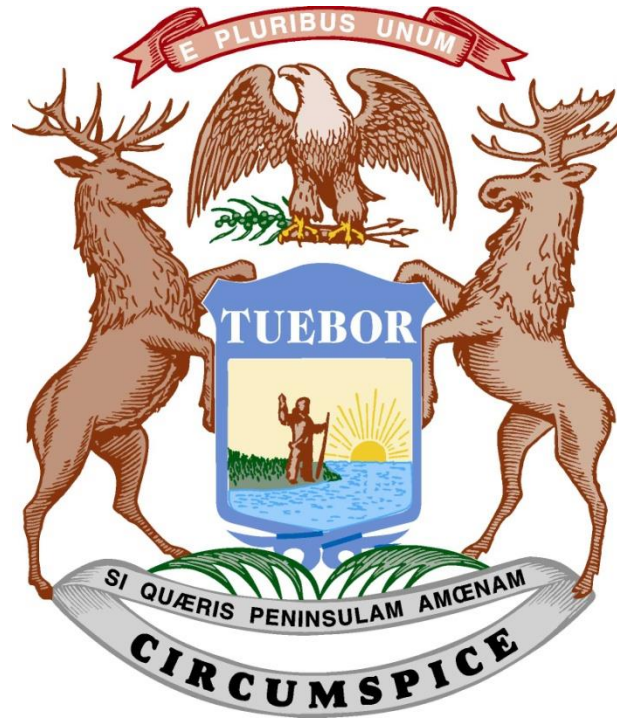


# Economic and Revenue Forecasts

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**FY 2022 \* FY 2023 \* FY 2024**



**Consensus Revenue Estimating Conference**

**May 20, 2022**

# Outline

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

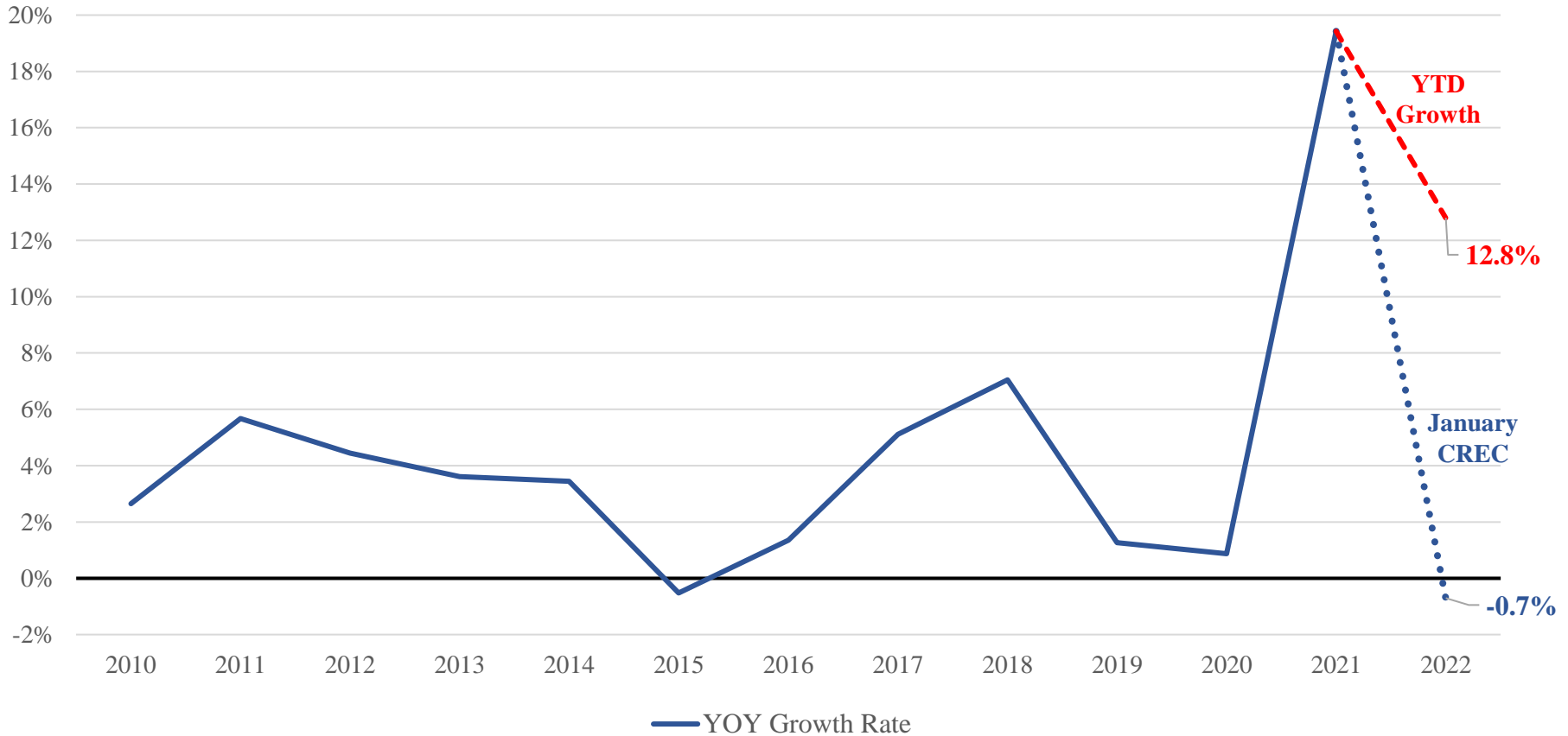
# FY 2022 Revenue Updates

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- Economic outlooks expect continued growth
- Significant revenue increases since January CREC
  - Sales and Use Tax continued growth
  - Large April filing surprise for Individual Income Tax Annual payments and Sales Tax collections
  - Individual Income Tax Withholding on track for decade-high growth
  - Business tax payments increase above estimate
  - Retroactive Flow-Through Entity Tax collections shift payments

