

# MONTHLY REVENUE REPORT

## February 2015

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1.0 billion in February, down 0.5% from the 2014 level. February 2015 tax collections were approximately \$30.5 million below the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in January 2015. The below-forecast revenue primarily reflected weakness in sales tax collections and individual income tax withholding, combining with greater-than-expected Michigan Business Tax (MBT) refunds to more than offset the revenue gain from lower-than-expected individual income tax refunds.

Collections earmarked to the General Fund were \$35.0 million above the expected level for February, while School Aid Fund tax collections were \$59.9 million below the forecasted level. The remaining \$5.6 million in below-forecast collections were directed to other funds, most notably constitutional revenue sharing. Through February, year-to-date General Fund collections are \$171.5 million above, and School Aid Fund collections \$23.5 million below, the level expected based on the January 2015 consensus revenue estimates.

Net income tax revenue totaled \$262.5 million in February 2015, up 16.1% from February 2014, and \$75.6 million above the forecasted level. However, withholding payments (which represented the majority of gross income tax revenue) were 6.0% below the year-ago level and \$15.5 million below the predicted level for the month. Offsetting the decrease were individual income tax refunds, which can vary greatly from year to year depending on when they are filed. Refunds were down 15.3% from February 2014 and \$89.3 million less than forecasted.

February 2015 sales tax receipts decreased 5.3% from the prior year and were \$65.2 million below the forecasted level. On a year-to-date basis, sales tax collections through February are up 4.7% from 2014 but are \$35.3 million below the forecasted level. February sales tax collections from motor vehicle transactions were down 4.6% from one year ago, although on a year-to-date basis sales tax collections from motor vehicle transactions are up 7.6%. Use tax collections were 2.7% below the February 2014 level and on a year-to-date basis are up 0.3% from the 2014 level.

Combined business tax collections from the Single Business Tax, MBT, and Corporate Income Tax (CIT) were a negative \$9.0 million (a net loss of revenue to the State due to refunds' exceeding collections) and \$20.9 million below the Senate Fiscal Agency estimate for the month. Net CIT collections totaled \$30.2 million but were more than offset by net revenue from the MBT, which totaled a negative \$36.5 million. 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. When these refunds will be claimed and processed will significantly affect the accuracy of monthly MBT estimates.

Reflecting the decline in oil prices, oil and gas severance tax collections in February 2015 were down 50.3% from the year-ago level, the third consecutive month of year-over-year declines. Year-to-date severance tax collections are down 29.8%, although year-to-date revenue is only \$3.7 million below the predicted level.

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



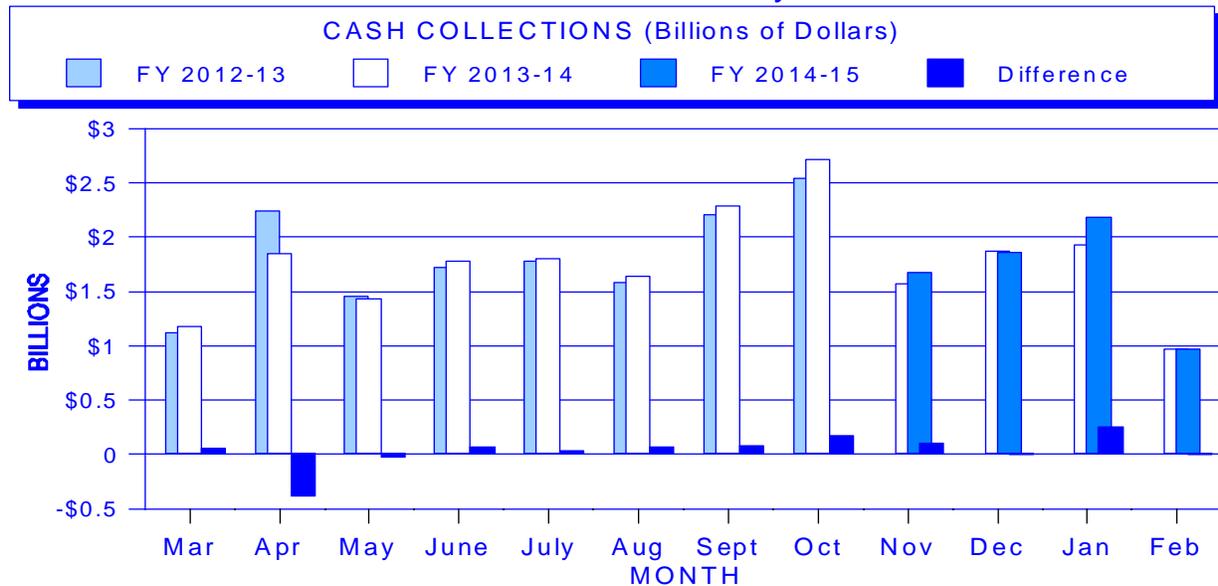
*Elizabeth Pratt, Fiscal Analyst*  
*David Zin, Chief Economist*

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

Type of Revenue	February Collections		FY 2014-15 to Date <sup>2,3)</sup>		FY 2014-15 Estimate <sup>3,4)</sup>	
	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From FY 2013-14
Gross Individual Income Tax	\$672.5	(5.3%)	\$3,352.0	3.1%	\$10,275.6	3.7%
Refunds	(410.0)	(15.3)	(491.4)	(7.9)	(1,880.1)	(0.8)
Net Income Tax	262.5	16.1	2,860.6	5.3	\$8,395.5	4.8
Sales Tax	468.2	(5.3)	2,361.7	4.7	7,608.8	3.5
Motor Vehicles	55.9	(4.6)	263.4	7.6	---	---
All Other Sales Tax	412.3	(5.4)	2,098.3	4.4	---	---
Use Tax	101.3	(2.7)	431.3	0.3	1,448.2	4.1
Tobacco Taxes	71.8	(0.4)	302.2	(3.1)	914.4	(2.8)
Corporate Income Tax	30.2	6.5	352.0	31.2	944.7	4.2
Michigan Business Tax	(36.5)	---	(211.8)	---	(680.8)	(5.9)
Insurance Tax	4.8	3.0	90.9	22.5	412.0	13.7
State Education Property Tax	13.1	(6.5)	251.7	0.2	1,845.3	2.3
Real Estate Transfer Tax	16.2	4.2	84.3	13.7	247.8	6.2
Casino Wagering Tax <sup>5)</sup>	9.3	3.4	36.5	5.8	111.0	3.8
Oil & Gas Severance Tax	2.2	(50.3)	13.6	(29.8)	58.0	(4.9)
Other Taxes <sup>6)</sup>	16.6	89.2	83.7	26.6	279.5	14.4
<b>Total</b>	<b>\$959.8</b>	<b>(0.7%)</b>	<b>\$6,656.6</b>	<b>5.2%</b>	<b>\$21,584.4</b>	<b>3.0%</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>5)</sup>	\$233.8	6.7%	\$1,163.1	6.8%	\$2,576.2	6.7%
Net to School Aid Fund <sup>5)</sup>	\$69.8	2.5%	\$336.7	1.4%	\$760.0	3.5%

- 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 January 16, 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\***  
**March 2013 to February 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.