



MONTHLY REVENUE REPORT

OCTOBER 2018

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$3.1 billion in October 2018, up 3.0% from the level in October 2017, but \$97.8 million below the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in May 2018. The below-forecast revenue primarily reflected less-than-expected collections from individual income tax withholding, sales taxes, the Corporate Income Tax (CIT), and the State Education Tax (SET) that more than offset above-forecast use taxes. Due to the State's use of accrual accounting, fiscal year (FY) 2017-18 revenue generally reflects November 2017 through October 2018 collections, although 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 \$6.9 million above the expected level for October 2018, while School Aid Fund tax collections were \$92.0 million below the forecasted level. The remaining \$12.7 million in below-forecast revenues were directed to other funds, most notably constitutional revenue sharing. On a fiscal year-to-date basis, General Fund collections were \$468.3 million more, and School Aid Fund collections \$19.8 million less, than expected based on the May 2018 consensus revenue estimates.

Net income tax revenue totaled \$831.5 million in October 2018, a 3.9% increase from last year's level. Withholding payments (which represented the majority of gross income tax revenue) were 1.5% above the year-ago level, but \$25.6 million less than expected. Offsetting the shortfall, both estimated payments and annual payments were above forecast by a combined \$26.9 million. On a fiscal year-to-date basis, withholding was \$177.1 million below the level forecasted in May 2018 while net income tax revenue was \$35.0 million above the predicted level.

Sales tax receipts totaled \$660.7 million in October 2018, down 3.3% from the October 2017 level and the third time in the last four months sales tax collections have exhibited year-over-year declines. Sales tax collections from motor vehicle sales were 2.8% above the October 2017 level, meaning collections from nonvehicle sales were down 4.2%. Fiscal year-to-date sales tax collections were 1.7% above last year's level and \$72.2 million below the May 2018 consensus estimates.

Combined business tax collections from the Single Business Tax, Michigan Business Tax (MBT), and CIT totaled \$87.1 million in October 2018, a 19.1% increase from October 2017. October 2018 CIT collections were \$15.4 million below the forecasted level while MBT collections were \$19.1 million above forecast. Most taxpayers who still file the MBT do so to collect refundable tax credits. When these refunds are processed significantly affects the accuracy of monthly MBT estimates. Fiscal year-to-date business tax revenue was \$267.8 million above the May 2018 consensus estimates.

State Education Tax revenue is influenced by when counties remit payments. Most collections are received between August and November of each year. Fiscal year-to-date SET collections are \$76.6 million below the estimate. The forecast for SET revenue is based primarily 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.

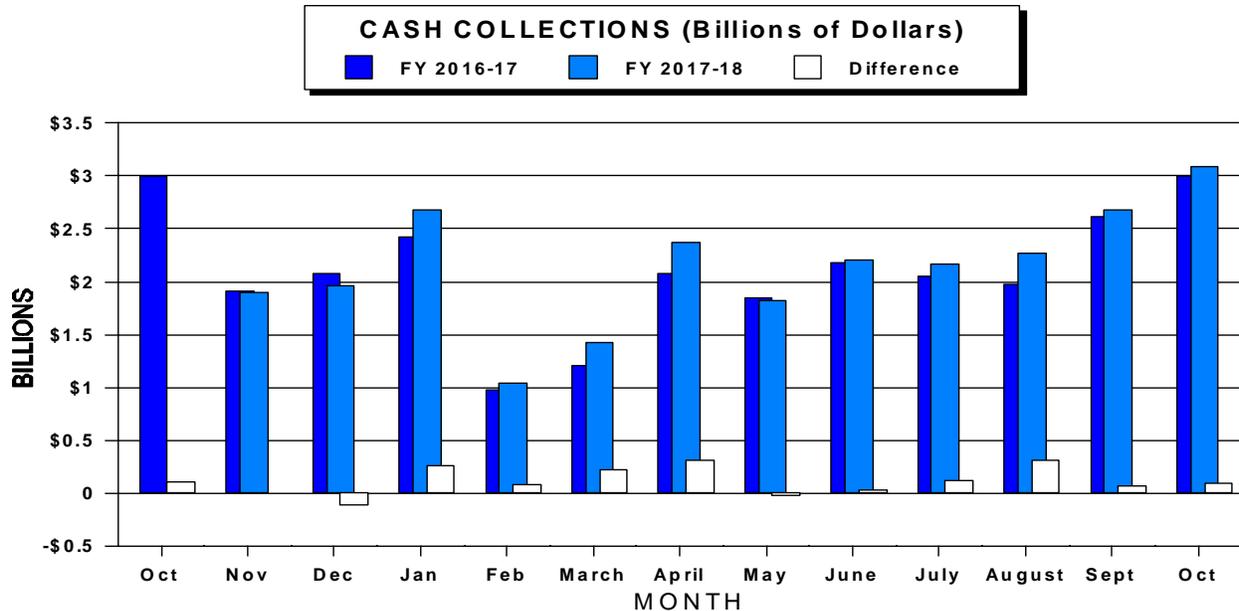
The table on the back of this report identifies the major taxes included in the report, and provides their respective revenue levels and growth rates for October 2018. Also presented are the consensus revenue estimates for FY 2017-18 adopted at the May 2018 Consensus Revenue Estimating Conference.



