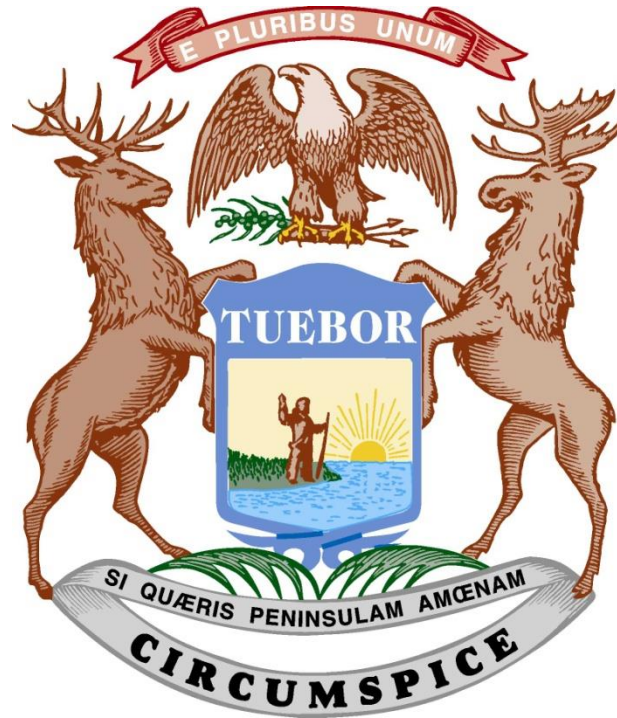


Economic and Revenue Forecasts

FY 2022 * FY 2023 * FY 2024



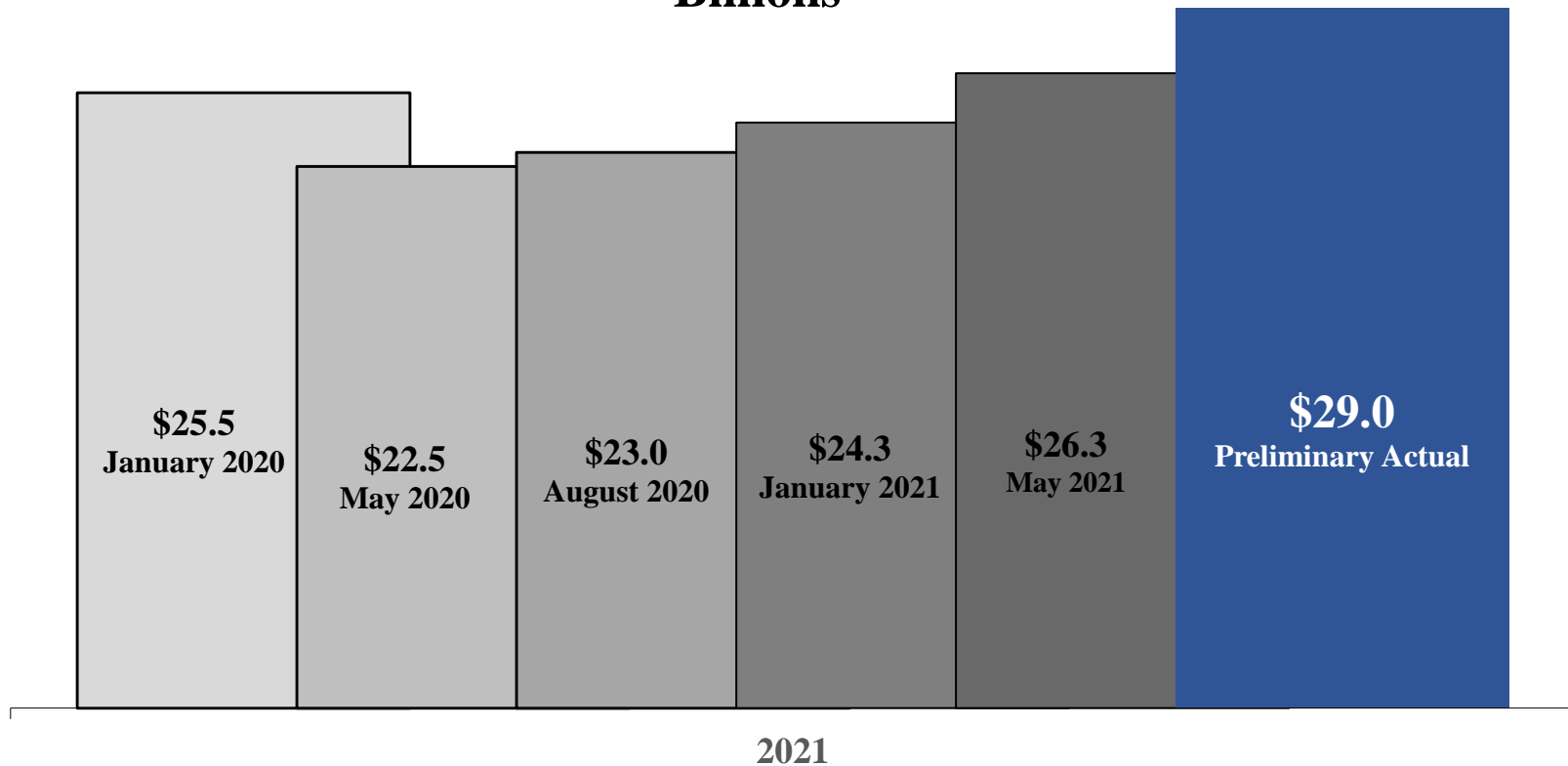
Consensus Revenue Estimating Conference
January 14, 2022

Outline

- **Recent Revenue Updates**
Eric Bussis, Department of Treasury
- **Revenue Estimates for Major Taxes**
Jim Stansell, House Fiscal Agency
- **Revenue Estimates by Fund**
David Zin, Senate Fiscal Agency