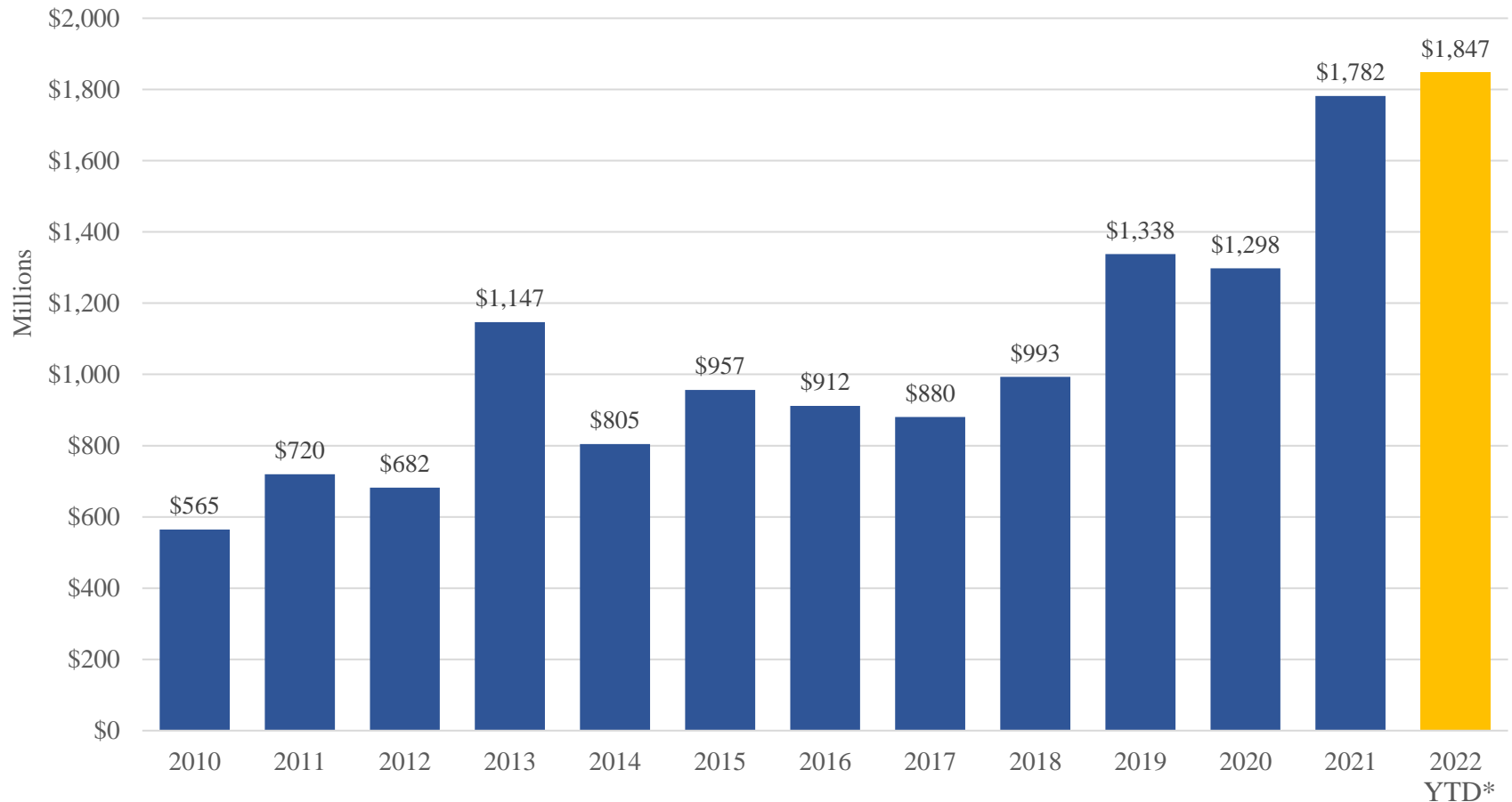
# Sales and Use Growth Rate

## Sales and Use Fiscal Year-Over-Year Growth Rate



# Income Tax Annual Payments

## Individual Income Tax: Annual Payments, Fiscal Year

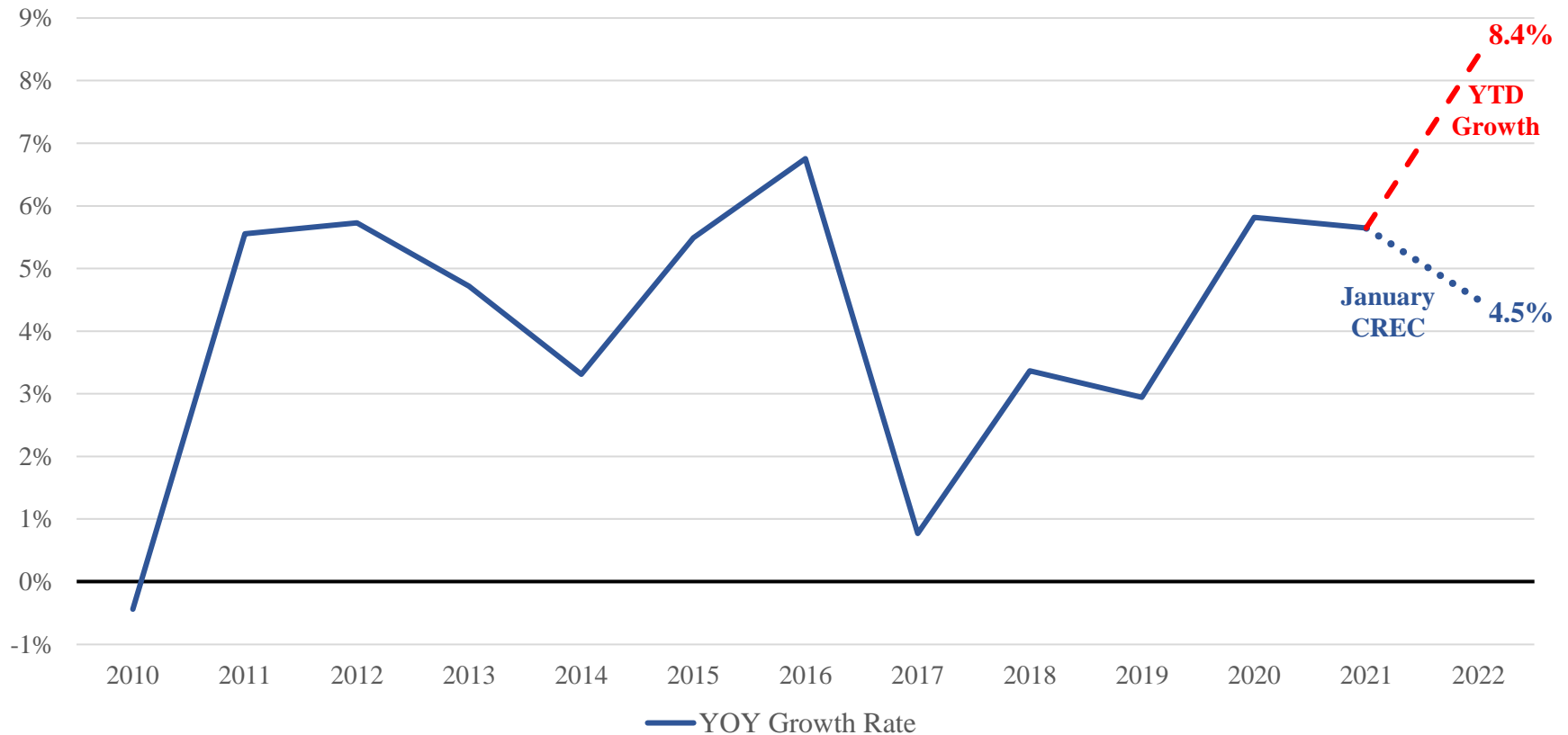


\*FY 2022 year-to-date includes an estimate of IIT Annual Payments submitted through FTE