| MICHIGAN REVENUE UPDATE (dollars in millions) | | | | | | |
|--|---------------------|------------------------|---------------------------------|------------------------|--|--------------------------|
| Type of Revenue | October 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 | \$896.3 | 4.4% | \$12,180.1 | 6.4% | \$12,205.8 | 7.0% |
| Refunds | (64.8) | 11.7 | (1,938.5) | 1.8 | (\$1,999.3) | 2.2 |
| Net Income Tax | 831.5 | 3.9 | 10,241.5 | 7.3 | \$10,206.5 | 8.0 |
| Sales Tax | 660.7 | (3.3) | 7,969.6 | 1.7 | 8,041.8 | 3.1 |
| Motor Vehicles | 89.7 | 2.8 | 1,022.6 | 3.1 | --- | --- |
| All Other Sales Tax | 571.0 | (4.2) | 6,947.0 | 1.5 | --- | --- |
| Use Tax ⁵⁾ | 161.7 | 37.3 | 1,846.6 | 23.8 | 1,622.0 | 10.5 |
| Tobacco Taxes | 73.9 | (5.8) | 920.3 | (2.7) | 930.5 | (1.6) |
| Corporate Income Tax | 81.8 | 0.6 | 978.8 | (6.9) | 859.8 | (22.2) |
| Michigan Business Tax | (1.6) | --- | (649.2) | --- | (787.9) | 11.8 |
| Insurance Tax | 92.2 | (1.5) | 394.7 | 8.7 | 398.1 | 7.4 |
| Essential Services Assessment | 0.8 | --- | 98.9 | 17.7 | 91.1 | 8.5 |
| State Education Property Tax | 1,008.9 | (1.2) | 1,962.5 | (1.7) | 2,039.1 | 3.8 |
| Real Estate Transfer Tax | 32.9 | 14.5 | 344.7 | 6.4 | 331.1 | 4.4 |
| Casino Wagering Tax ⁶⁾ | 10.7 | 4.3 | 115.7 | 2.0 | 114.0 | 0.7 |
| Oil & Gas Severance Tax | 1.3 | (39.0) | 26.7 | 13.2 | 25.0 | 6.4 |
| Other Taxes ⁷⁾ | 23.1 | 19.3 | 342.6 | 13.5 | 316.6 | 1.5 |
| Total Taxes | \$2,978.1 | 6.8% | \$24,593.4 | 5.4% | \$24,187.7 | 4.0% |
| Lottery, Net to School Aid Fund ⁶⁾ | 108.8 | 46.7 | 934.4 | 1.5 | 944.4 | 2.2 |
| Total | \$3,086.9 | 3.0% | \$25,527.9 | 5.4% | \$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 tax penalties and interest.

**Actual Revenue Collections for Major State Taxes*
November 2016 to October 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 tax penalties & interest revenue.