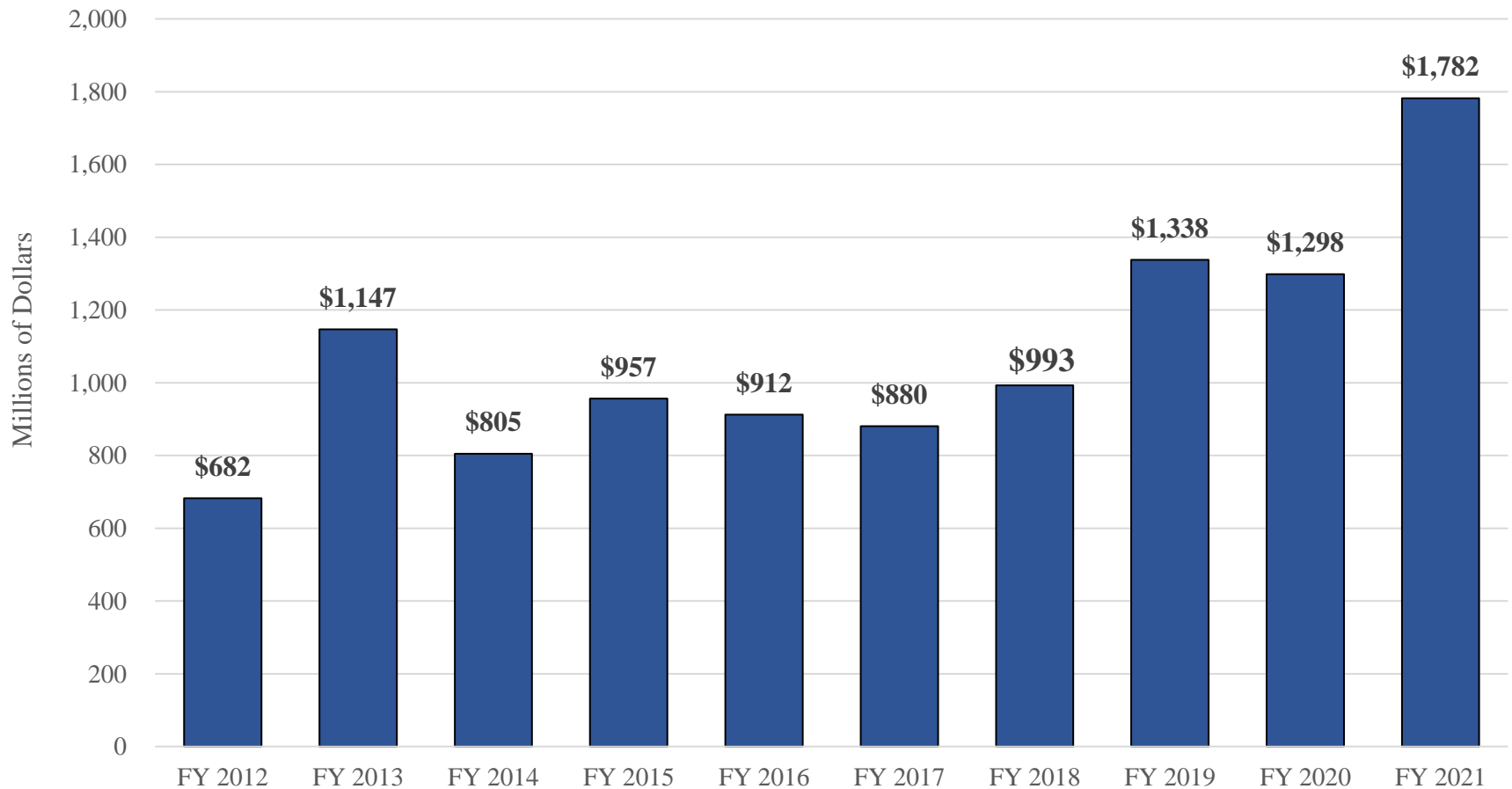
Preliminary FY 2021 Revenue Totals

GF-GP and SAF Combined Fiscal Year 2021 Billions



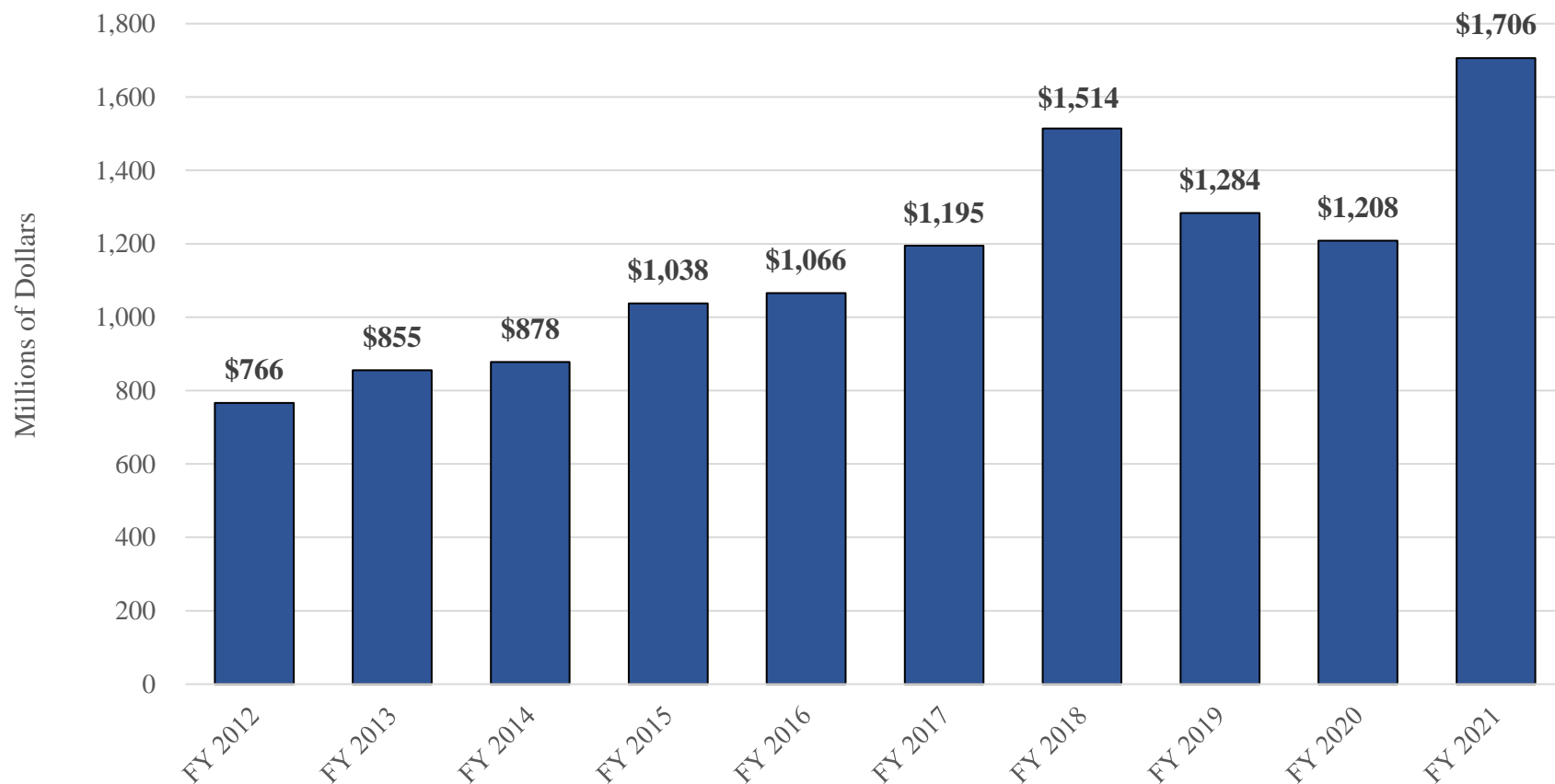
Income Tax Annuals Surprised in 2021

Individual Income Tax: Annual Payments FY 2012 – 2020; FY 2021 Preliminary



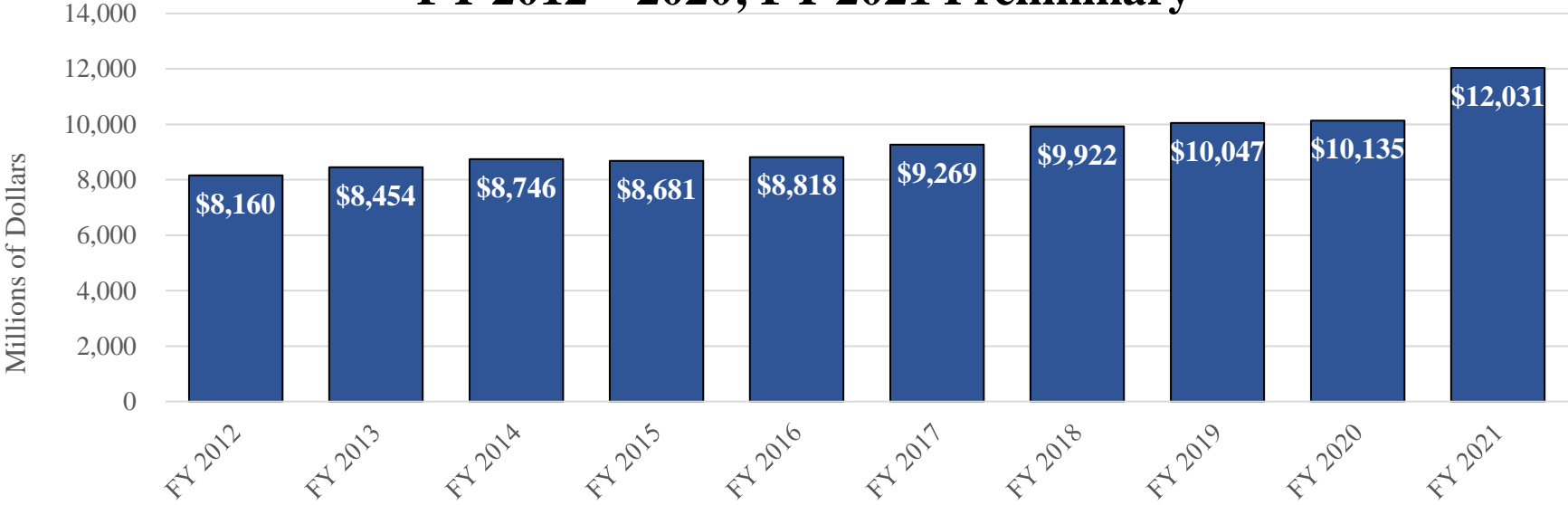
Strong Quarterly Payment Collections

Individual Income Tax: Quarterly Payments FY 2012 – 2020; FY 2021 Preliminary