5

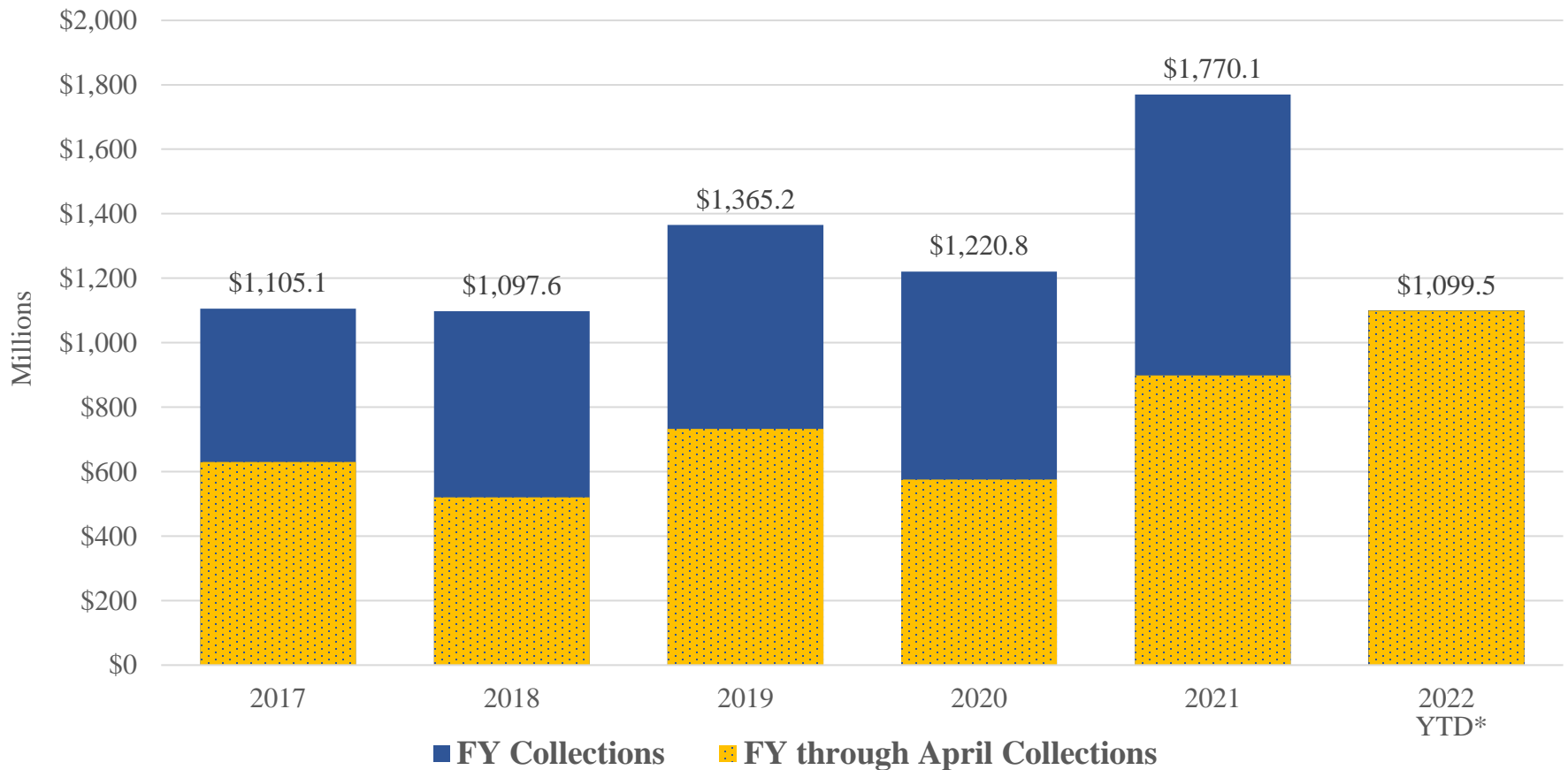
# Income Tax Withholding Growth Rate

## Income Tax Withholding Fiscal Year-Over-Year Growth Rate



# Increased Business Tax Payments (Fiscal YTD)

## CIT and MBT Excluding MEGA and MBT Credits

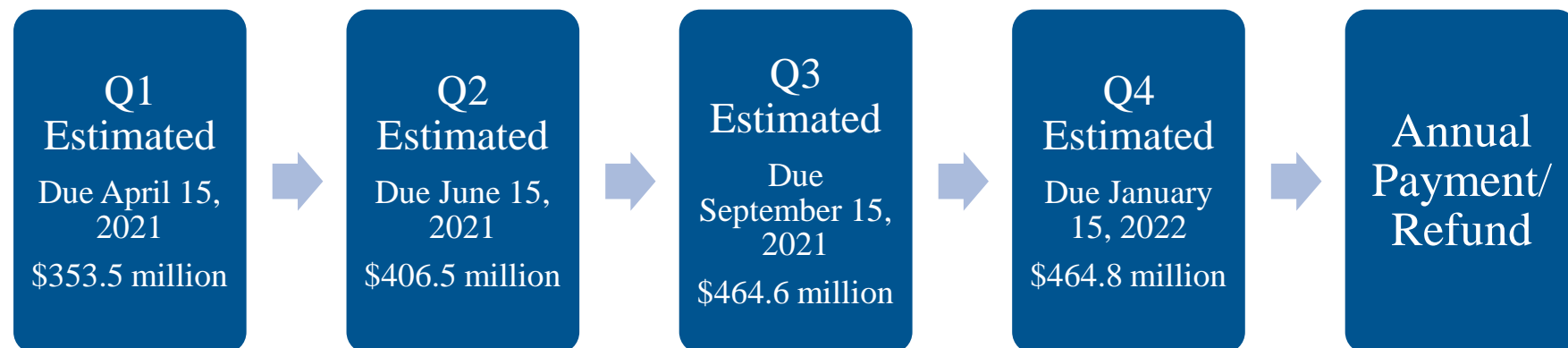


\*FY 2022 year-to-date includes revenue prior to MEGA and MBT credits.

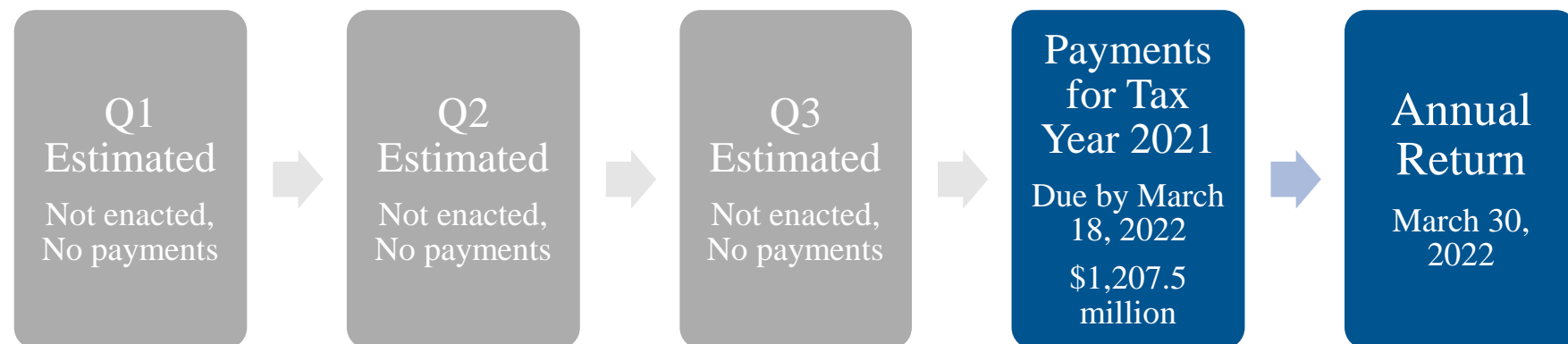
# Flow-Through Entity Tax: Retroactive Impact

On December 21, 2021, FTE was enacted retroactively, back to the beginning of Tax Year 2021

## 2021 Individual Income Tax



## 2021 Flow-Through Entity Tax





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# FORECAST OF MAJOR TAXES

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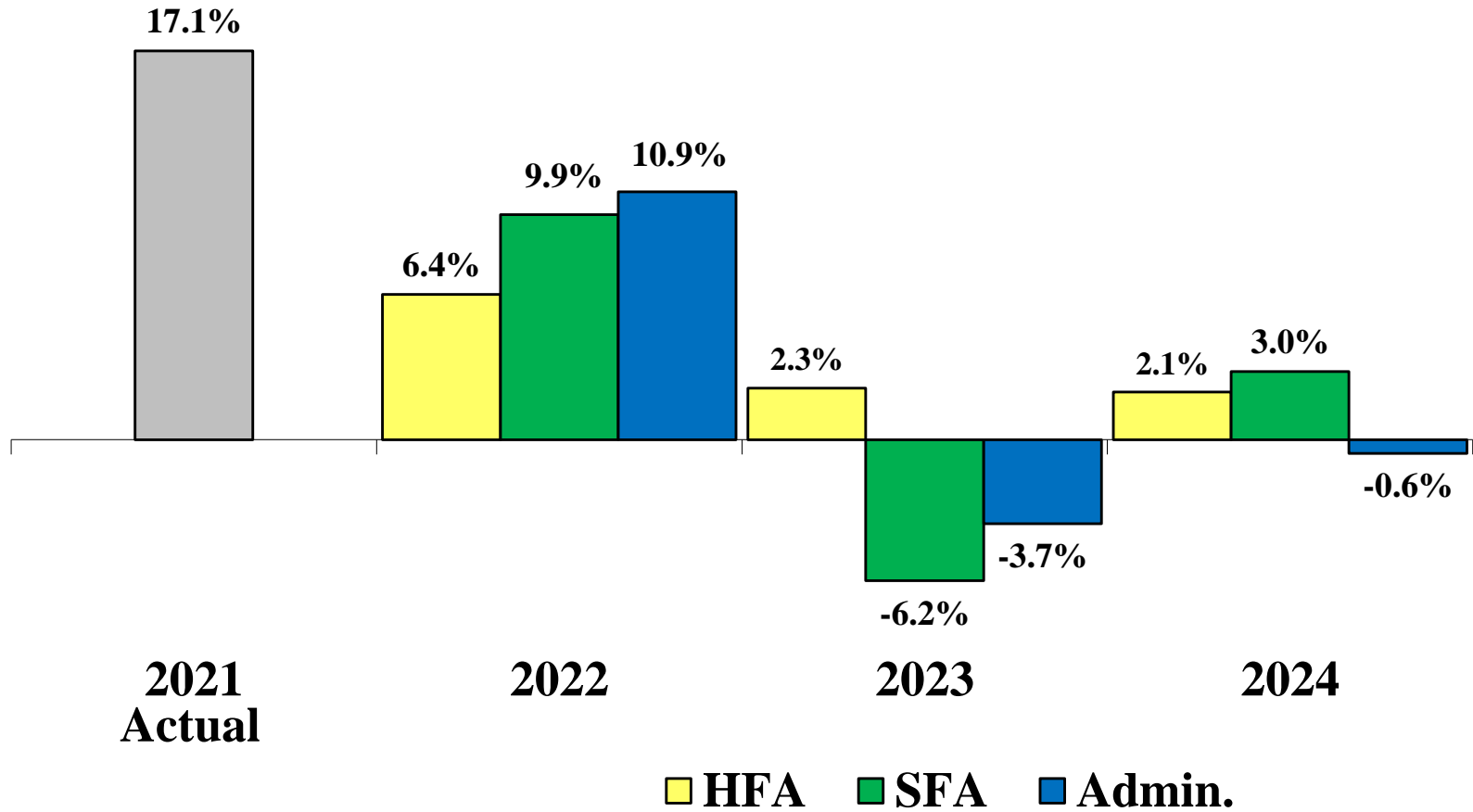
# Revenue Outlook

