



# MONTHLY REVENUE REPORT

FEBRUARY 2021

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Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1.6 billion in February 2021, a 46.6% increase from the February 2020 level. February 2021 tax collections were approximately \$486.7 million above the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in January 2021. The above-forecast collections for the month reflected greater-than-expected individual income tax withholding, above-forecast collections from sales and use taxes, and a delay in individual income tax refund processing due to issues with the Federal Internal Revenue Service's implementation of tax provisions contained in the Federal COVID-19 stimulus package adopted at the end of December 2020.

Collections earmarked to the General Fund were \$390.7 million above the expected level for February, while School Aid Fund tax collections were \$91.5 million above the forecasted level. The remaining \$4.5 million in above-forecast collections was directed to other funds, most notably constitutional revenue sharing. Through February, fiscal year-to-date General Fund collections were \$499.1 million above, and School Aid Fund collections \$217.1 million above, the level expected based on the January 2021 consensus revenue estimates.

Net income tax revenue totaled \$563.7 million in February 2021, up 136.8% from February 2020, and \$320.7 million above the forecasted level. Withholding payments (which represented the majority of gross income tax revenue) were 5.0% above the February 2020 level and \$40.8 million above the predicted level for the month. Individual income tax refunds totaled \$340.2 million, down 45.7% from February 2020, and \$282.0 million more than predicted. Refunds generally depend on when taxpayers file their returns, and while last year the Department of Treasury reported it had processed approximately 20% more returns through the end of February than in 2019, this year the issues at the Internal Revenue Service essentially prevented the State from processing a substantial number of refunds until mid-February.

February 2021 sales tax receipts increased 8.1% from February 2020 and were \$53.4 million above the forecasted level. Sales tax collections from motor vehicles sales were up 18.4% from February 2021. Use tax collections in February 2021 were 66.7% above the February 2021 level and \$57.9 million above the forecasted level. Before June 2020, use tax collections had never exceeded \$187.0 million in a month. February's \$211.1 million in use tax collections represents the fourth month in the last five months where collections have exceeded \$210.0 million. Fiscal year-to-date use tax revenue was up 53.8% from last year, and \$146.2 million above the predicted level.

Combined business tax collections from the Single Business Tax, Michigan Business Tax (MBT), and Corporate Income Tax (CIT) totaled \$22.4 million and were \$66.8 million above the estimate for the month (the forecast expected refunds to exceed collections). Net CIT collections totaled \$23.2 million, up 17.7% from February 2020 and \$2.3 million above forecast. Fiscal year-to-date CIT collections were up 29.1% from last year. Net MBT revenue totaled a negative \$800,000, although the loss was \$64.4 million less than expected. Most taxpayers that 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.

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 2021. Also presented are the revised consensus revenue estimates for fiscal year 2020-21, which were adopted at the January 2021 Consensus Revenue Estimating Conference.



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MICHIGAN REVENUE UPDATE (dollars in millions)						
Type of Revenue	February Collections		FY 2020-21 to Date <sup>2</sup>		FY 2020-21 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 2019-20
Gross Individual Income Tax	\$903.9	4.6%	\$4,329.2	6.4%	\$12,138.4	(5.0%)
Refunds	(340.2)	(45.7)	(411.2)	(43.2)	(2,366.9)	0.2
Net Income Tax	563.7	136.8	3,918.1	17.1	9,771.5	(6.2)
Sales Tax	672.1	8.1	2,797.6	0.6	8,159.0	(0.8)
Motor Vehicles	82.8	18.4	363.7	12.5	---	---
All Other Sales Tax	589.3	6.8	2,433.9	(0.9)	---	---
Use Tax <sup>5)</sup>	211.1	66.7	880.5	53.8	1,722.0	(1.5)
Tobacco Taxes	64.9	(6.2)	287.5	0.9	847.1	(3.8)
Corporate Income Tax	23.2	17.7	453.0	29.1	912.8	(12.7)
Michigan Business Tax	(0.8)	(99.2)	(365.7)	(28.1)	(643.9)	0.5
Insurance Tax	(11.8)	(158.1)	82.9	(21.3)	380.4	8.1
Essential Services Assessment	0.2	82.9	0.8	50.9	125.0	3.3
State Education Property Tax	19.1	(5.9)	384.5	(2.0)	2,163.0	0.3
Real Estate Transfer Tax	36.8	22.7	156.8	25.9	325.0	8.1
Casino Wagering Tax <sup>6)</sup>	7.0	(28.9)	20.0	(49.9)	112.8	83.7
Oil & Gas Severance Tax	1.1	(46.8)	5.3	(26.7)	12.0	(14.3)
Other Taxes <sup>7)</sup>	8.2	(52.2)	70.2	(13.5)	298.0	10.2
<b>Total Taxes</b>	<b>\$1,594.6</b>	<b>48.3%</b>	<b>\$8,691.5</b>	<b>14.7%</b>	<b>\$24,184.8</b>	<b>(3.1%)</b>
Lottery, Net to School Aid Fund <sup>6)</sup>	102.7	24.4	559.0	34.0	1,026.8	(9.1)
<b>Total</b>	<b>\$1,697.3</b>	<b>46.6%</b>	<b>\$9,250.5</b>	<b>15.4%</b>	<b>\$25,211.5</b>	<b>(3.3%)</b>

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2020-21 year-to-date collections begin with November 2020 collections to reflect accrual accounting.
- 3) Year-to-date figures represent cash collections only, while the fiscal year estimate also includes accruals.
- 4) Consensus revenue estimates adopted at the January 15, 2021, Consensus Revenue Estimating Conference.
- 5) Includes both the State share and the local share (Local Community Stabilization Authority).
- 6) Lottery and casino revenue are not accrued, so FY 2020-21 collections will reflect October 2020 to September 2021.
- 7) Other Taxes include beer, wine, liquor, single business tax, industrial facilities, utility property, estate taxes, and tax penalties and interest.