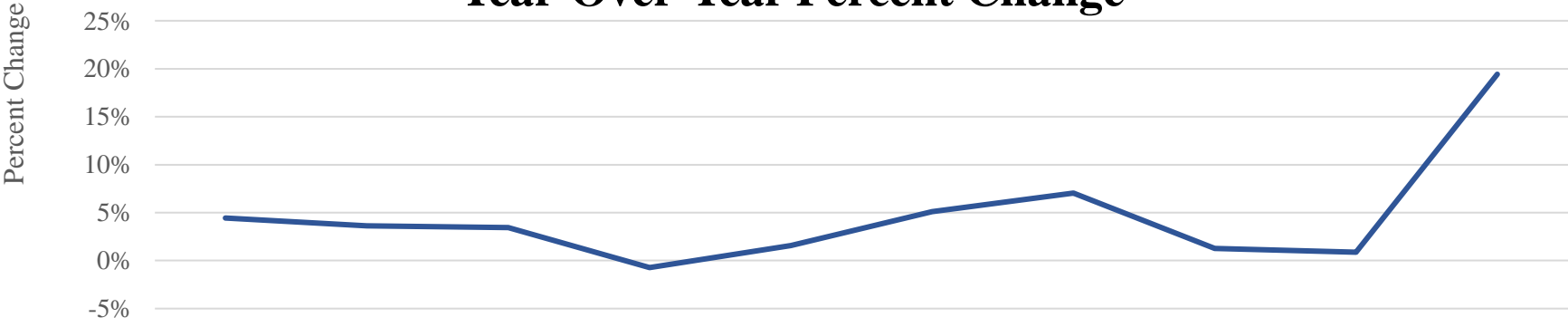


Consumption Taxes Reach Records

Sales and Use Tax Payments FY 2012 – 2020; FY 2021 Preliminary

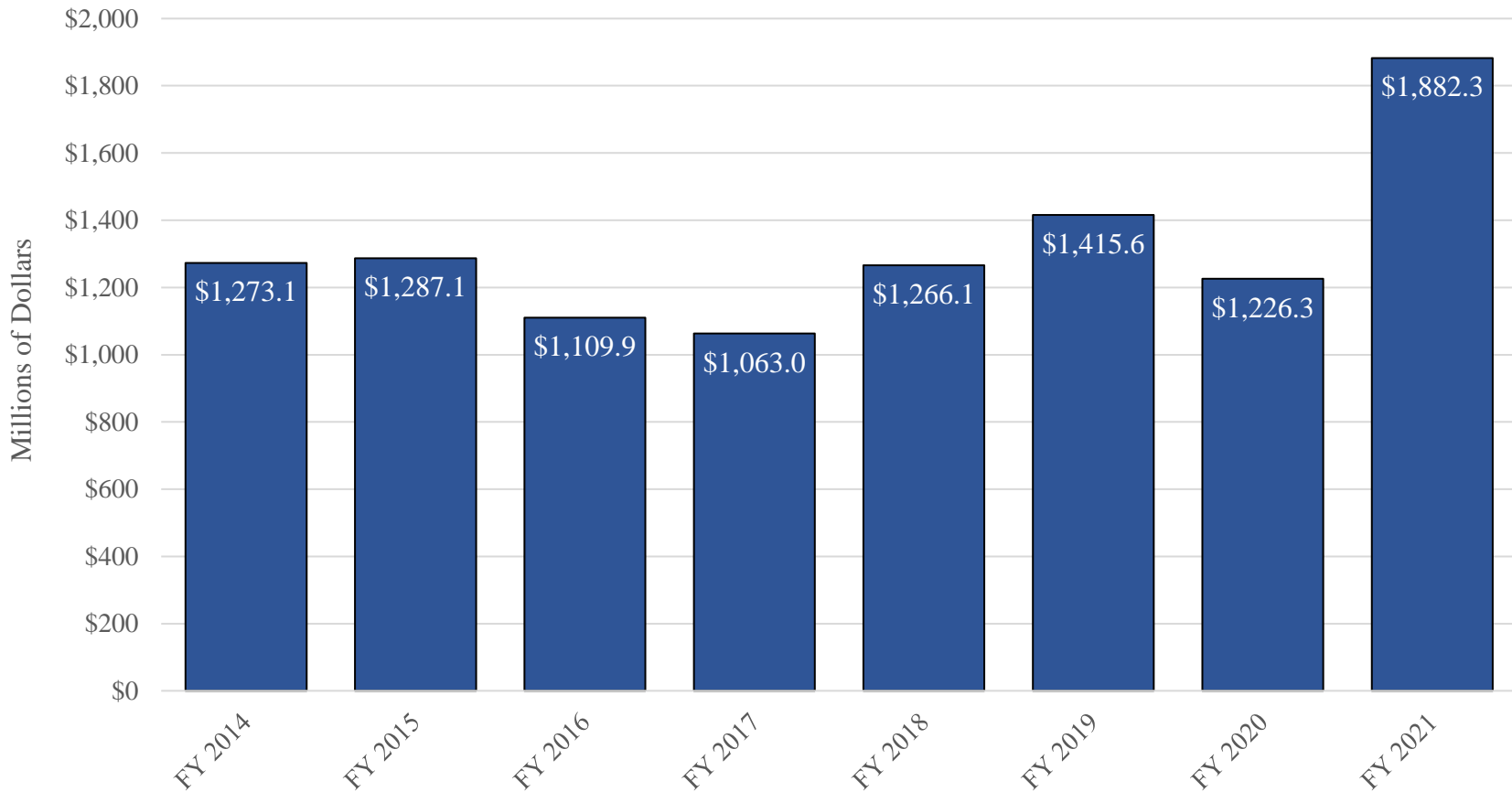


Year-Over-Year Percent Change



Increased Business Tax Payments

CIT and MBT Quarterly and Annual Payments FY 2014 – 2020; FY 2021 Preliminary



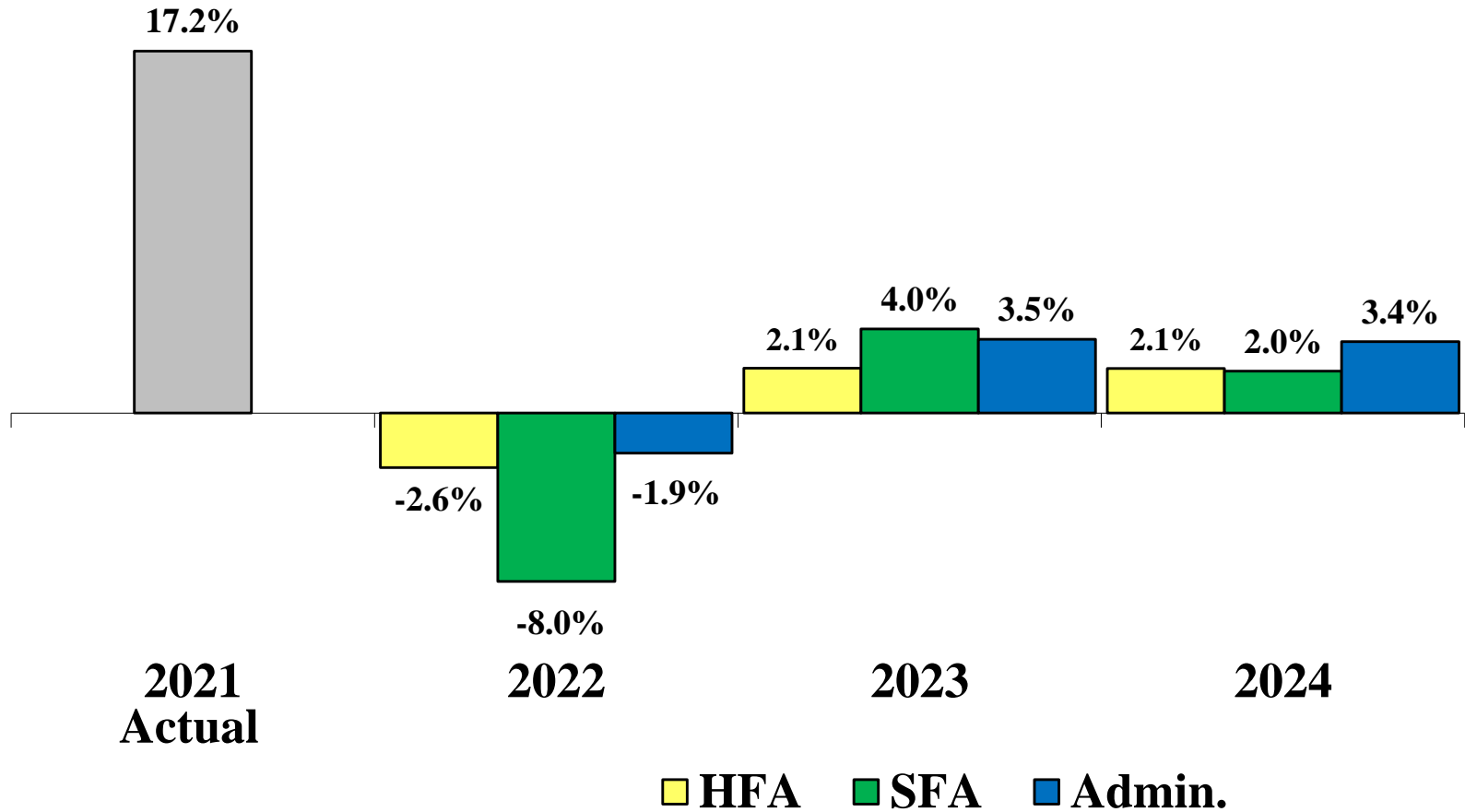