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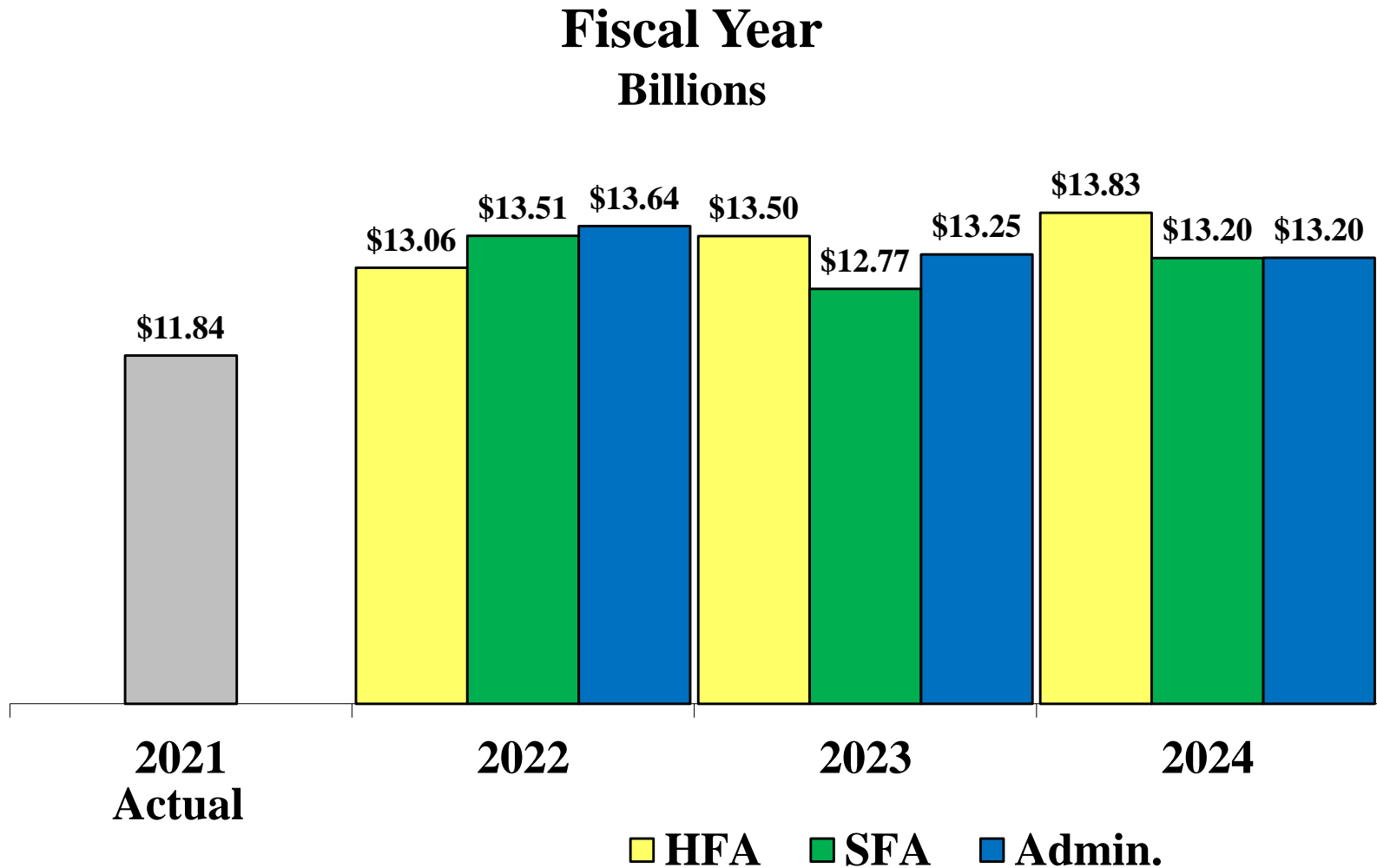
- CREC estimates always assume current Federal and State law
  - Flow-Through Entity Tax (FTE) retroactive for tax year 2021
- State revenues illustrate the continuing disconnect between collections and economic activity
- Outlook expects a gradual return to normal spending patterns

