



# MONTHLY REVENUE REPORT

## SEPTEMBER 2018

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Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$2.7 billion in September 2018, a 2.5% increase from September 2017 and approximately \$100.5 million above the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in May 2018. Above-forecast collections from sales and use taxes, the individual income tax, and the Corporate Income Tax (CIT) more than offset below-forecast revenue from the State Education Tax (SET) and greater-than-expected refunds under the individual income tax and Michigan Business Tax (MBT).

Collections earmarked to the General Fund were \$78.8 million above the expected level for September 2018, while School Aid Fund tax collections were \$16.2 million above the forecasted level. The remaining \$5.5 million in above-forecast collections reflected other earmarks, most notably constitutional revenue sharing. Through September, year-to-date General Fund collections were \$461.4 million above, and School Aid fund collections \$72.1 million above, the level expected based on the May 2018 consensus revenue estimates. Although the fiscal year ended September 30, because the State uses accrual accounting, October collections will be included in fiscal year (FY) 2017-18 revenue, as will some other transactions and adjustments in November.

Net income tax revenue totaled \$1,033.2 million in September 2018, up 4.8% from September 2017. Withholding payments (which represented the majority of gross income tax revenue) were 8.1% above the September 2017 level and \$26.9 million above the predicted level. Partially offsetting the boost to individual income tax revenue, refunds were \$35.4 million more than expected. Fiscal year-to-date net income tax revenue in September 2018 was \$32.1 million below the level expected in May 2018.

Sales tax receipts totaled \$694.0 million in September 2018, down 0.7% from September 2017 but \$31.9 million above the forecast for the month. Use tax collections in September 2018 were 24.2% above the September 2017 level, and \$41.0 million above the forecasted level, partially due to new rules on how businesses with both a traditional storefront and online sales should report sales and new rules adopted subsequent to the U.S. Supreme Court's recent *Wayfair* decision, which concerned the ability of states to require out-of-state sellers to remit sales and use taxes.

Combined business tax collections from the Single Business Tax, MBT, and CIT totaled \$126.9 million in September 2018, \$29.3 million above the expected level. Reflecting the volatile nature of corporate income taxes, September 2018 CIT collections were 34.2% above the September 2017 level and \$44.0 million above the forecasted level. Michigan Business Tax collections were \$18.5 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 collections for September 2018 were 9.4% lower than collections in September 2017, and \$40.7 million below the expected level. In August 2018, SET collections were \$51.3 million more than expected. State Education Tax collections are influenced by when counties remit payments to the State and the majority of collections are received in September and October.

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 September 2018. Also presented are the revised consensus revenue estimates for FY 2017-18, which were adopted at the May 2018 Consensus Revenue Estimating Conference.



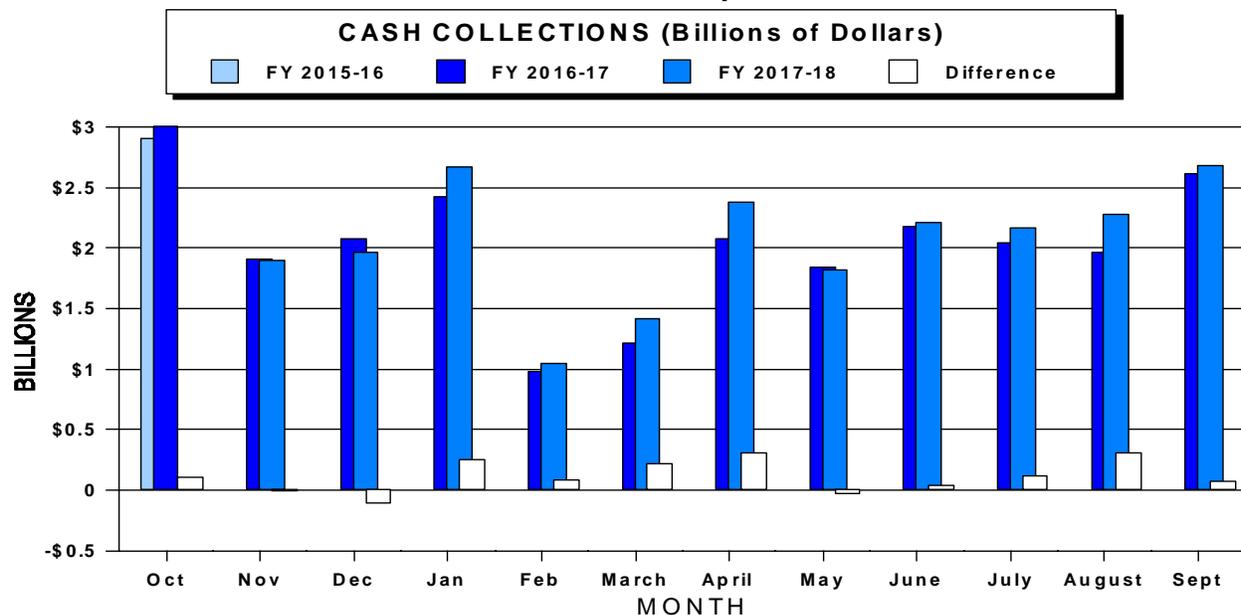
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MICHIGAN REVENUE UPDATE (dollars in millions)						
Type of Revenue	September Collections		FY 2017-18 to Date <sup>2</sup>		FY 2017-18 CREC Estimate <sup>3,4)</sup>	
	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago	Total	% Change From FY 2016-17
Gross Individual Income Tax	\$1,096.6	9.3	\$11,283.7	6.5	\$12,205.8	7.0%
Refunds	(63.4)	269.8	(1,873.7)	1.5	(\$1,999.3)	2.2
Net Income Tax	1,033.2	4.8	9,410.0	7.6	\$10,206.5	8.0
Sales Tax	694.0	(0.7)	7,308.9	2.1	8,041.8	3.1
Motor Vehicles	79.0	(4.9)	932.9	3.1	----	----
All Other Sales Tax	615.0	(0.1)	6,376.0	2.0	----	----
Use Tax <sup>5)</sup>	153.5	24.2	1,684.9	22.6	1,622.0	10.5
Tobacco Taxes	91.3	2.2	846.3	(2.5)	930.5	(1.6)
Corporate Income Tax	150.1	34.2	897.0	(7.5)	859.8	(22.2)
Michigan Business Tax	(27.1)	----	(647.6)	----	(787.9)	11.8
Insurance Tax	1.6	(23.4)	302.5	12.2	398.1	7.4
Essential Services Assessment	1.4	138.7	98.1	----	91.1	8.5
State Education Property Tax	396.2	(9.4)	953.6	(2.2)	2,039.1	3.8
Real Estate Transfer Tax	43.2	5.3	311.8	5.7	331.1	4.4
Casino Wagering Tax <sup>6)</sup>	8.0	(0.5)	105.0	1.8	114.0	0.7
Oil & Gas Severance Tax	2.8	40.5	25.4	18.6	25.0	6.4
Other Taxes <sup>7)</sup>	50.2	19.3	319.5	12.6	316.6	1.5
<b>Total Taxes</b>	<b>\$2,598.4</b>	<b>5.3%</b>	<b>\$21,615.4</b>	<b>5.9%</b>	<b>\$24,187.7</b>	<b>4.0%</b>
Lottery, Net to School Aid Fund <sup>6)</sup>	73.5	4.6	934.4	1.5	944.4	2.2
<b>Total</b>	<b>\$2,671.8</b>	<b>2.5%</b>	<b>\$22,549.8</b>	<b>5.7%</b>	<b>\$25,132.1</b>	<b>4.0%</b>

- 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\* October 2016 to September 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.