

# MONTHLY REVENUE REPORT

## May 2014

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1.5 billion in May 2014, a 2.6% decrease from the prior year's level. May tax collections were approximately \$15.4 million below the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in May 2014. Above-forecast revenue from the sales tax as well as quarterly and annual individual income tax payments was more than offset by weaker-than-expected revenue under Michigan's business taxes.

Collections earmarked to the General Fund were \$44.8 million below the expected level for May, while School Aid Fund tax collections were \$24.5 million above the forecasted level. The remaining \$4.9 million in unanticipated collections was directed to other funds, most notably constitutional revenue sharing. Because the May 2014 consensus estimates revised the forecasted values for the year, the year-to-date deviations from forecast are effectively the same as the deviations for May.

Net income tax revenue totaled \$607.6 million in May 2014, up 1.2% from May 2013. Withholding payments (which represented the majority of gross income tax revenue) were 4.3% above the year-ago level but \$9.2 million below the predicted level. In contrast, quarterly payments and annual payments under the individual income tax were down from last year's level but a combined \$22.9 million above forecast.

Sales tax receipts totaled \$591.4 million in May 2014, \$39.2 million above forecast but 2.8% below the level in May 2013. Sales tax collections were affected by calendar issues: May ended on a weekend, which reduced the number of days available to process returns. Year-to-date sales tax collections are essentially the same as the 2013 level.

Combined business tax collections from the Single Business Tax (SBT), Michigan Business Tax (MBT), and Corporate Income Tax (CIT) totaled a negative \$33.5 million for the month, reflecting a net outflow of revenue as refund payments exceeded collections. Combined business tax collections were \$57.8 million below the level expected for the month. Net SBT collections totaled a negative \$7.4 million. Most taxpayers who still file the MBT do so to collect refundable tax credits, and net MBT revenue for May totaled a negative \$60.6 million. Forecasted MBT revenue in FY 2013-14 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. Net CIT revenue was down 53.6% from May 2013, primarily due to substantially weaker gross collections.

Oil and gas severance taxes in May 2014 were up 21.7% from the year-ago level. Sustained high oil prices, which have generally remained 10.0% or more above year-ago levels, combined with natural gas prices, which have risen substantially more than oil prices, have increased revenue by encouraging increased extraction activity and raising well prices. Year-to-date severance tax collections are up 26.1% from 2013.

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 May 2014. Also presented are the revised consensus revenue estimates for FY 2013-14, which were adopted at the May 2014 Consensus Revenue Estimating Conference.



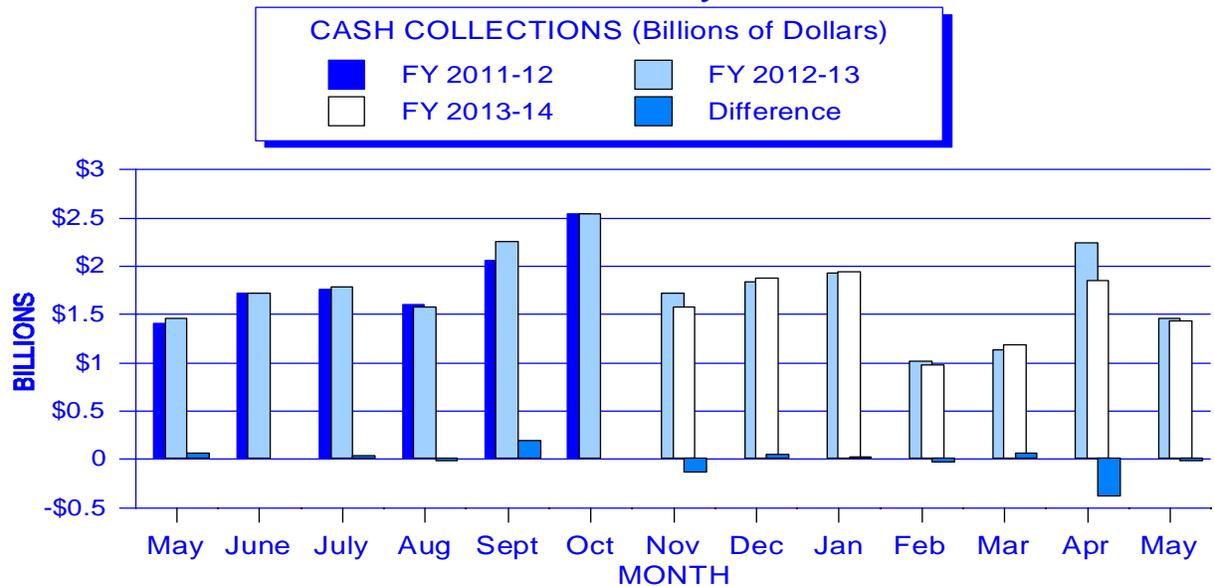
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**MICHIGAN REVENUE UPDATE  
MAY 2014  
(dollars in millions)**

Type of Revenue	May Collections		FY 2013-14 to Date <sup>2)</sup>		FY 2013-14 Estimate <sup>3)</sup>	
	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From FY 2012-13
Gross Individual Income Tax	\$730.3	1.8%	\$6,039.2	(2.5%)	\$9,948.8	(0.2%)
Refunds	(122.7)	5.0	(1,586.6)	5.8	(\$1,743.2)	2.9
Net Income Tax	607.6	1.2	4,452.6	(5.2)	\$8,205.6	(0.8)
Sales Tax	591.4	(2.8)	4,051.0	0.0	7,285.0	1.8
Motor Vehicles	79.6	(6.4)	487.3	0.1	---	---
All Other Sales Tax	511.9	(2.2)	3,563.7	0.0	---	---
Use Tax	105.8	0.3	757.2	9.1	1,378.4	8.5
Tobacco Taxes	76.8	1.8	524.7	(1.3)	938.0	(2.0)
Corporate Income Tax	34.5	(53.6)	498.3	1.2	879.9	12.4
Michigan Business Tax	(60.6)	---	(322.3)	---	(552.0)	---
Insurance Tax	3.6	---	156.2	7.9	346.5	15.0
State Education Property Tax	21.7	25.9	306.5	(13.7)	1,788.0	1.0
Real Estate Transfer Tax	16.2	10.3	117.4	13.2	233.4	15.4
Casino Wagering Tax <sup>4)</sup>	9.3	(1.7)	63.0	(5.2)	108.0	(2.4)
Oil & Gas Severance Tax	6.4	21.7	41.5	26.1	67.0	12.6
Other Taxes <sup>5)</sup>	11.7	---	117.4	(15.3)	306.5	0.0
<b>Total</b>	<b>\$1,424.5</b>	<b>(2.0)</b>	<b>\$10,763.7</b>	<b>(4.4)</b>	<b>\$20,984.3</b>	<b>(0.8)</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$245.5	(4.1)	\$1,764.0	5.0	\$2,627.0	8.8
Net to School Aid Fund <sup>4)</sup>	64.6	(15.0)	519.0	1.9	775.0	5.5

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2013-14 year-to-date collections begin with November 2013 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the January 10, 2014, Consensus Revenue Estimating Conference.
- 4) Lottery and casino revenue is not accrued, so FY 2013-14 collections will include October 2013 to September 2014.
- 5) 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\*  
June 2012 to May 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.