# Baseline Income Tax Growth

## Fiscal Year Growth

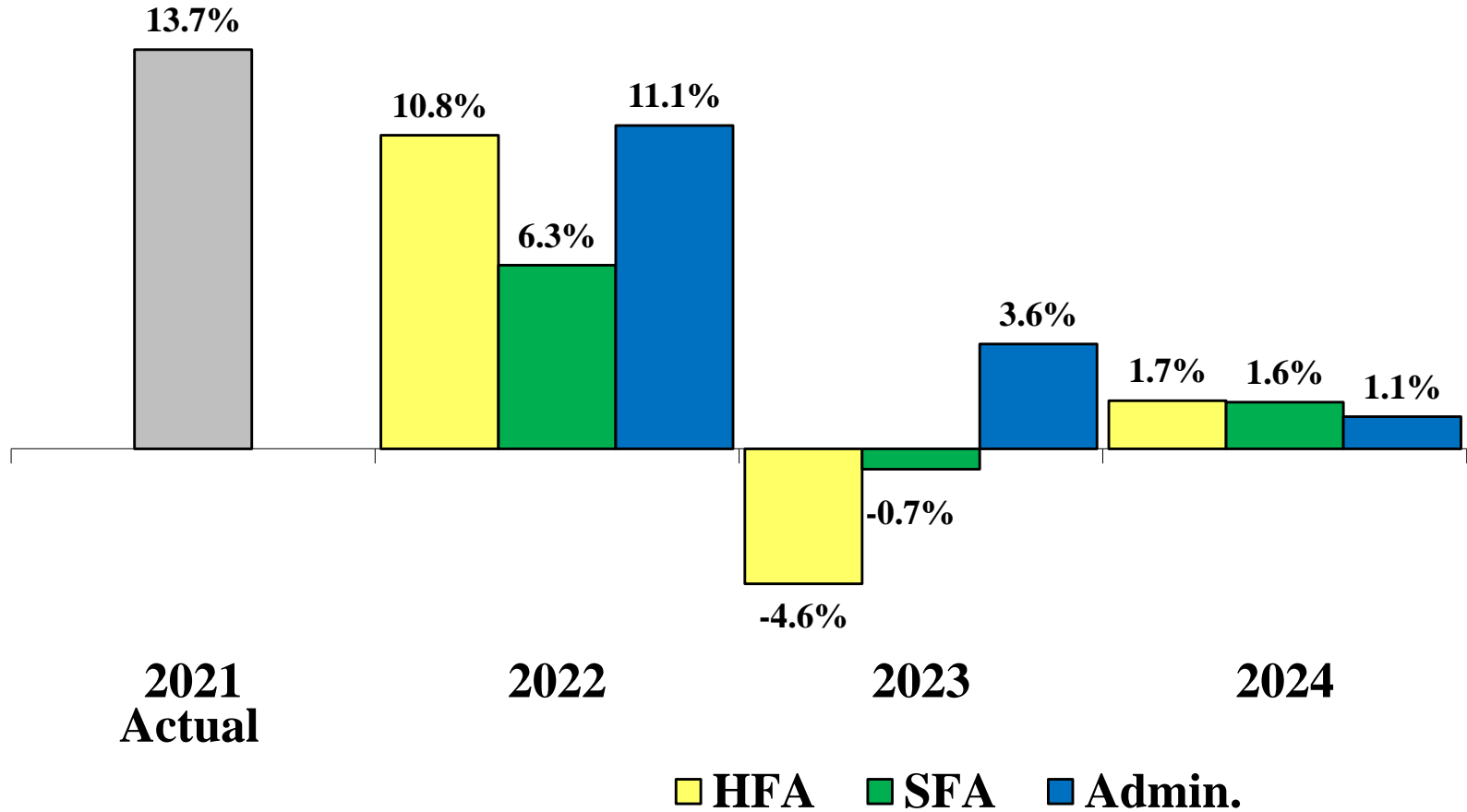


# Net Income Tax Revenue Estimates

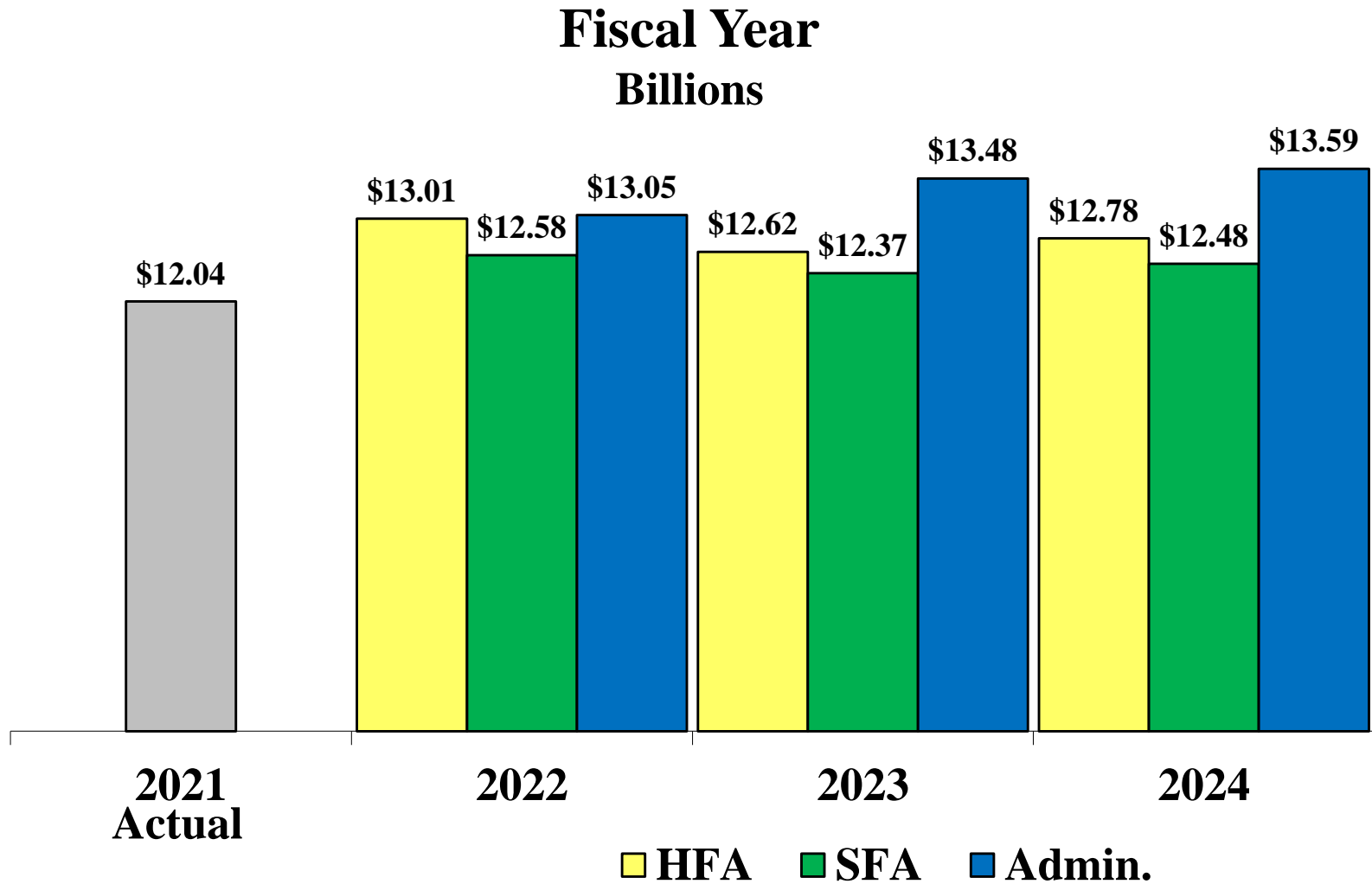


# Baseline Sales Tax Growth

## Fiscal Year Growth

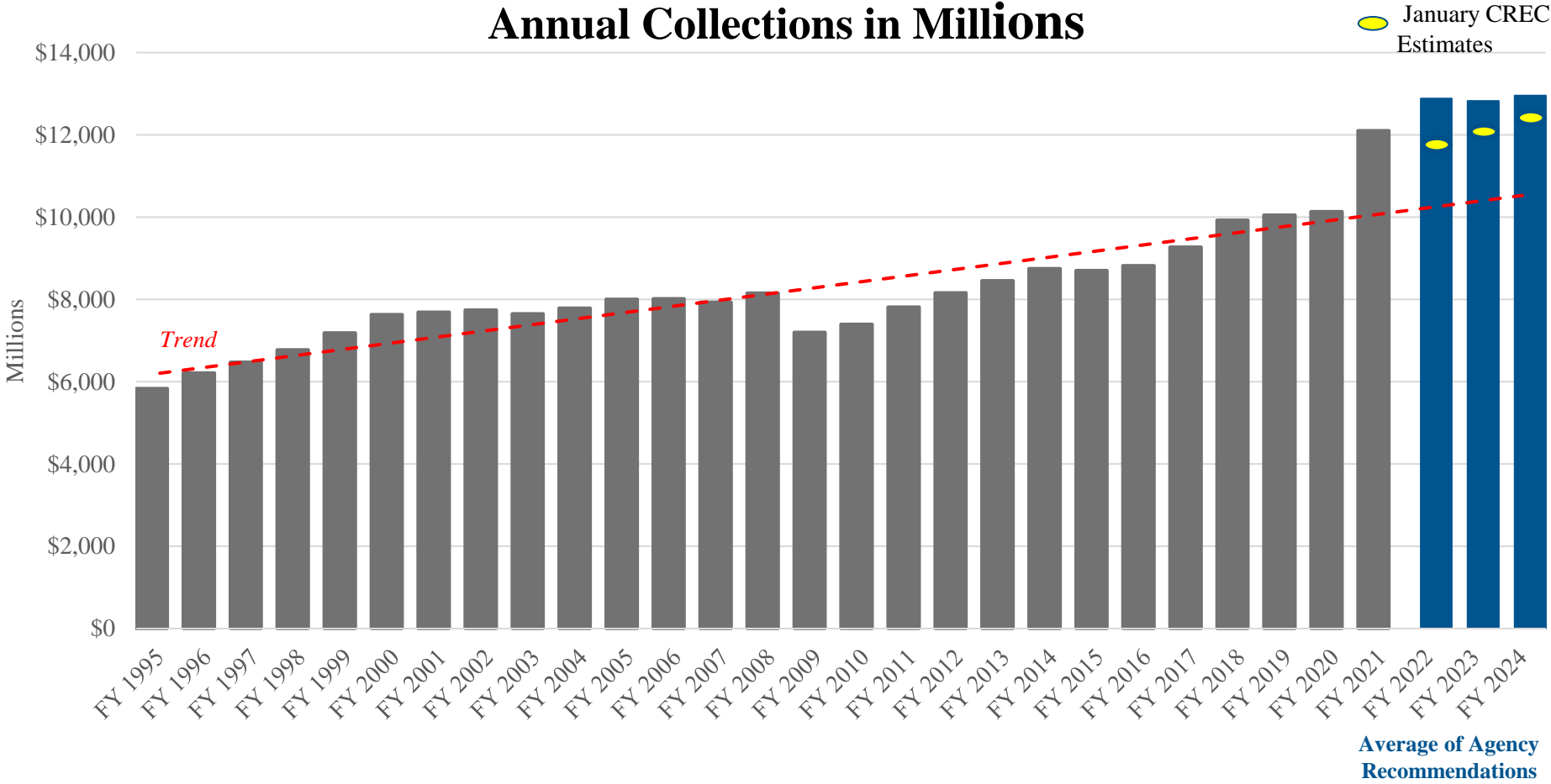


# Net Sales and Use Tax Revenue Estimates



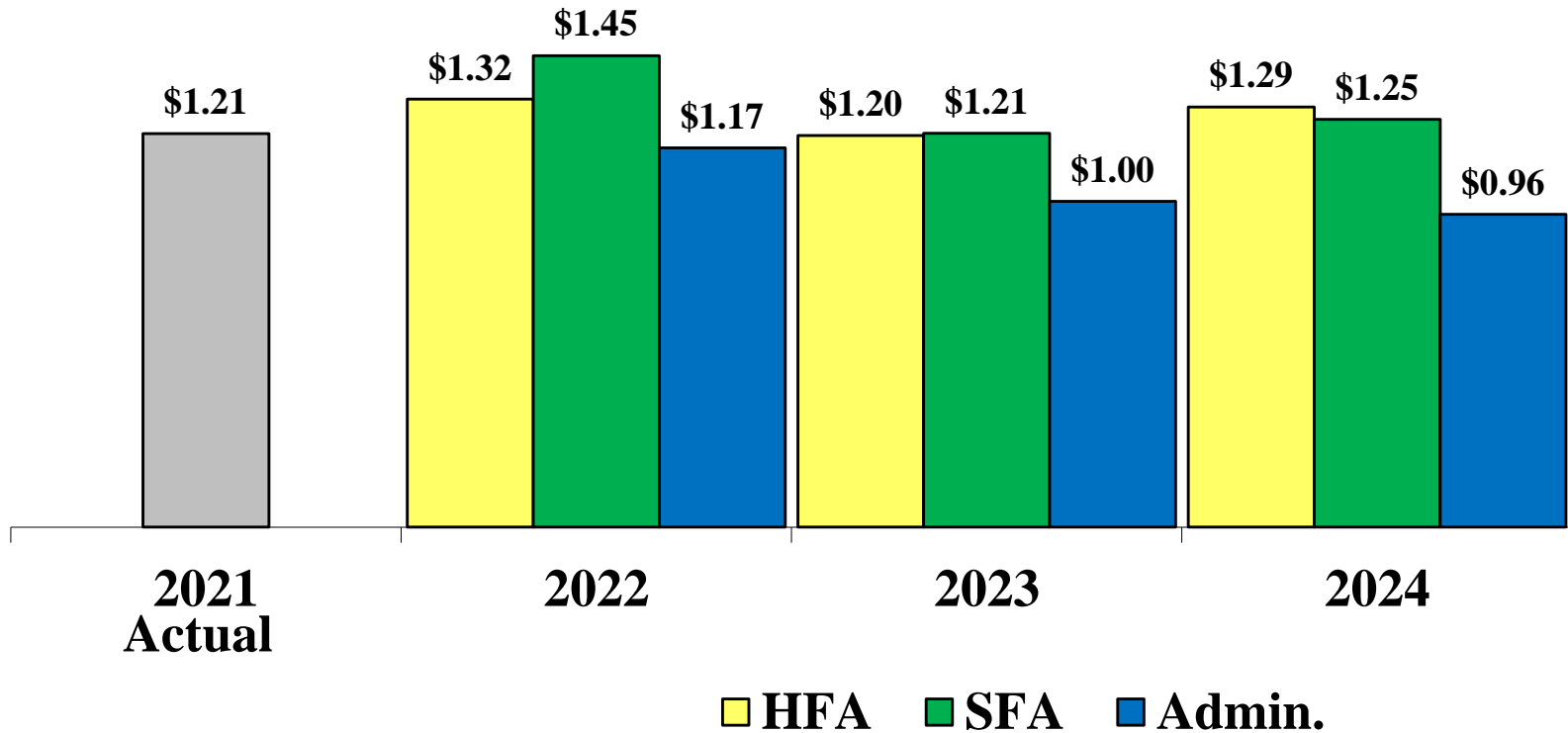
