

MONTHLY REVENUE REPORT

August 2015

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1.8 billion in August 2015, a 4.5% increase from August 2014. August tax collections were approximately \$50.5 million below the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in May 2015. Above-estimate collections from individual income tax withholding payments were more than offset by below-forecast revenue from the sales tax, the Corporate Income Tax (CIT), and the Michigan Business Tax (MBT).

Collections earmarked to the General Fund were \$17.3 million below the expected level for August, while School Aid Fund tax collections were \$29.1 million below the forecasted level. The remaining \$4.1 million in below-forecast collections was from other funds, most notably constitutional revenue sharing. Through August, year-to-date General Fund collections are \$17.9 million below, and School Aid fund collections \$105.2 million below, the level expected based on the May 2015 consensus revenue estimates.

Net income tax revenue totaled \$708.2 million in August 2015, up 11.6% from August 2014. Withholding payments (which represented the majority of gross income tax revenue) were 9.5% above the year-ago level and \$42.3 million above the predicted level. Buoyed by strong withholding payments that reflect both employment gains and significant overtime hours in the manufacturing sector, year-to-date net individual income tax collections in August were up 9.5% from August 2014 and \$190.3 million above forecast.

Sales tax receipts totaled \$624.5 million in August 2015, \$56.0 million below the forecast for the month and down 0.7% from August 2014, despite 5.0% growth in sales tax collections from vehicle sales. August 2015 represented the seventh consecutive month where sales tax collections have been below the year-ago level. Despite a 3.7% year-to-date increase in sales tax collections from vehicles sales, total year-to-date sales tax collections are 0.4% below last year's level, and \$195.2 million below the predicted level.

Combined business tax collections from the Single Business Tax (SBT), MBT, and CIT totaled a negative \$38.8 million for August 2015, as refund payments exceeded tax collections for the fourth time out of the last six months. Net MBT revenue collections were \$17.9 million less than expected in August 2015 and year-to-date MBT revenue is \$148.9 million below the expected level. Most taxpayers who still file the MBT do so to collect refundable tax credits. The timing of when these refunds will be claimed and processed will significantly affect the accuracy of monthly MBT estimates. Forecasted MBT revenue in FY 2014-15 is expected to be dominated by several large refunds. Corporate Income Tax collections in August 2015 totaled only \$2.0 million and were \$13.1 million less than expected. As a result, year-to-date CIT collections are \$3.3 million below the predicted level.

Reflecting lower oil prices that have discouraged extraction activity, oil and gas severance taxes were down 48.9% from the year-ago level in August 2015 and year-to-date collections are down 50.0% from last year. Reflecting the improving housing market, real estate transfer tax receipts were up 33.3% from the year-ago level in August and year-to-date collections are up 20.8%.

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 August 2015. Also presented are the revised consensus revenue estimates for FY 2014-15, which were adopted at the May 2015 Consensus Revenue Estimating Conference.



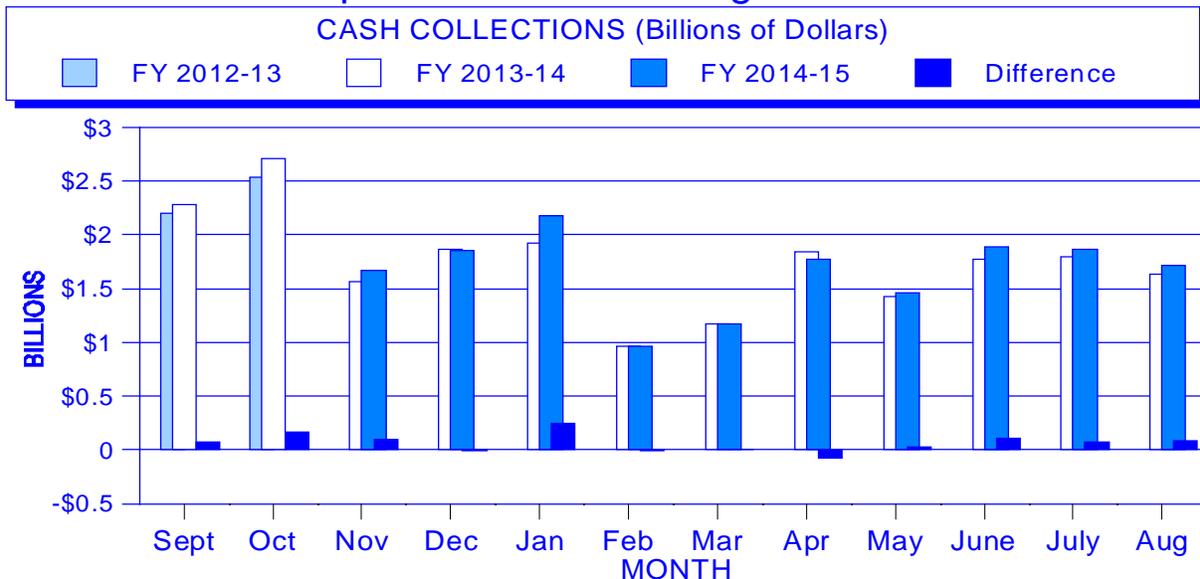
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**MICHIGAN REVENUE UPDATE
AUGUST 2015
(dollars in millions)**

Type of Revenue	August 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	\$739.1	10.5%	\$8,949.6	7.9%	\$10,460.6	5.6%
Refunds	(30.8)	(9.2)	(1,702.3)	1.7	(1,770.1)	(6.6)
Net Income Tax	708.2	11.6	7,247.3	9.5	\$8,690.5	8.4
Sales Tax	624.5	(0.7)	5,983.5	(0.4)	7,503.8	2.0
Motor Vehicles	83.9	5.0	765.2	3.7	---	---
All Other Sales Tax	540.6	(1.6)	5,218.3	(1.0)	---	---
Use Tax	134.6	9.5	1,157.1	2.8	1,419.2	2.0
Tobacco Taxes	88.3	(0.0)	777.6	0.3	924.4	(1.7)
Corporate Income Tax	2.0	(87.3)	817.5	14.0	1,029.7	13.6
Michigan Business Tax	(38.6)	---	(847.4)	---	(751.1)	3.8
Insurance Tax	2.9	(242.3)	271.1	18.1	402.0	11.0
State Education Property Tax	142.8	(11.2)	498.2	(2.6)	1,850.3	2.6
Real Estate Transfer Tax	27.3	33.3	212.4	20.8	256.8	10.0
Casino Wagering Tax ⁵⁾	8.7	924.4	92.9	3.3	111.0	3.8
Oil & Gas Severance Tax	2.0	(48.9)	26.9	(50.0)	39.0	(36.0)
Other Taxes ⁶⁾	17.3	78.3	293.8	49.0	294.0	20.3
Total	\$1,720.3	5.2%	\$16,530.9	3.5%	\$21,769.6	3.9%
Addendum:						
Gross Lottery Sales ⁵⁾	\$200.9	(18.7%)	\$2,536.3	6.4%	\$2,644.1	9.6%
Net to School Aid Fund ⁵⁾	\$ 58.1	(12.0%)	\$ 722.7	6.7%	\$ 780.0	6.3%

- 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, 2015, 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*
September 2013 to August 2015**



*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.