FORECAST OF MAJOR TAXES

Revenue Outlook

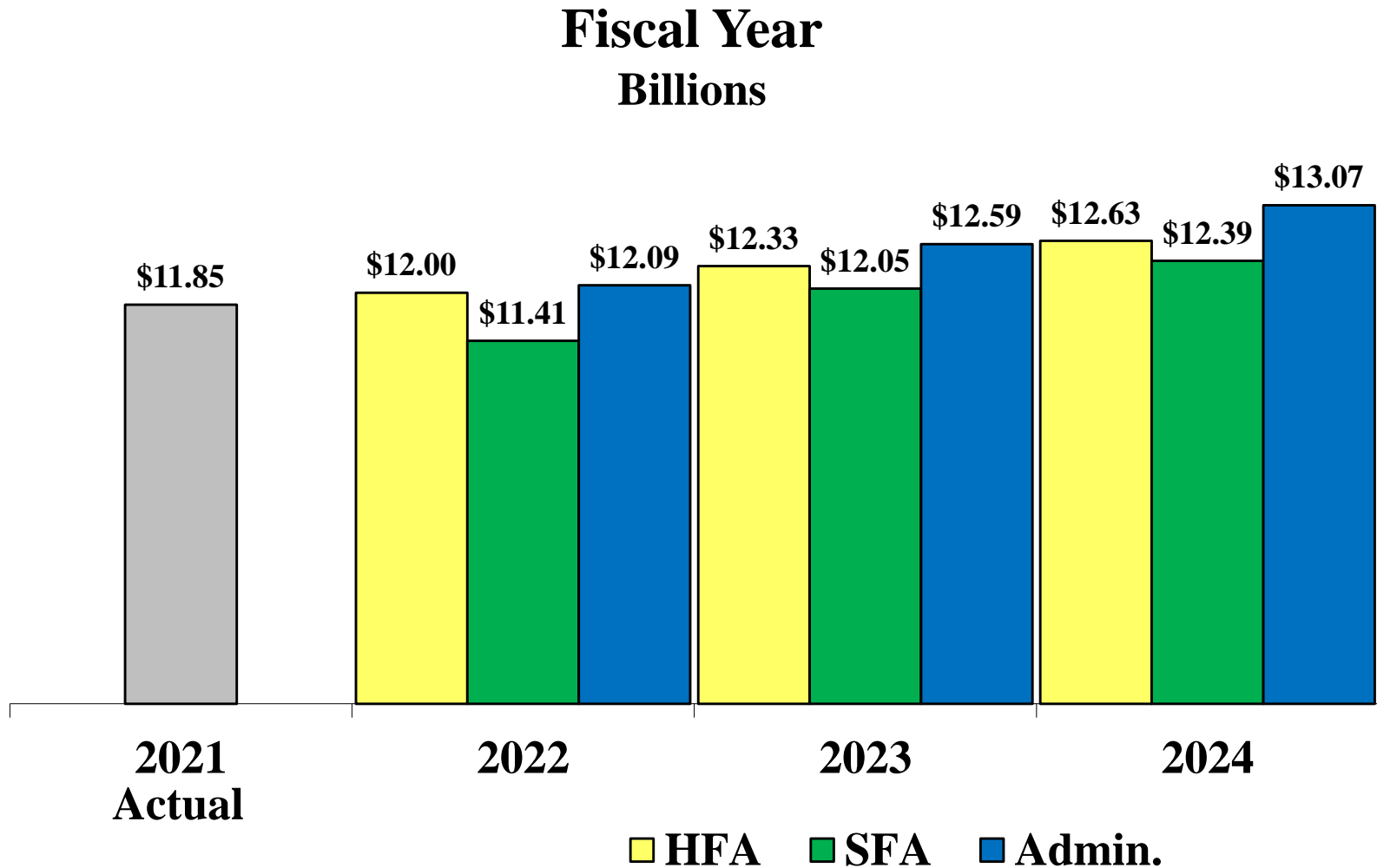
- CREC estimates always assume current Federal and State law
 - Flow-Through Entity Tax (FTE) retroactive for tax year 2021
 - Impact of stimulus funds waning after 2021
- State revenues illustrate the continuing disconnect between collections and economic activity
- Outlook expects a gradual return to normal spending patterns