# Consumption Taxes Reach Records

## Sales and Use Annual Collections in Millions



# Net CIT/MBT Revenue Estimates

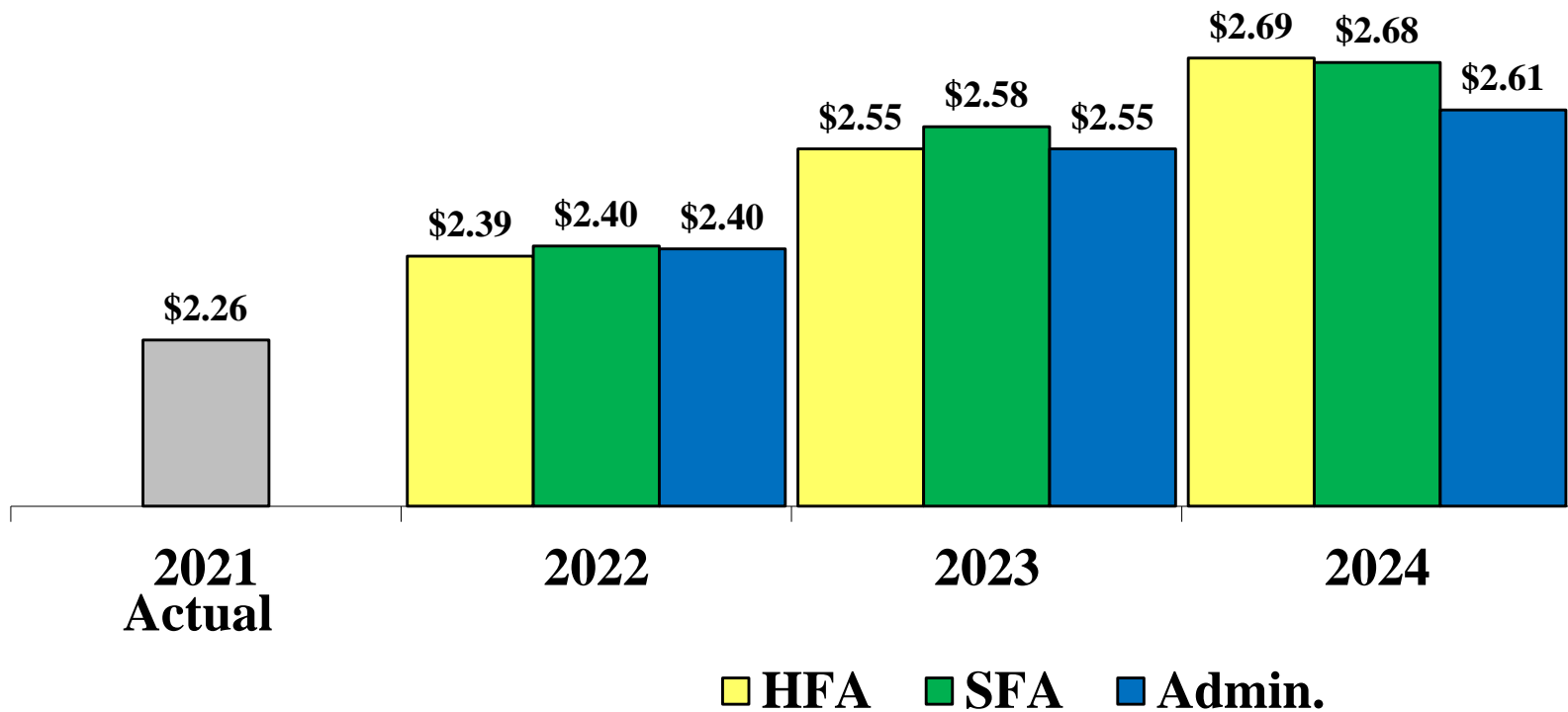
Fiscal Year  
Billions





# Net SET Revenue Estimates

Fiscal Year  
Billions



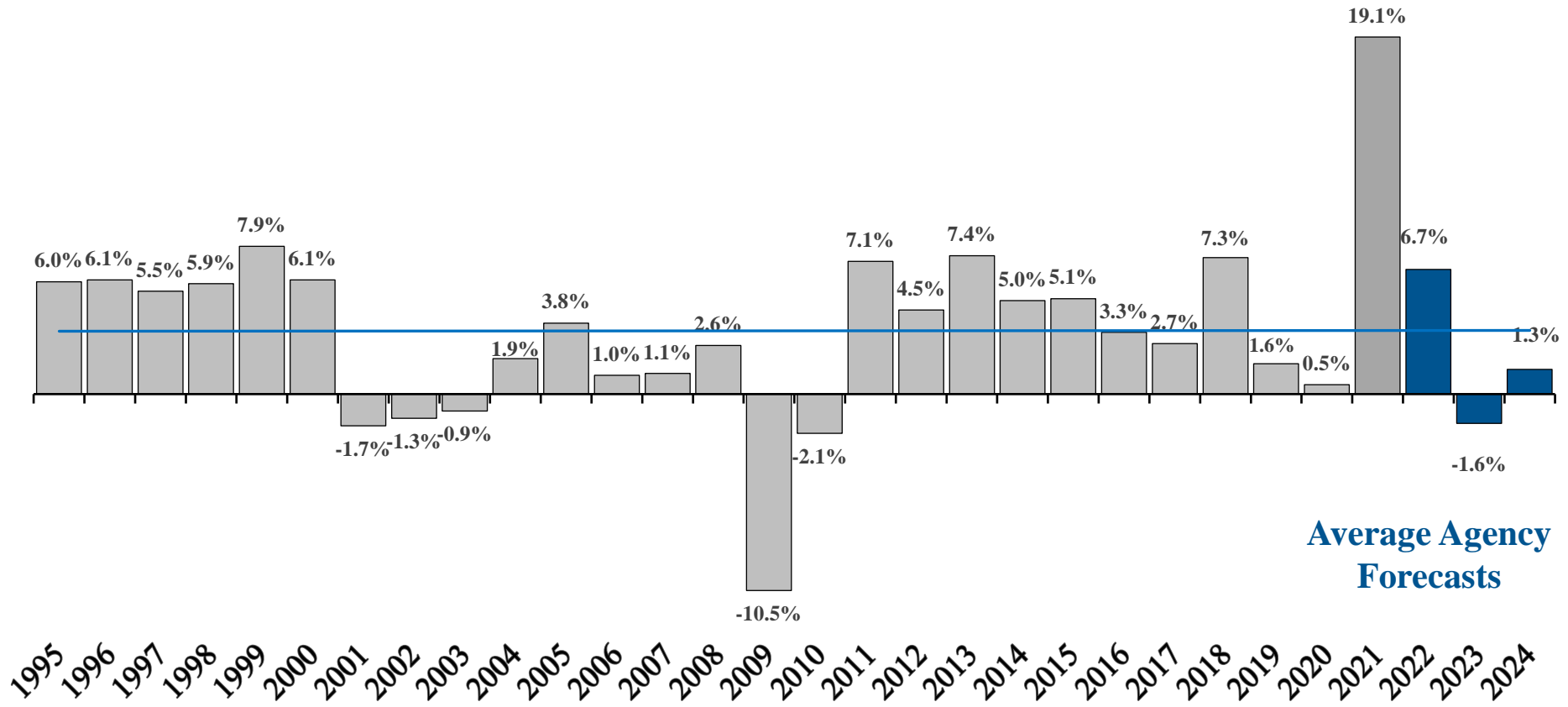
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# **FORECAST OF GF-GP AND SCHOOL AID FUND**

