



MONTHLY REVENUE REPORT

OCTOBER 2019

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$3.1 billion in October 2019, up 1.3% from the level in October 2018 but \$113.7 million below the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in May 2019. The below-forecast revenue primarily reflected less-than-expected collections from the Corporate Income Tax (CIT) and the State Education Tax (SET), as well as greater-than-expected credits under the Michigan Business Tax (MBT) and Single Business Tax (SBT) that more than offset above-forecast individual income taxes. Because the State uses accrual accounting, fiscal year (FY) 2018-19 revenues generally will reflect November 2018 through October 2019 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 \$42.7 million below the expected level for October 2019, while School Aid Fund tax collections were \$67.8 million below the forecasted level. The remaining \$3.2 million in below-forecast revenue was directed to other funds, most notably constitutional revenue sharing. On a fiscal year-to-date basis, General Fund collections were \$133.7 million more, and School Aid Fund collections \$46.0 million less, than expected based on the May 2019 consensus revenue estimates.

Net income tax revenue totaled \$871.6 million in October 2019, a 4.8% increase from October 2018. Withholding payments (which represented the majority of gross income tax revenue) were 5.1% above the year-ago level, \$29.1 million more than expected, based on a forecast that did not anticipate a strike from auto workers. Additionally, both estimated payments and annual payments were above forecast by a combined \$19.1 million. On a fiscal year-to-date basis, withholding was \$107.2 million above the level forecasted in May 2019 while net income tax revenue was \$188.8 million above the predicted level.

Sales tax collections totaled \$720.4 million in October 2019, up 9.0% from the October 2018 level. Sales tax collections from motor vehicle sales were 4.6% above the October 2018 level, meaning collections from nonvehicle sales were up 9.7%. Fiscal year-to-date sales tax collections were 4.0% above the FY 2017-18 level and \$7.7 million below the May 2019 consensus estimates.

Combined business tax collections from the SBT, MBT, and CIT totaled \$47.6 million in October 2019, a 45.4% decrease from October 2018. October 2019 CIT collections were \$26.6 million below the forecasted level while MBT collections were \$38.5 million below 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.

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 were \$78.7 million below the estimate. The forecast for State Education Tax 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 2019. Also presented are the consensus revenue estimates for FY 2018-19 adopted at the May 2019 Consensus Revenue Estimating Conference.



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MICHIGAN REVENUE UPDATE (dollars in millions)						
Type of Revenue	October Collections		FY 2018-19 to Date ²		FY 2018-19 CREC Estimate ^{3,4)}	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total	% Change From FY 2017-18
Gross Individual Income Tax	\$945.2	5.5%	\$12,603.7	3.5%	\$12,462.5	2.5%
Refunds	(73.6)	13.7	(2,136.6)	10.2	(\$2,184.2)	9.4
Net Income Tax	871.6	4.8	10,467.1	2.2	\$10,278.3	1.2
Sales Tax	720.4	9.0	8,291.0	4.0	8,298.7	2.7
Motor Vehicles	93.8	4.6	1,029.1	0.6	----	----
All Other Sales Tax	626.6	9.7	7,261.9	4.5	----	----
Use Tax ⁵⁾	153.9	(4.8)	1,729.3	(6.3)	1,790.0	(2.9)
Tobacco Taxes	75.0	1.4	887.8	(3.5)	905.1	(1.4)
Corporate Income Tax	97.9	19.7	1,220.7	24.7	1,186.4	16.3
Michigan Business Tax	(43.5)	----	(574.8)	----	(607.7)	(6.0)
Insurance Tax	90.4	(1.9)	369.9	(6.3)	376.5	(4.2)
Essential Services Assessment	0.3	----	111.2	12.5	107.0	7.8
State Education Property Tax	1,034.5	2.5	2,020.9	3.0	2,099.6	5.6
Real Estate Transfer Tax	29.0	(12.0)	344.5	(0.1)	350.9	0.2
Casino Wagering Tax ⁶⁾	9.8	(8.9)	117.2	1.3	118.3	2.5
Oil & Gas Severance Tax	1.5	11.2	22.9	(14.5)	26.0	(0.8)
Other Taxes ⁷⁾	13.0	(38.0)	221.7	(35.3)	257.0	(26.4)
Total Taxes	\$3,053.6	6.8%	\$25,229.5	2.6%	\$25,186.1	2.0%
Lottery, Net to School Aid Fund ⁶⁾	72.8	46.7	1,047.3	12.1	982.0	0.2
Total	\$3,126.4	1.3%	\$26,276.8	2.7%	\$26,168.1	1.9%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2018-19 year-to-date collections begin with November 2018 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, 2019, 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 2018-19 collections will include October 2018 to September 2019.
- 7) Other Taxes include beer, wine, liquor, single business tax, industrial facilities, utility property, estate taxes, and tax penalties and interest.