Baseline Income Tax Growth

Fiscal Year Growth

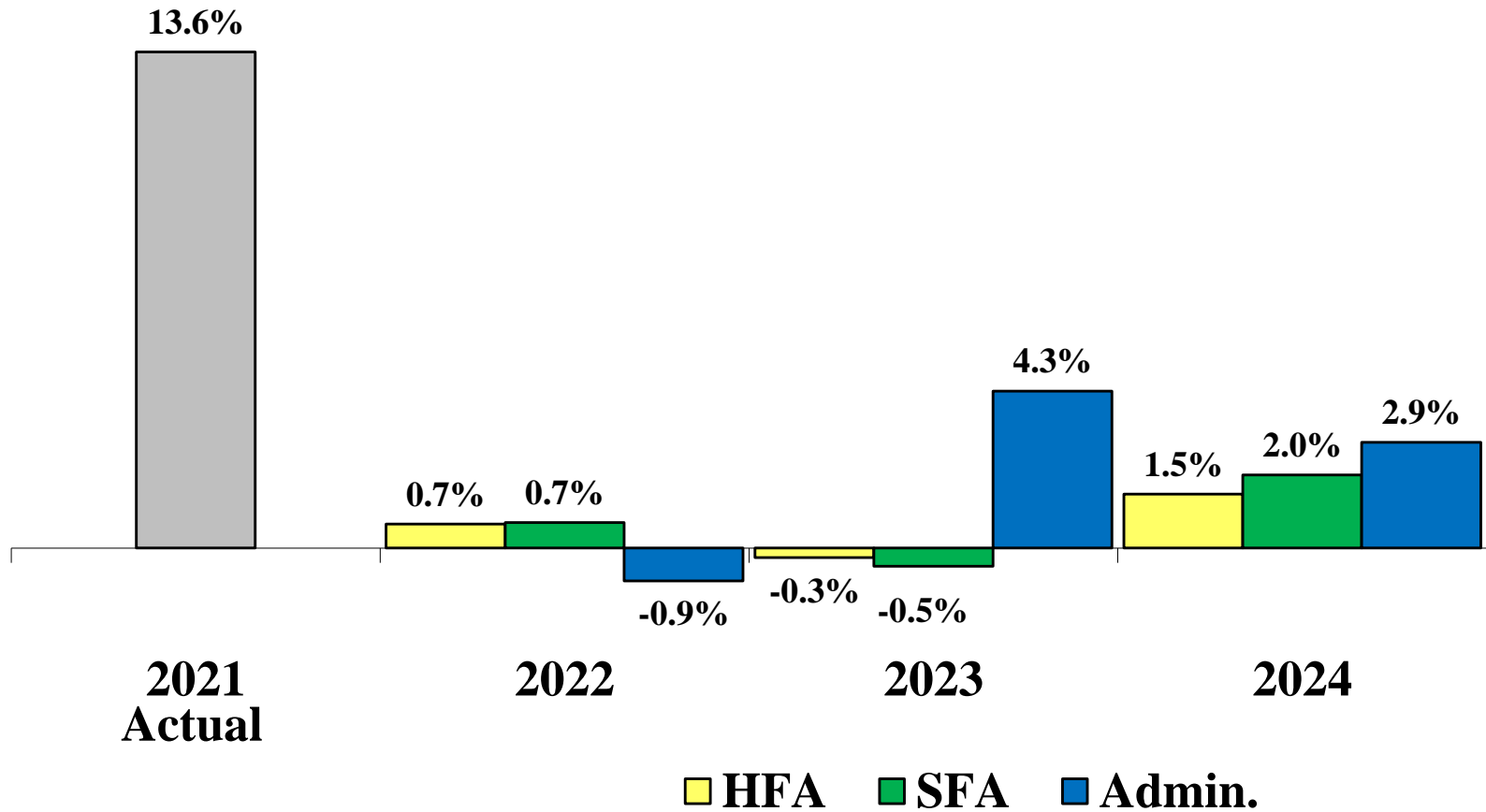


Net Income Tax Revenue Estimates



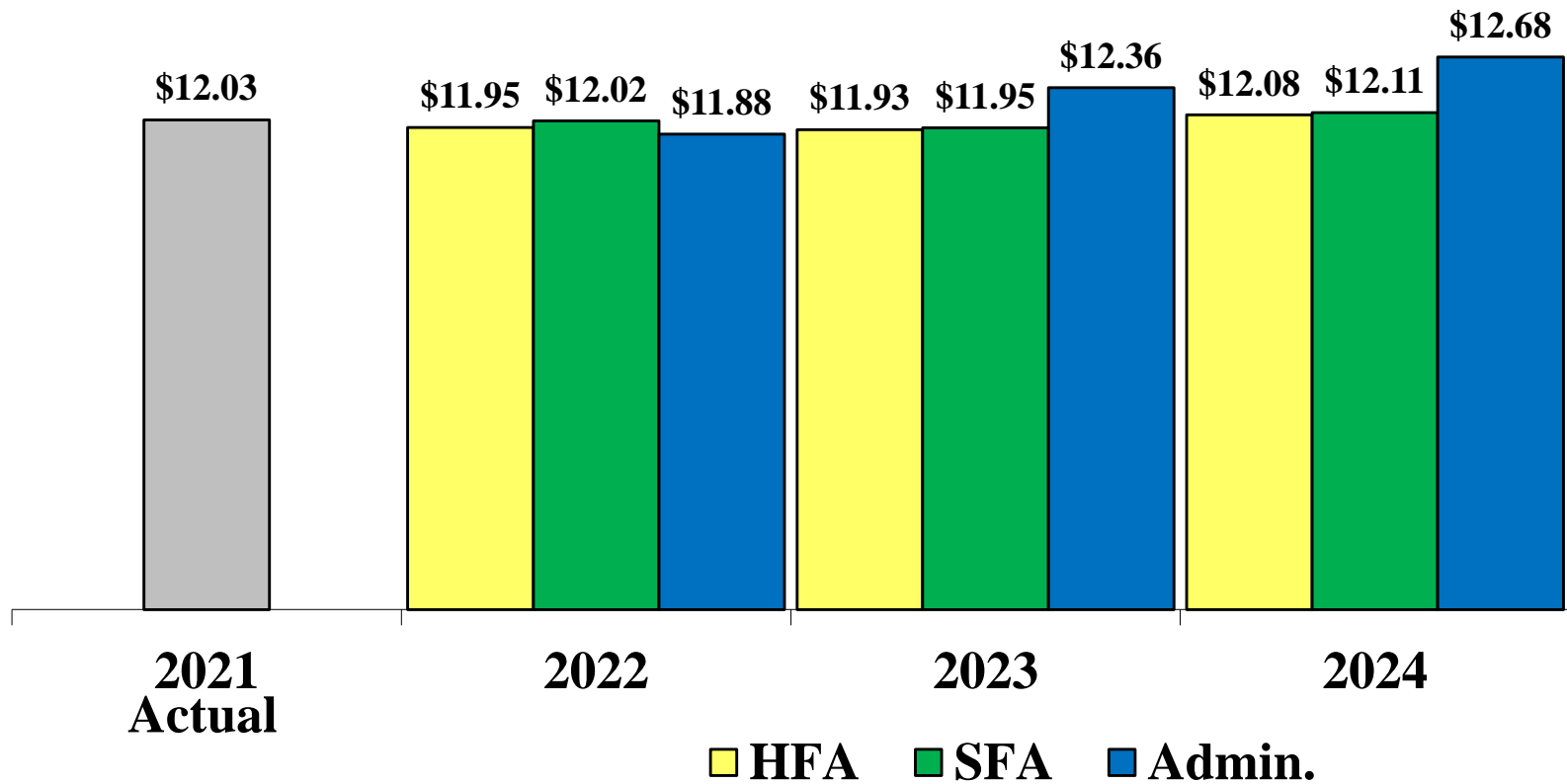
Baseline Sales Tax Growth

Fiscal Year Growth



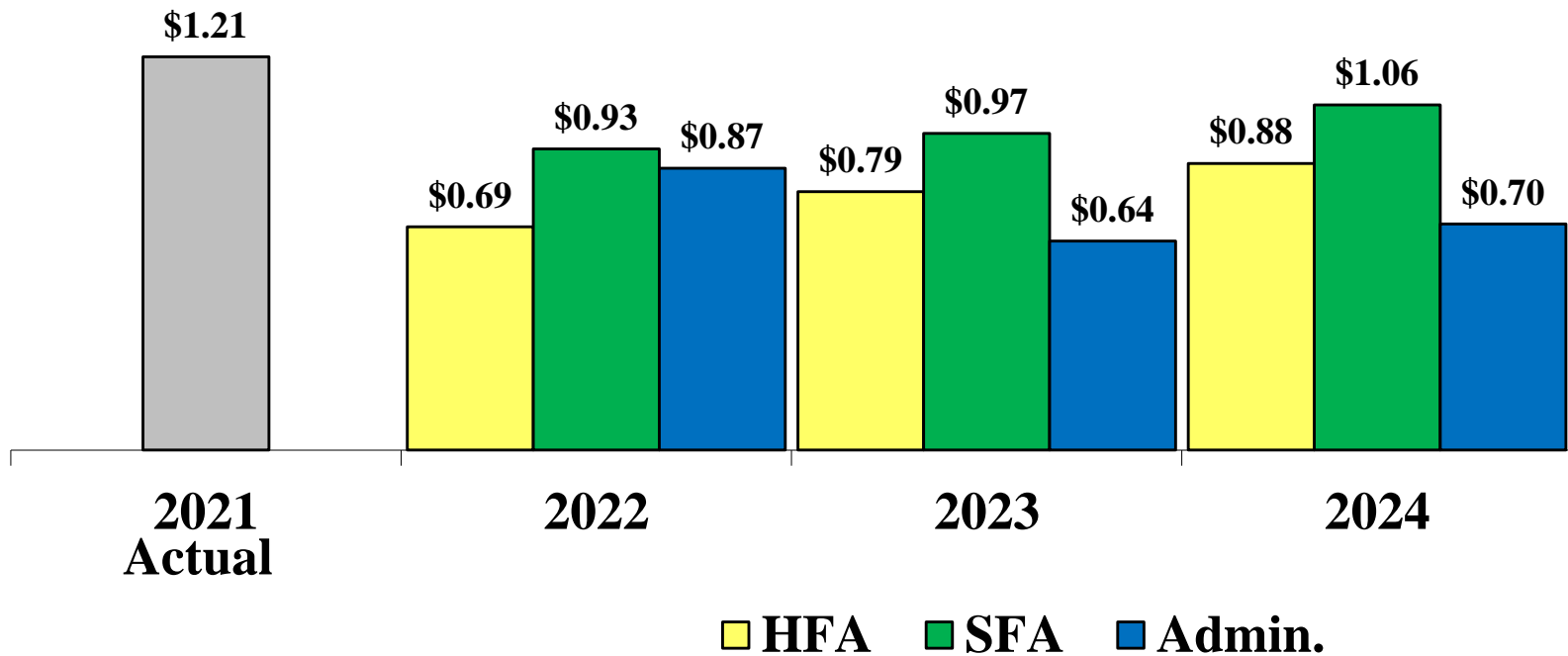
Net Sales and Use Tax Revenue Estimates

Fiscal Year
Billions



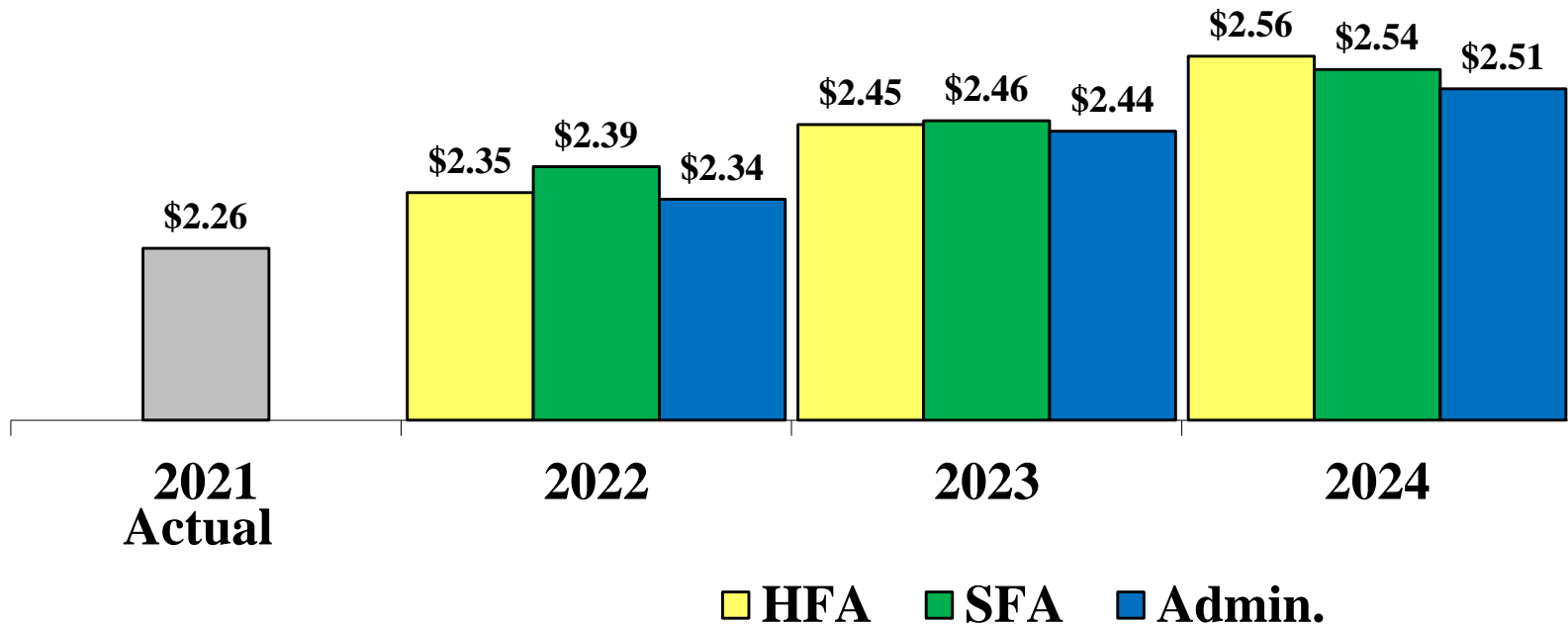
