



MONTHLY REVENUE REPORT

MARCH 2020

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1.4 billion in March 2020, up 5.2% from the March 2019 level. March 2020 tax collections were approximately \$80.8 million below the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in January 2020. Greater-than-expected individual income tax withholding and lower-than-expected Michigan Business Tax (MBT) refunds were more than offset by lower-than-expected sales tax and Corporate Income Tax (CIT) collections and greater-than-expected individual income tax refunds.

Collections earmarked to the General Fund were \$700,000 above the expected level for March 2020, while School Aid Fund tax collections were \$75.1 million below the forecasted level. The remaining \$7.0 million in below-forecast collections was directed to other funds, most notably constitutional revenue sharing. Through March 2020, fiscal year-to-date General Fund collections were \$135.3 million below, and School Aid Fund collections \$13.1 million below, the level expected based on the January 2020 consensus revenue estimates.

Although Executive Order 2020-9, issued in response to the coronavirus disease 2019 (COVID-19) pandemic, closed many areas of public accommodation (such as theaters, bars, and casinos), and limited restaurants to carry-out and delivery effective March 16, 2020; and Executive Order 2020-21 ordered individuals to stay at home effective March 24, 2020, most revenue received in March did not reflect economic impacts associated with those Executive Orders or the virus. With the exception of casino tax revenue, lottery revenue, motor fuel taxes, sales tax revenue collected by the Secretary of State's office on vehicle sales, and accelerated sales tax payments, March collections generally reflected February 2020 activity. Revenue impacts resulting from the COVID-19 pandemic will not be more readily apparent until April 2020 revenue is available.

Net income tax revenue totaled \$382.5 million in March 2020, down 12.0% from the level in March 2019, and \$31.5 million below the level forecasted for the month. Withholding payments (which represented most gross income tax revenue) were 7.0% above the year-ago level and \$31.3 million above the predicted level. Below-forecast net income tax revenue primarily reflected individual income tax refunds, which exceeded the monthly forecast by \$56.1 million. Income tax refunds reflect tax year 2019 activity and are exceeding forecasts because the Department of Treasury had processed significantly more returns through March than have been processed historically.

March 2020 sales tax receipts decreased 1.5% from March 2019 and were \$60.6 million below the forecasted level. Year-to-date sales tax collections through March 2020 were up 5.4% from fiscal year (FY) 2018-19, and \$11.2 million above the forecasted level. Sales tax collections from vehicle sales, which would reflect the impact of COVID-19 in March, were down 18.5% from March 2019.

Combined business tax collections from the Single Business Tax (SBT), MBT, and CIT totaled \$61.3 million for the month (meaning collections exceeded refunds) and were \$46.4 million above the expected level. March 2020 CIT collections were down 53.9% from March 2019 and \$26.9 million below the estimated level, largely due to a 76.8% decline in annual payments (which would have been based on 2019 activity). Net MBT revenue totaled \$8.4 million, \$73.3 million above the forecasted level, reflecting less-than-expected refunds. Most taxpayers who still file the MBT do so to collect refundable tax credits. When these refunds will be claimed and processed will significantly affect the accuracy of monthly MBT estimates.

Among revenue sources likely to reflect COVID-19-related impacts in March 2020 revenues, gasoline tax revenue was down 22.6% from March 2019, while diesel tax collections from sales at the pump were down 21.6%. Casino tax revenue was down 59.0% from March 2019. While lottery revenue to the School Aid Fund was down 31.5%, the decline reflects large Powerball and MegaMillions jackpots during March 2019, which pushed monthly lottery collections to the second largest total in the history of the Lottery. March 2020 lottery revenue approximately equaled the March average over the last 10 years.

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 March 2020. Also presented are the revised consensus revenue estimates for FY 2019-20, which were adopted at the January 2020 Consensus Revenue Estimating Conference.



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MICHIGAN REVENUE UPDATE (dollars in millions)						
Type of Revenue	March Collections		FY 2019-20 to Date ²		FY 2019-20 CREC Estimate ^{3,4)}	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total	% Change From FY 2018-19
Gross Individual Income Tax	\$1,038.9	5.5%	\$5,108.8	6.2%	\$12,741.9	1.5%
Refunds	(656.4)	19.3	(1,380.7)	20.1	(2,163.3)	1.8
Net Income Tax	382.5	(12.0)	3,728.1	1.9	10,578.6	1.4
Sales Tax	605.4	(1.5)	3,385.6	5.4	8,682.8	5.2
Motor Vehicles	73.9	(18.5)	397.2	7.4	---	---
All Other Sales Tax	531.5	1.5	2,988.4	5.1	---	---
Use Tax ⁵⁾	146.9	26.7	719.4	3.5	1,825.4	1.8
Tobacco Taxes	61.1	(6.3)	346.1	(3.2)	854.8	(3.4)
Corporate Income Tax	52.9	(53.9)	403.7	(6.0)	1,210.1	(5.3)
Michigan Business Tax	8.4	(106.4)	(500.3)	(4.6)	(641.0)	25.3
Insurance Tax	20.1	(735.7)	125.4	17.1	361.8	14.9
Essential Services Assessment	0.2	15,697.6	0.7	(6,365.9)	121.0	8.8
State Education Property Tax	14.1	(20.7)	406.4	27.1	2,170.9	2.7
Real Estate Transfer Tax	17.1	1.0	141.7	12.0	361.0	3.1
Casino Wagering Tax ⁶⁾	4.7	(59.0)	44.7	(9.9)	122.3	4.2
Oil & Gas Severance Tax	1.5	(28.4)	8.7	(19.4)	22.0	(1.3)
Other Taxes ⁷⁾	19.4	(166.3)	100.6	98.2	309.5	30.3
Total Taxes	\$1,334.1	8.5%	\$8,910.7	4.9%	\$25,979.2	2.3%
Lottery, Net to School Aid Fund ⁶⁾	75.3	(31.5)	492.4	(7.5)	1,010.0	(5.7)
Total	\$1,409.5	5.2	\$9,403.0	4.6	\$26,989.2	2.0

- Total collections are unadjusted cash collections unless otherwise noted.
- FY 2019-20 year-to-date collections begin with November 2019 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 10, 2020, Consensus Revenue Estimating Conference.
- Includes both the State share and the local share (Local Community Stabilization Authority).
- Lottery and casino revenue is not accrued, so FY 2019-20 collections will reflect October 2019 to September 2020.
- Other Taxes include beer, wine, liquor, single business tax, industrial facilities, utility property, estate taxes, and tax penalties and interest.

