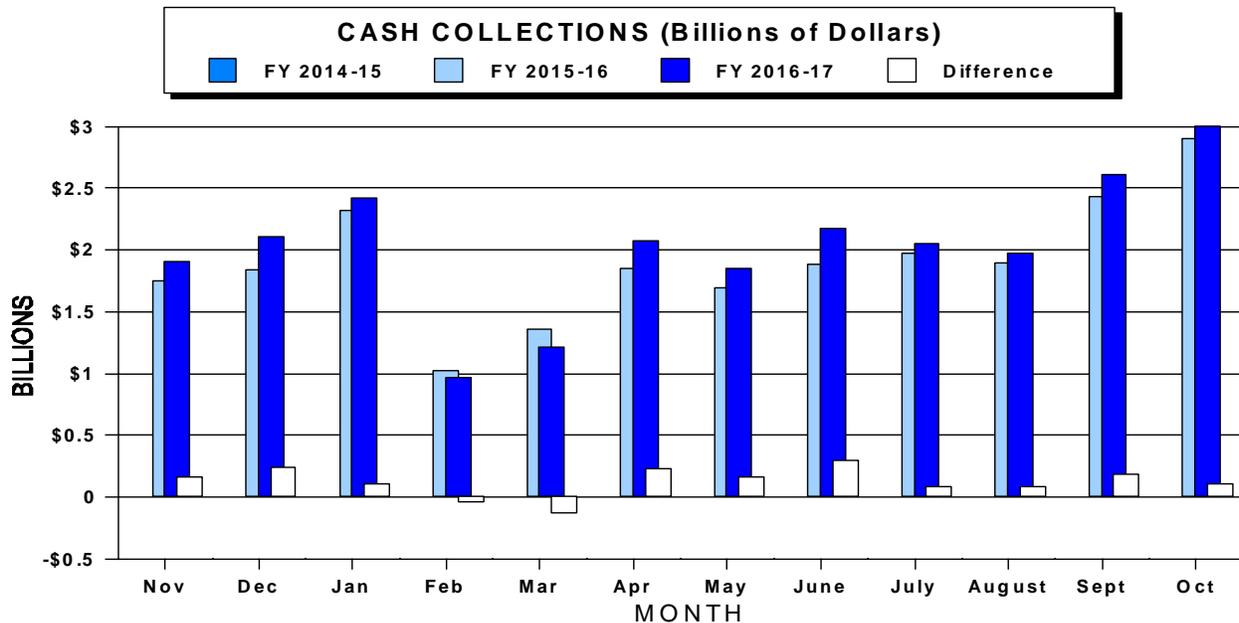
# MONTHLY REVENUE REPORT

## OCTOBER 2017

MICHIGAN REVENUE UPDATE (dollars in millions)						
Type of Revenue	October 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	\$857.0	(1.2)	\$11,450.8	1.5	\$11,575.4	3.0
Refunds	(58.0)	11.8	(1,904.2)	2.7	(\$1,879.0)	0.3
Net Income Tax	799.0	(2.0)	9,546.5	1.3	\$9,696.4	3.5
Sales Tax	683.2	10.3	7,839.2	7.6	7,694.0	5.5
Motor Vehicles	87.3	8.7	991.8	4.1	----	----
All Other Sales Tax	595.9	10.5	6,847.4	8.1	----	----
Use Tax <sup>5)</sup>	117.8	(6.0)	1,491.9	0.6	1,565.9	3.1
Tobacco Taxes	78.5	(6.2)	946.2	(1.2)	944.4	(0.2)
Corporate Income Tax	81.3	(11.1)	1,051.3	18.7	1,078.0	15.9
Michigan Business Tax	(13.8)	----	(747.9)	----	(922.8)	5.0
Insurance Tax	93.5	16.0	363.0	15.5	366.3	11.3
Essential Services Assessment	0.3	----	84.0	23.3	78.0	15.3
State Education Property Tax	1,021.7	9.0	1,996.8	7.2	1,945.9	2.6
Real Estate Transfer Tax	28.8	(7.8)	323.9	15.2	312.7	8.1
Casino Wagering Tax <sup>6)</sup>	10.3	6.5	113.4	0.6	114.0	1.0
Oil & Gas Severance Tax	2.1	12.2	23.5	17.9	24.8	31.0
Other Taxes <sup>7)</sup>	18.2	77.3	301.8	3.9	285.9	0.0
<b>Total Taxes</b>	<b>\$2,920.8</b>	<b>6.8</b>	<b>\$23,333.5</b>	<b>6.2</b>	<b>\$23,183.5</b>	<b>4.5</b>
Lottery, Net to School Aid Fund <sup>6)</sup>	74.2	6.6	920.6	3.4	887.0	(0.2)
<b>Total</b>	<b>\$2,994.9</b>	<b>3.4</b>	<b>\$24,065.1</b>	<b>6.1</b>	<b>\$24,070.5</b>	<b>4.3</b>

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 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 May 17, 2017, 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 2016-17 collections will include October 2016 to September 2017.
- 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\* November 2015 to October 2017



\* 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.