

MONTHLY REVENUE REPORT

December 2014

Michigan's General Fund and School Aid Fund earmarked major taxes and lottery net revenue totaled \$1.9 billion in December 2014, down 0.4% from one year ago. December tax collections were approximately \$92.6 million below the Senate Fiscal Agency's estimate for the month, based on the May 2014 consensus revenue estimates, primarily due to greater-than-expected Michigan Business Tax (MBT) refunds. The January 16, 2015, consensus revenue estimates will be used beginning with the January 2015 report.

Collections earmarked to the General Fund were \$67.2 million below the expected level for December, while School Aid Fund tax collections were \$22.5 million below the forecasted level. The remaining \$2.9 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 \$82.2 million lower, and School Aid Fund collections \$68.3 million lower, than the level expected based on the May 2014 consensus revenue estimates.

Net income tax was 8.4% above the year-ago level, driven by a 3.5% increase in withholding payments (which represented the majority of gross income tax revenue). The additional growth in income tax revenue reflected a 73.4% increase in income tax quarterly collections, which were \$43.2 million above the December 2013 level and \$25.2 million above the predicted level.

Sales tax revenue was up 0.3% from the December 2013 level and \$40.2 million below the expected level based on the May 2014 consensus estimates. The weak sales tax growth occurred despite a 19.2% increase in sales taxes from vehicle sales over the year-ago level. Michigan sales tax data reflected national retail sales data, with stronger-than-average growth in November offset by weaker-than-average growth in December. On a year-to-date basis, sales tax collections were up 3.7% from 2013 but \$15.4 million below the expected level.

Combined business tax collections from the Single Business Tax, MBT, and Corporate Income Tax (CIT) were \$62.4 million below the estimate for December, and accounted for most of the below-forecast General Fund revenue for the month. Net CIT collections were 41.8% higher than in December 2013 and \$49.5 million over forecast collections for the month. However, net revenue from the MBT was \$116.4 million below the monthly estimate due to greater-than-expected MBT refunds. Most taxpayers who still file the MBT do so to collect refundable tax credits. Forecasted MBT revenue in FY 2014-15 is expected to be dominated by several large refunds. The timing of when these refunds will be claimed and processed will significantly affect the accuracy of monthly MBT estimates.

Monthly oil and gas severance tax collections were down 45.6% from December 2013 because a portion of the revenue that would have ordinarily been credited to November 2013 collections was posted in December 2013. Combined November and December collections were down 21.2% from 2013, likely reflecting the recent decline in oil prices.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for December 2014. Also presented are the consensus revenue estimates for FY 2014-15, which were adopted at the May 2014 Consensus Revenue Estimating Conference.



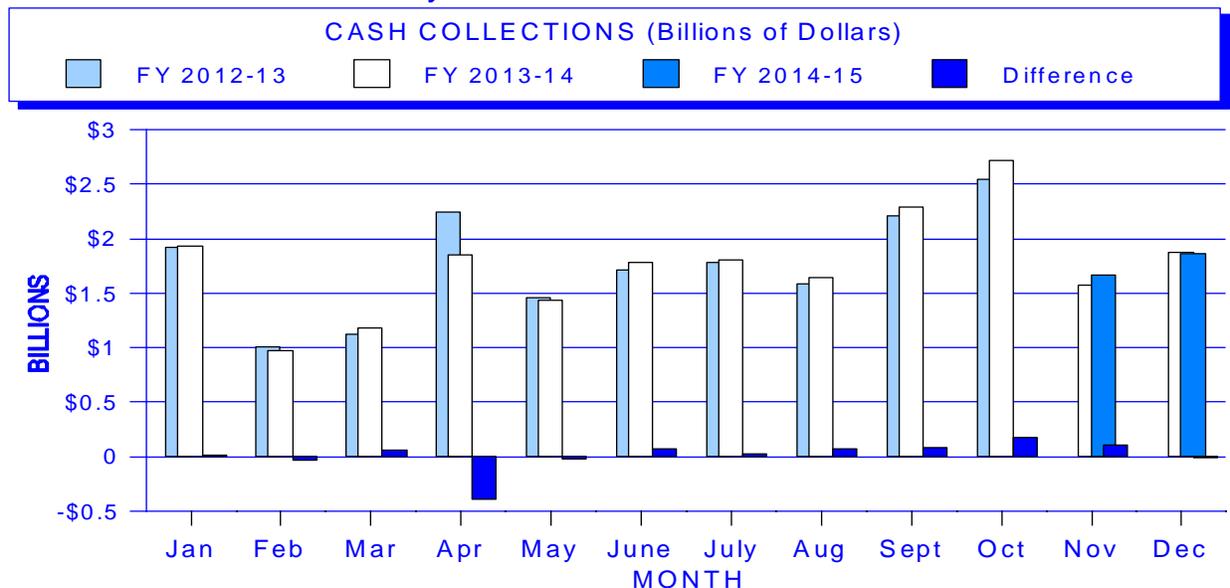
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**MICHIGAN REVENUE UPDATE
DECEMBER 2014
(dollars in millions)**

