



# MONTHLY REVENUE REPORT

## DECEMBER 2015

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Michigan's General Fund and School Aid Fund earmarked major taxes and lottery net revenue totaled \$1.8 billion in December 2015, down 4.9% from one year earlier. December tax collections were approximately \$231.7 million below the Senate Fiscal Agency's estimate for the month, based on the May 2015 consensus revenue estimates, primarily due to lower-than-expected sales tax collections and greater-than-expected Michigan Business Tax (MBT) refunds. The January 14, 2016, consensus revenue estimates will be used beginning with the January 2016 report.

Collections earmarked to the General Fund were \$137.4 million below the expected level for December, while School Aid Fund tax collections were \$83.1 million below the forecasted level. The remaining \$11.2 million in below-forecast revenue was directed to other funds, most notably constitutional revenue sharing. On a year-to-date basis, General Fund collections were \$214.9 million lower, and School Aid Fund collections \$89.3 million lower, than the level expected based on the May 2015 consensus revenue estimates.

Net income tax revenue was 2.2% above the year-ago level, which reflected a 3.3% increase in withholding payments (which represented the majority of gross income tax revenue). The additional growth in income tax revenue reflected a 26.5% increase in income tax annual payments, which were \$3.8 million above the December 2014 level, and a 3.6% increase in quarterly payments, which were \$3.6 million above the year-ago level. These gains were offset in part by higher-than-expected income tax refunds, which were \$17.5 million above the predicted level.

Sales tax revenue was down 8.4% from the December 2014 level and \$109.8 million below the expected level based on the May 2015 consensus estimates. The decline in sales tax collections occurred both in sales tax revenue from vehicle sales, which was down 6.4% from the year-ago level, and sales tax on all other taxable sales, which was down 8.7%. On a fiscal year-to-date basis, sales tax collections were down 2.8% from FY 2014-15 and \$81.1 million below the expected level.

Combined business tax collections from the Single Business Tax, MBT, and Corporate Income Tax (CIT) were \$101.1 million below the estimate for December 2015, and accounted for most of the below-forecast General Fund revenue for the month. Net CIT collections were 19.7% lower than in December 2014 and \$7.1 million below forecasted collections for the month. Net revenue from the MBT was \$103.6 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 2015-16 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.

Real estate transfer tax collections in December 2015 were up 26.3% from the year-ago level and were \$1.1 million above the forecasted revenue for the month. State Education Tax (SET) was down 32.6% in December from the year-ago level and was \$8.7 million below the estimate for the month. On a year-to-date basis, however, SET collections were up 1.6%. Collections from the SET are typically concentrated in September, October, and November.

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 December 2015. Also presented are the consensus revenue estimates for FY 2015-16, which were adopted at the May 2015 Consensus Revenue Estimating Conference.



<b>MICHIGAN REVENUE UPDATE</b> (dollars in millions)						
Type of Revenue	December Collections		FY 2015-16 to Date <sup>2,3)</sup>		FY 2015-16 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 2014-15
Gross Individual Income Tax	\$923.8	3.7%	\$1,693.4	6.0%	\$10,759.7	2.9%
Refunds	(36.0)	62.7	(66.0)	60.4	(1,820.0)	2.8
Net Income Tax	887.8	2.2	1,627.4	4.6	8,939.7	2.9
Sales Tax	616.4	(8.4)	1,218.0	(2.8)	7,821.7	4.2
Motor Vehicles	70.2	(6.4)	140.0	2.7	---	---
All Other Sales Tax	546.2	(8.7)	1,078.0	(3.5)	---	---
Use Tax	110.6	4.6	228.1	8.3	1,492.5	5.2
Tobacco Taxes	73.9	(5.0)	155.0	1.2	913.8	(1.1)
Corporate Income Tax	126.9	(19.7)	118.5	(139.6)	1,060.2	3.0
Michigan Business Tax	(159.0)	16.7	(258.0)	52.3	(889.4)	18.4
Insurance Tax	3.4	(38.4)	(8.6)	(251.0)	412.5	2.6
State Education Property Tax	35.7	(32.6)	221.6	1.6	1,861.9	0.6
Real Estate Transfer Tax	20.0	26.3	46.1	3.0	268.4	4.5
Casino Wagering Tax <sup>5)</sup>	10.2	6.2	19.0	4.1	112.7	1.5
Oil & Gas Severance Tax	1.9	(54.7)	3.5	(53.7)	41.3	5.9
Other Taxes <sup>6)</sup>	26.7	21.8	60.3	36.6	313.6	6.7
<b>Total</b>	<b>\$1,754.3</b>	<b>(5.5%)</b>	<b>\$3,430.9</b>	<b>(2.6%)</b>	<b>\$22,348.9</b>	<b>3.4%</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>5)</sup>	\$247.7	11.5%	\$720.9	7.1%	\$2,681.4	3.6%
Net to School Aid Fund <sup>5)</sup>	\$ 74.7	13.8%	\$205.5	2.8%	\$ 791.0	1.4%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2015-16 year-to-date collections begin with November 2015 collections to reflect accrual accounting.
- 3) Year-to-date figures represent cash collections only, while the fiscal year consensus (CREC) estimate also includes accruals.
- 4) Consensus revenue estimates adopted at the May 15, 2015, Consensus Revenue Estimating Conference.
- 5) Lottery and casino revenue is not accrued, so FY 2015-16 collections will include October 2015 to September 2016.
- 6) Other Taxes include beer, wine, liquor, single business tax, industrial facilities, utility property, and estate taxes, and penalties and interest.