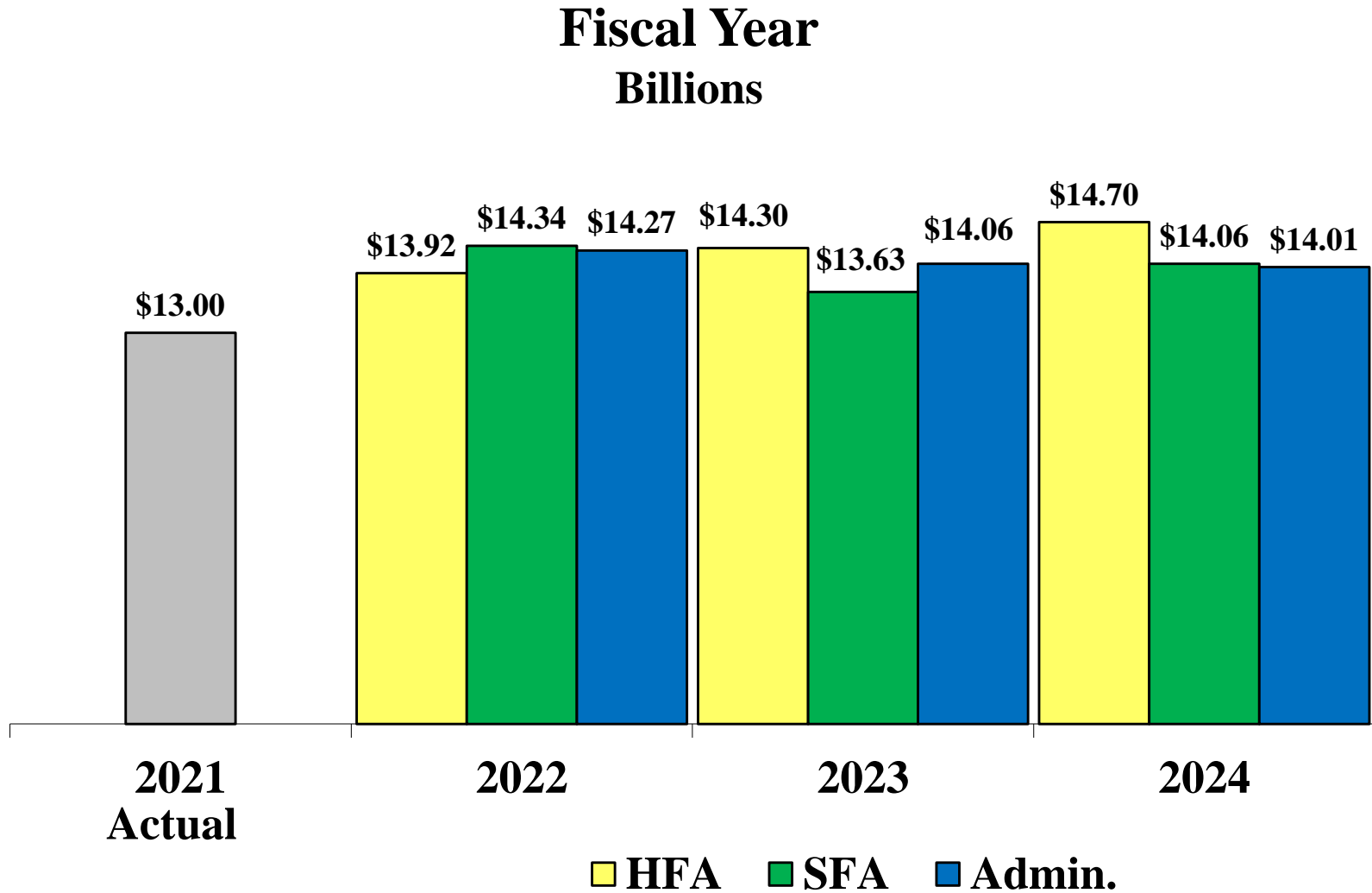
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# GF-GP and School Aid Revenue