Type of Revenue	December Collections		FY 2014-15 to Date ^{2,3)}		FY 2014-15 Estimate ^{3,4)}	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2013-14
Gross Individual Income Tax	\$890.7	8.6%	\$1,597.4	8.1%	\$10,302.8	3.6%
Refunds	(22.1)	16.0	(41.2)	21.2	(1,797.0)	3.1
Net Income Tax	\$868.6	8.4%	\$1,556.2	7.8%	\$8,505.8	3.7%
Sales Tax	673.2	0.3	1,253.0	3.7	7,549.1	3.6
Motor Vehicles	75.1	19.2	136.3	12.1	---	---
All Other Sales Tax	598.1	(1.7)	1,116.8	2.8	---	---
Use Tax	105.7	(7.4)	210.6	(3.7)	1,428.6	3.6
Tobacco Taxes	77.8	9.3	153.2	(6.1)	917.9	(2.1)
Corporate Income Tax	158.0	41.8	179.1	(9.8)	907.0	3.1
Michigan Business Tax	(136.3)	(4,251.2)	(169.3)	148.0	(429.0)	(22.3)
Insurance Tax	5.4	47.2	5.7	102.0	396.0	14.3
State Education Property Tax	52.9	38.0	218.1	(1.2)	1,841.3	3.0
Real Estate Transfer Tax	15.8	6.1	44.7	18.2	245.3	5.1
Casino Wagering Tax ⁵⁾	9.6	10.3	18.2	2.7	112.0	3.7
Oil & Gas Severance Tax	4.2	(45.6)	7.5	(21.2)	68.5	2.3
Other Taxes ⁶⁾	21.9	14.7	44.1	1.5	321.1	4.8
Total	\$1,856.9	(0.5%)	\$3,521.3	(0.5%)	\$21,863.6	4.3%
Addendum:						
Gross Lottery Sales ⁵⁾	\$222.1	0.3%	\$673.0	3.2%	\$2,630.4	1.6%
Net to School Aid Fund ⁵⁾	\$65.7	0.1%	\$199.9	0.6%	\$776.0	0.1%

- Total collections are unadjusted cash collections unless otherwise noted.
- FY 2014-15 year-to-date collections begin with November 2014 collections to reflect accrual accounting.
- Year-to-date figures represent cash collections only, while the fiscal year estimate also includes accruals.
- Consensus revenue estimates adopted at the May 15, 2014, Consensus Revenue Estimating Conference.
- Lottery and casino revenue is not accrued, so FY 2014-15 collections will include October 2014 to September 2015.
- Other Taxes include beer, wine, liquor, single business tax, industrial facilities, utility property, and estate taxes, and penalties and interest.

**Actual Revenue Collections for Major State Taxes*
January 2013 to December 2014**



*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, and wine taxes, and penalties and interest revenue.