Net CIT/MBT Revenue Estimates

Fiscal Year
Billions



Net SET Revenue Estimates

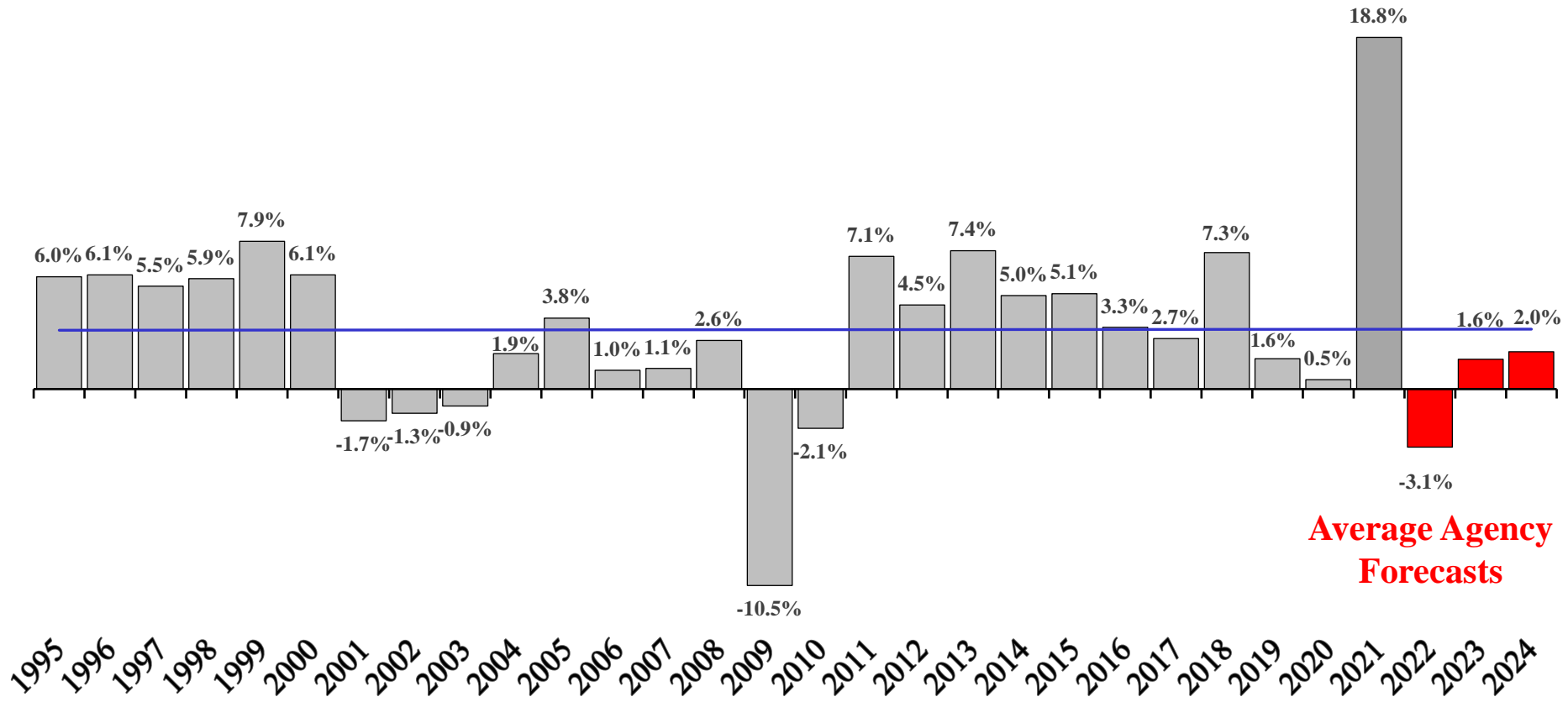
Fiscal Year
Billions



FORECAST OF GF-GP AND SCHOOL AID FUND

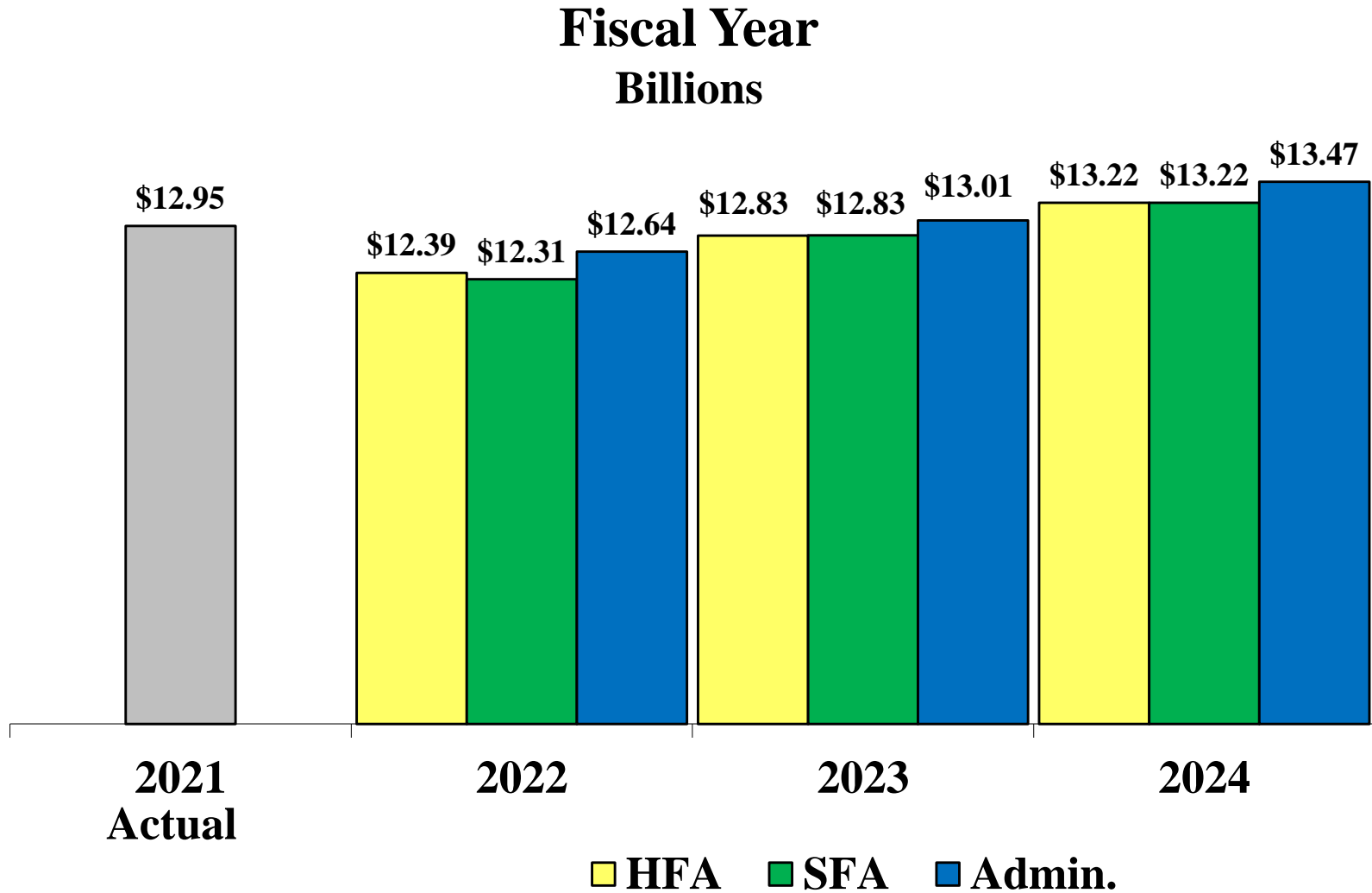
GF-GP and School Aid Revenue

Baseline Growth Rates Before Tax Changes



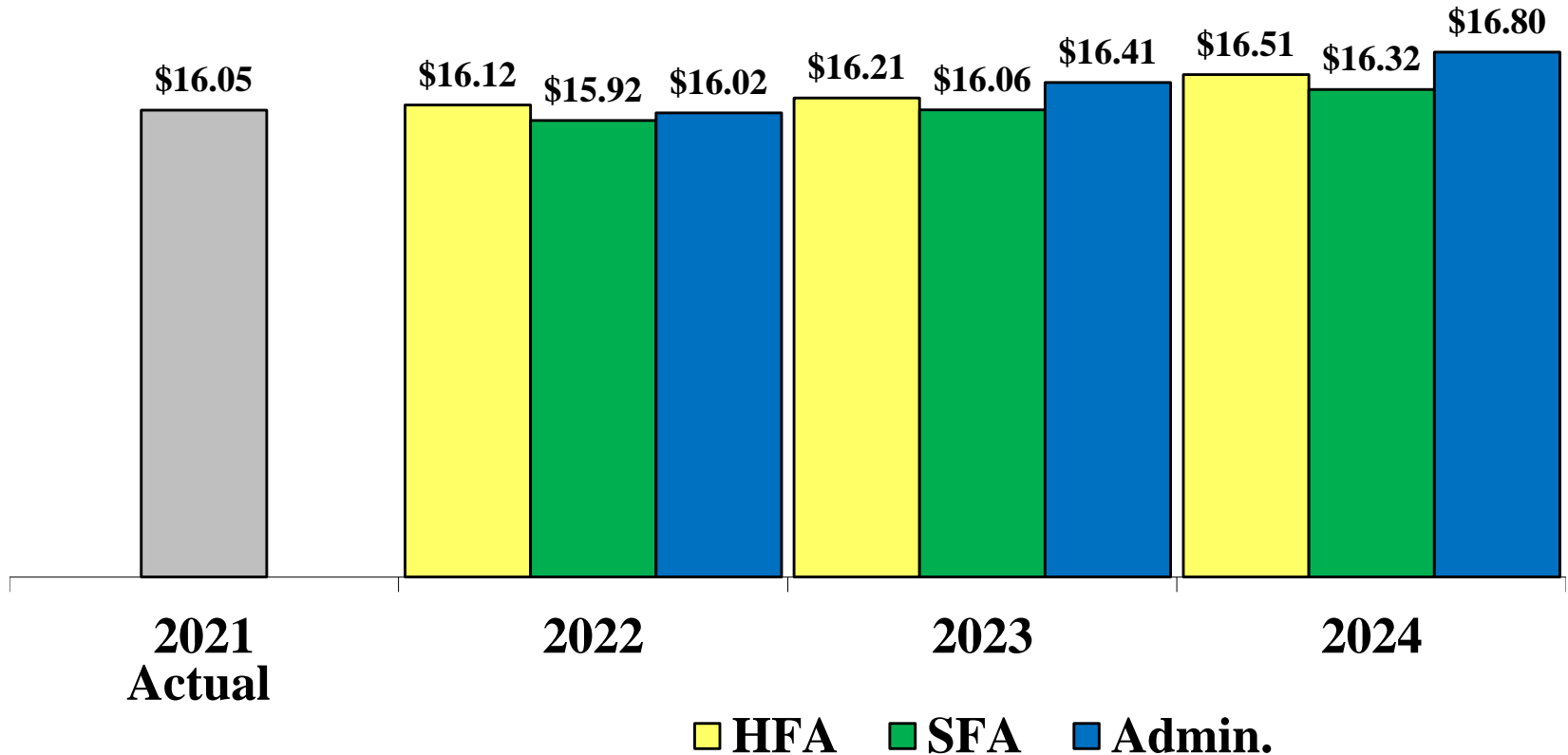
