



MONTHLY REVENUE REPORT

JANUARY 2016

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes and lottery net revenue totaled \$2.3 billion in January 2016, up 3.4% from the 2015 level. January tax collections were approximately \$67.2 million above the level expected in the Senate Fiscal Agency's (SFA's) estimate for the month, based on the consensus revenue estimates adopted in January 2016. Above-forecast collections under the Michigan Business Tax (MBT) accounted for \$52.4 million of the amount by which revenue was above forecast, while less-than-expected individual income tax refunds accounted for another \$23.1 million. The gains were partially offset by below-forecast collections under individual income tax withholding and the sales tax.

Collections earmarked to the General Fund were \$71.1 million above the expected level for January, while School Aid Fund tax collections were \$1.4 million below the forecasted level. The remaining \$2.5 million in below-forecast collections were directed to other funds, most notably constitutional revenue sharing. Because the January 2016 consensus estimates revised the forecasted values for the year, the year-to-date deviations from forecast are effectively the same as the deviations for January.

Net income tax revenue totaled slightly more than \$1.1 billion in January 2016, an 8.1% increase from the 2015 level and \$6.4 million above the forecasted level. However, withholding payments (which represented the majority of gross income tax revenue) were 4.7% above the year-ago level but \$23.2 million below the predicted level. Individual income tax refunds totaled \$23.4 million, down 41.9% from January 2015, and \$23.1 million less than predicted. Refunds generally depend on when taxpayers file their returns, so data from future months' collections will be necessary to determine if the refund estimate is too high or if taxpayers are merely filing refund requests later than usual.

Sales tax receipts totaled \$601.4 million in January 2016, a 6.1% decrease from the prior year and \$33.7 million less than expected under the lowered FY 2015-16 estimate. A portion of the decline reflects a 12.2% decline in sales tax collections from motor vehicle sales. Year-to-date sales tax collections are down 3.9%.

Combined business tax collections from the Single Business Tax, MBT, and Corporate Income Tax (CIT) were \$52.5 million above the SFA estimate for the month. Net CIT collections were down 6.5% from the January 2015 level. Net revenue from the MBT was a negative \$16.6 million (a net loss of revenue to the State due to refunds exceeding collections), but the loss was \$52.4 million less than was expected. 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.

School Aid Fund revenue from the lottery was up 71.5% from January 2015 and \$23.3 million above the forecasted level, largely as a result of increased Powerball ticket sales associated with the record jackpot. According to Reuter's, the \$1.6 billion Powerball jackpot in January 2016 was the largest lottery prize ever offered in North America and the largest lottery prize in the world that could be won with a single ticket.

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 January 2016. Also presented are the revised consensus revenue estimates for FY 2015-16, which were adopted at the January 2016 Consensus Revenue Estimating Conference.



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MICHIGAN REVENUE UPDATE (dollars in millions)						
Type of Revenue	January Collections		FY 2015-16 to Date ^{2,3)}		FY 2015-16 CREC Estimate ^{3,4)}	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total	% Change From FY 2014-15
Gross Individual Income Tax	\$1,149.1	6.2%	\$2,842.5	6.1%	\$10,947.2	2.6%
Refunds	(23.4)	(41.9)	(89.4)	9.8	(1,744.0)	3.0
Net Income Tax	1,125.7	8.1	2,753.1	6.0	\$9,203.2	2.5
Sales Tax	601.4	(6.1)	1,819.4	(3.9)	7,530.0	3.9
Motor Vehicles	62.5	(12.2)	202.5	(2.4)	---	---
All Other Sales Tax	538.9	(5.3)	1,616.9	(4.1)	---	---
Use Tax	128.3	7.5	356.4	8.0	1,444.9	0.7
Tobacco Taxes	78.0	1.2	233.0	1.2	941.7	(1.2)
Corporate Income Tax	133.4	(6.5)	251.9	(21.7)	1,116.0	3.6
Michigan Business Tax	(16.6)	177.1	(274.5)	56.6	(1,021.0)	61.2
Insurance Tax	78.2	(2.7)	69.6	(19.2)	310.0	(3.8)
State Education Property Tax	18.9	(7.7)	240.5	0.8	1,890.1	1.7
Real Estate Transfer Tax	21.2	(9.6)	67.2	(1.3)	273.0	5.6
Casino Wagering Tax ⁵⁾	8.8	(1.8)	27.8	2.2	112.0	1.1
Oil & Gas Severance Tax	1.8	(53.5)	5.3	(53.6)	30.4	0.0
Other Taxes ⁶⁾	24.2	5.2	84.4	25.9	306.5	1.7
Total	\$2,203.2	1.3%	\$5,634.1	(1.1%)	\$22,136.8	2.4%
Addendum:						
Gross Lottery Sales ⁵⁾	\$363.4	41.8%	\$1,084.3	16.7%	\$2,779.7	7.1%
Net to School Aid Fund ⁵⁾	114.8	71.5	320.3	20.0	820.0	4.6

- 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 January 14, 2016 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.