## Baseline Growth Rates Before Tax Changes

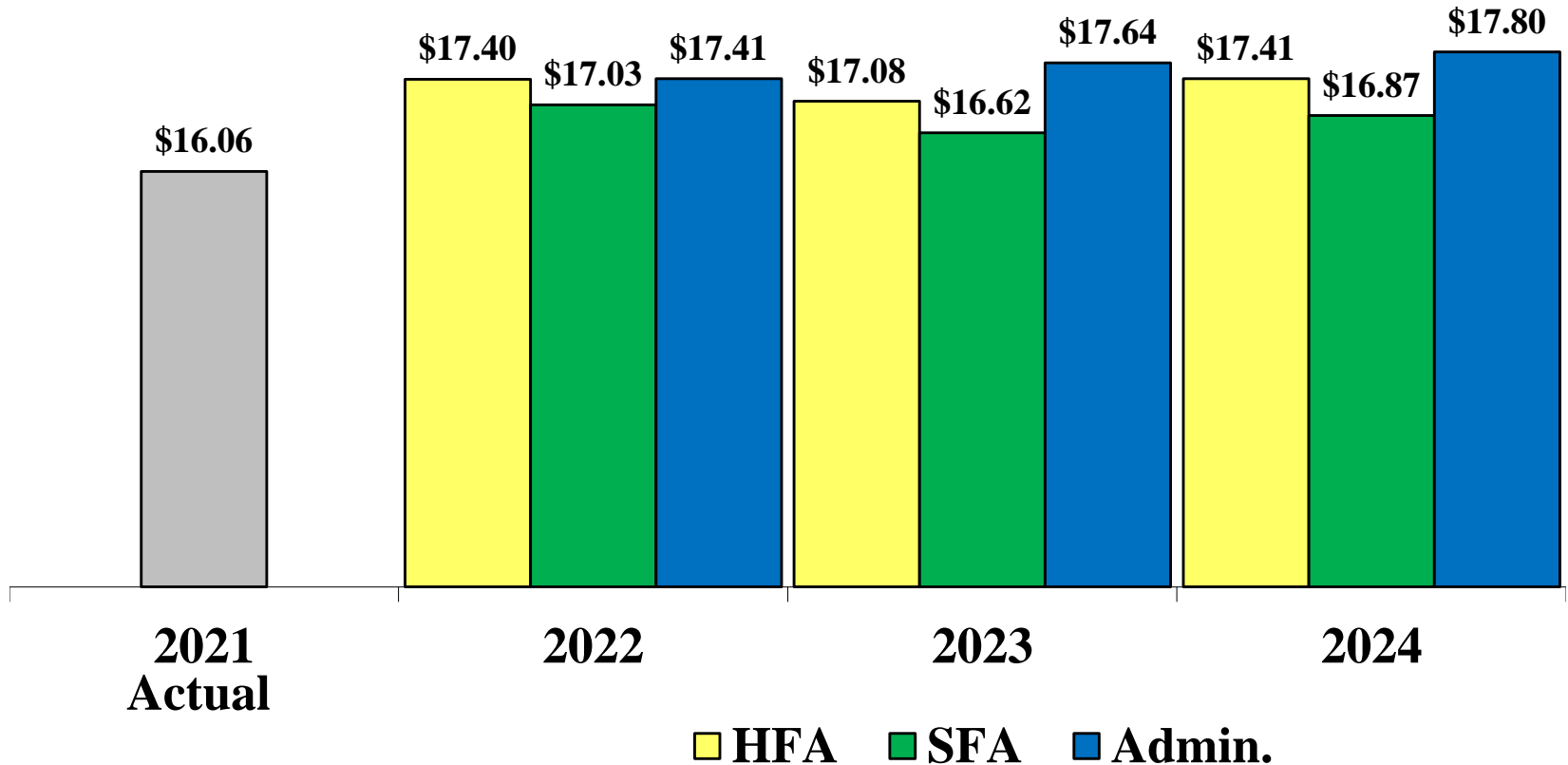


# GF-GP Net Revenue Estimates



# School Aid Fund Net Revenue Estimates

Fiscal Year  
Billions



# Revenue Forecast Comparison

<b>Total Revenue</b>									
<b>(Values in Millions)</b>									
	<b>FY 2022</b>			<b>FY 2023</b>			<b>FY 2024</b>		
	<b><u>HFA</u></b>	<b><u>SFA</u></b>	<b><u>Admin.</u></b>	<b><u>HFA</u></b>	<b><u>SFA</u></b>	<b><u>Admin.</u></b>	<b><u>HFA</u></b>	<b><u>SFA</u></b>	<b><u>Admin.</u></b>
GF-GP	\$13,921.0	\$14,339.0	\$14,268.6	\$14,304.5	\$13,631.4	\$14,063.2	\$14,703.5	\$14,064.7	\$14,010.9
School Aid Fund	\$17,387.5	\$17,028.0	\$17,408.9	\$17,072.3	\$16,620.3	\$17,637.0	\$17,407.1	\$16,871.6	\$17,798.8

<b>Difference from January Consensus Estimates</b>									
	<b>FY 2022</b>			<b>FY 2023</b>			<b>FY 2024</b>		
	<b><u>HFA</u></b>	<b><u>SFA</u></b>	<b><u>Admin.</u></b>	<b><u>HFA</u></b>	<b><u>SFA</u></b>	<b><u>Admin.</u></b>	<b><u>HFA</u></b>	<b><u>SFA</u></b>	<b><u>Admin.</u></b>
GF-GP	\$1,471.6	\$1,889.3	\$1,818.9	\$1,412.7	\$739.3	\$1,171.1	\$1,389.6	\$750.4	\$696.6
School Aid Fund	\$1,309.1	\$949.8	\$1,330.7	\$825.5	\$373.7	\$1,390.4	\$849.0	\$313.9	\$1,241.1
Combined	\$2,780.6	\$2,839.1	\$3,149.6	\$2,238.2	\$1,113.0	\$2,561.5	\$2,238.6	\$1,064.3	\$1,937.7

# Income Tax Rate under MCL 206.51(1)

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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

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Both pay-ins and pay-outs require an appropriation

The agency estimates calculate:

## *Pay-ins*

- Pay-in between \$36.4 and \$39.0 million in FY 2022
- No pay-in during FY 2023
- Pay-in between \$0 and \$11.3m in FY 2024

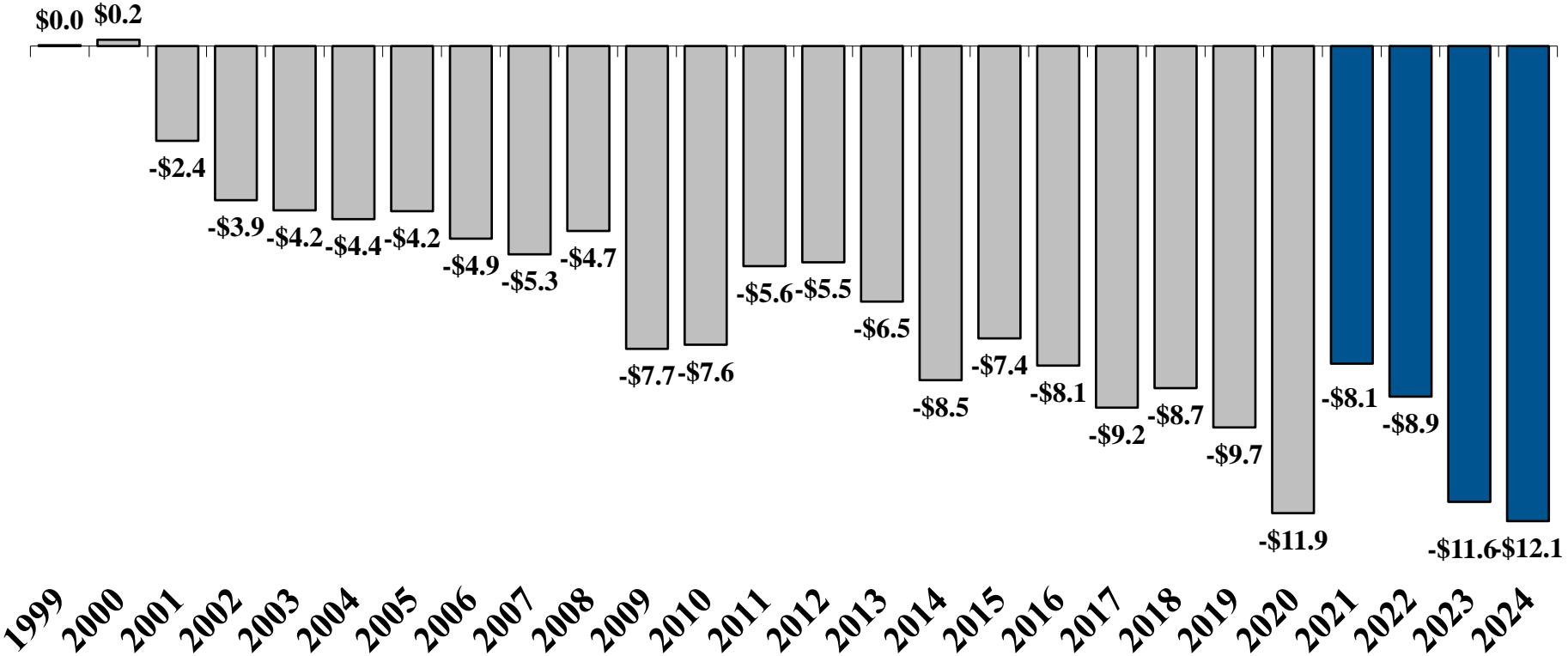
## *Pay-outs*

- Pay-out between \$0 and \$345.7 million in FY 2022
- No pay-outs during FY 2023 & FY 2024



# Constitutional Revenue Limit Calculation

Billions



Average Agency Forecasts

# Forecast Risks

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## Economy

- Shifting monetary policy and the timing of Federal Reserve rate changes could help ease or hasten the economic downturn
- International issues resulting from Russia, China, and sanctions could derail the economy
- Uncertainty from the path of the pandemic remains a risk
- Inflation and gas prices may impact consumer spending

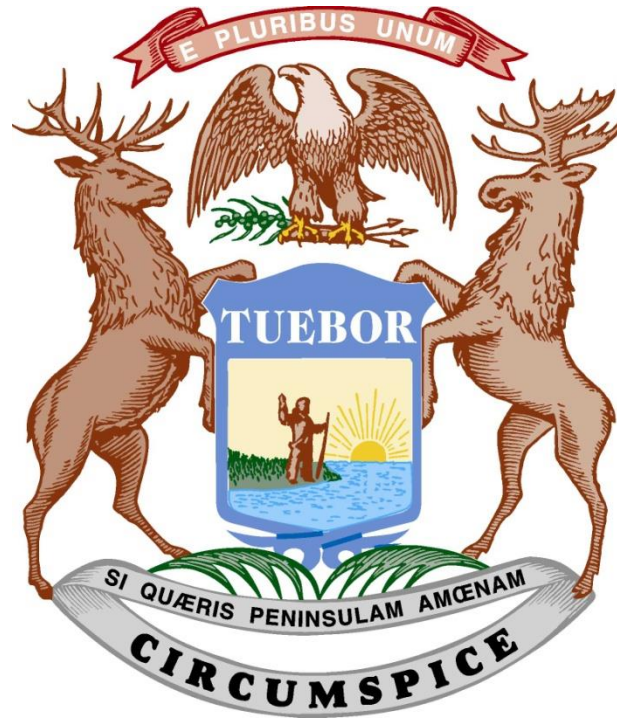
## Michigan Tax Revenue

- When, and how quickly, both incomes and spending return to normal
- How quickly inflation is contained and how it ends up affecting economic activity

# Economic and Revenue Forecasts

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**FY 2022 \* FY 2023 \* FY 2024**



**Consensus Revenue Estimating Conference**

**May 20, 2022**