Average Agency Forecasts

GF-GP Net Revenue Estimates



School Aid Fund Net Revenue Estimates

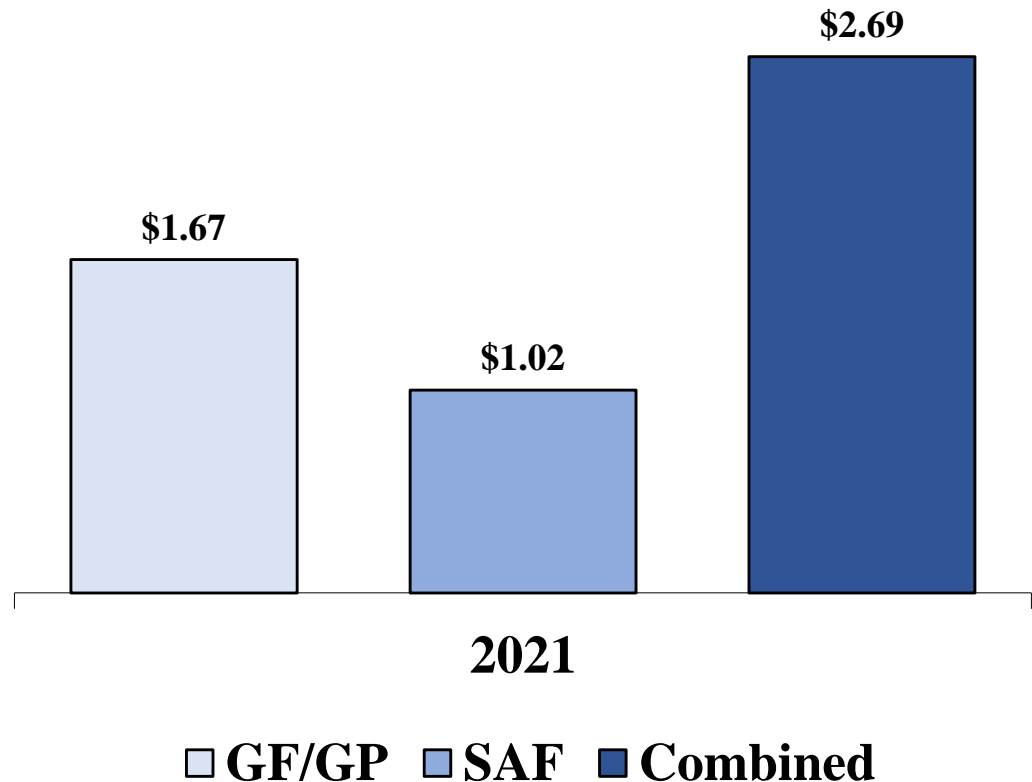
Fiscal Year
Billions



2021 Revenue Above May Consensus

Fiscal Year Billions

Total Revenue (Values in Millions)	
	FY 2021
GF-GP	\$12,950.7
School Aid Fund	<u>\$16,050.3</u>
Total	\$29,001.0



Revenue Forecast Comparison

Total Revenue									
(Values in Millions)									
	FY 2022			FY 2023			FY 2024		
	<u>HFA</u>	<u>SFA</u>	<u>Admin.</u>	<u>HFA</u>	<u>SFA</u>	<u>Admin.</u>	<u>HFA</u>	<u>SFA</u>	<u>Admin.</u>
GF-GP	\$12,386.4	\$12,308.2	\$12,637.7	\$12,831.7	\$12,832.5	\$13,011.1	\$13,222.2	\$13,222.5	\$13,471.9
School Aid Fund	\$16,117.6	\$15,917.2	\$16,015.2	\$16,210.9	\$16,055.1	\$16,411.1	\$16,511.5	\$16,320.7	\$16,803.5

Difference from May Consensus Estimates						
	FY 2022			FY 2023		
	<u>HFA</u>	<u>SFA</u>	<u>Admin.</u>	<u>HFA</u>	<u>SFA</u>	<u>Admin.</u>
GF-GP	\$713.3	\$635.1	\$964.6	\$561.3	\$561.8	\$7,403.0
School Aid Fund	\$986.6	\$786.2	\$884.2	\$783.0	\$627.5	\$983.6
Combined	\$1,699.9	\$1,421.3	\$1,848.8	\$1,344.2	\$1,189.3	\$1,723.9

Income Tax Rate under MCL 206.51(1)

MCL 206.51(1) limits General Fund revenue growth to a factor of inflation from FY 2021 levels. If revenues surpass the limit, reductions in the individual income tax rate are triggered.

- Based on revenue and inflation growth in the three forecasts, rate cuts are not expected for the forecast horizon

Budget Stabilization Fund

Both pay-ins and pay-outs require an appropriation

The agency estimates calculate:

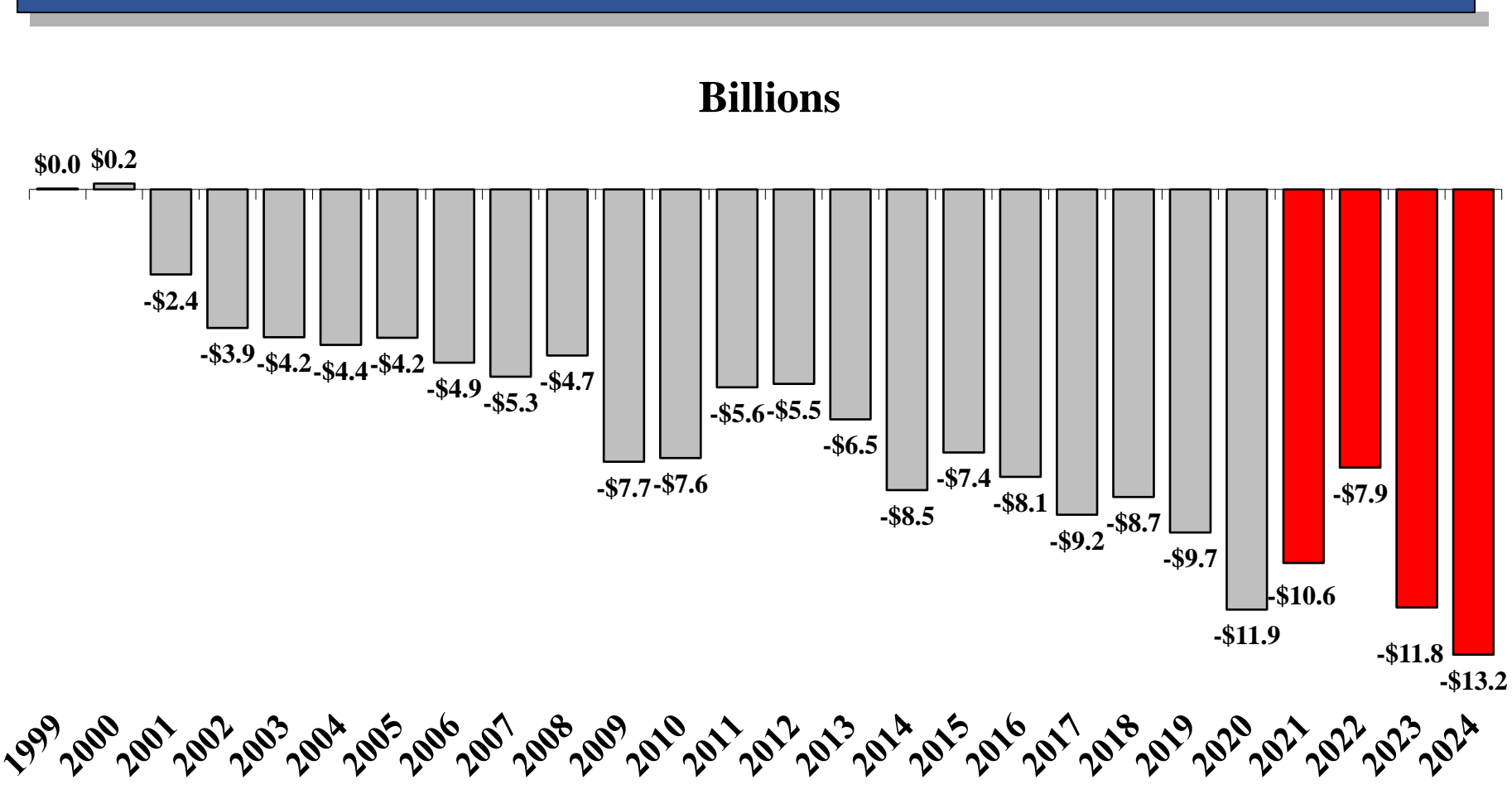
Pay-ins

- Pay-in between \$32.4 and \$77.8 million in FY 2022
- Pay-in between \$0 and \$44.6 million in FY 2023
- Pay-in between \$77.0 and \$154.0 million in FY 2024

Pay-outs

- No BSF pay-outs during FY 2022, FY 2023 & FY 2024

Constitutional Revenue Limit Calculation



Average Agency Forecasts

Forecast Risks

Economy

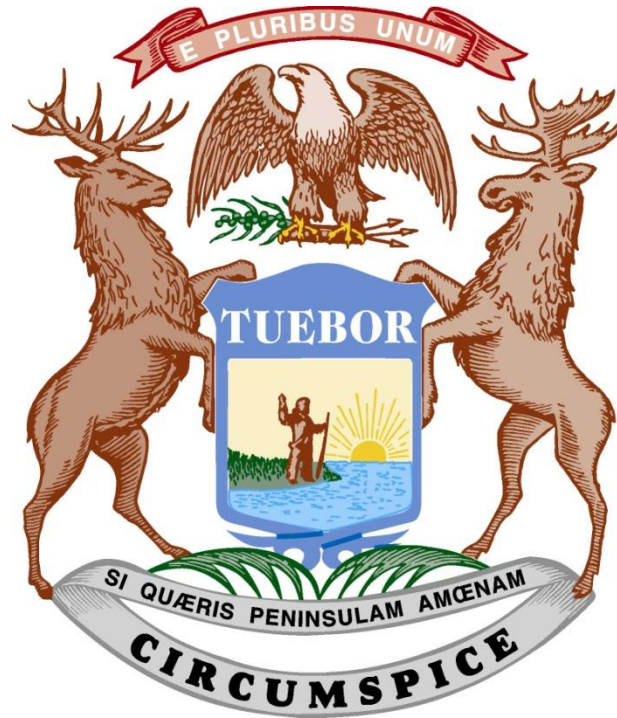
- Uncertainty from the path of the pandemic remains the largest risk
- The transition from expansionary fiscal policy to “normal” fiscal policy
- Labor force participation may remain low as employees are slow to return to work

Michigan Tax Revenue

- Large increases in FY 2021 taxable consumer spending creates uncertainty about FY 2022, FY 2023, and FY 2024
- Pent-up demand for goods and services is expected to be high, but shortages of raw materials, industry labor shortages, and incomes not supported by stimulus funds may constrain currently predicted growth

Economic and Revenue Forecasts

FY 2022 * FY 2023 * FY 2024



**Consensus Revenue Estimating Conference
January 14, 2022**