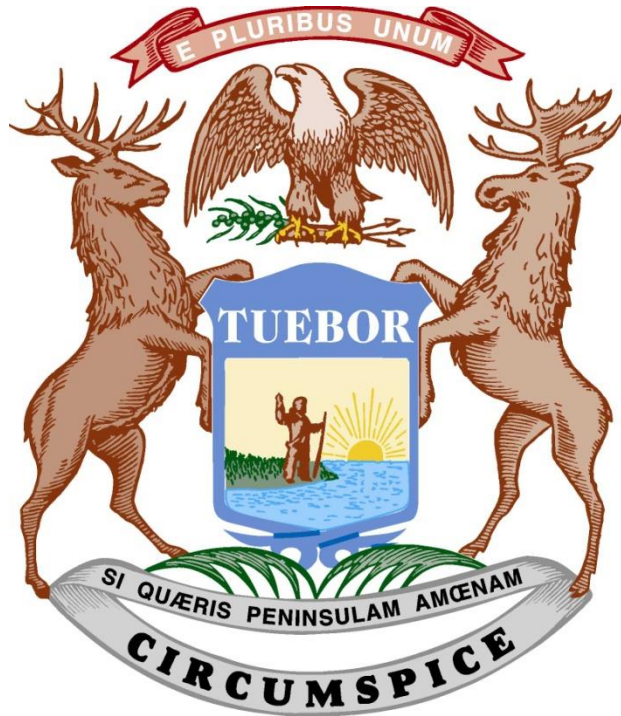


ECONOMIC AND REVENUE FORECASTS

FY 2024 • FY 2025 • FY 2026



CONSENSUS REVENUE ESTIMATING CONFERENCE (CREC)

JANUARY 12, 2024

OUTLINE

- **Recent Economic and Revenue Updates**
David Zin, Senate Fiscal Agency
- **Revenue Estimates for Major Taxes**
Eric Bussis, Department of Treasury
- **Revenue Estimates by Fund**
Ben Gielczyk, House Fiscal Agency

ECONOMIC OUTLOOK

- U.S. Economy

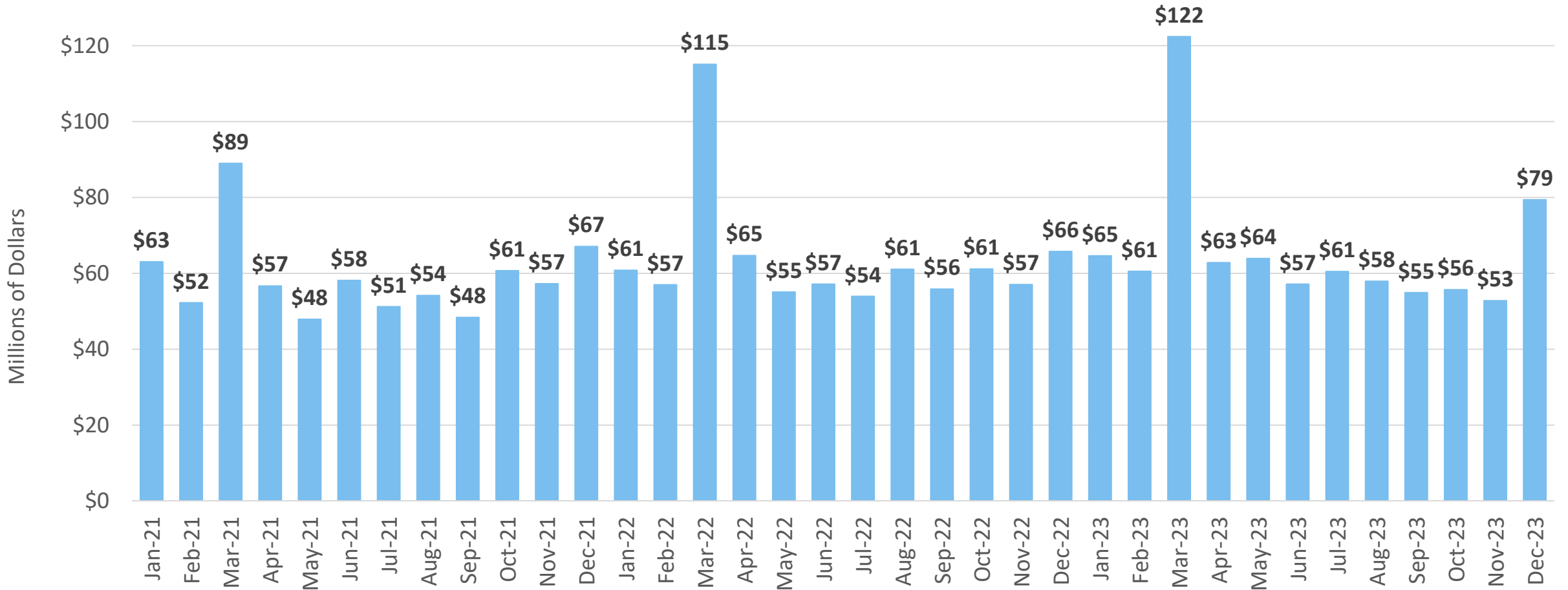
- Real GDP will grow at modest rates through the forecast
- Wage and salary employment growth remains positive but slow
- Inflation is forecast to slow over the next three years; CPI is expected to increase by 3% in 2025 and slow to almost 2% by 2026
- The unemployment rate will remain historically low

- Michigan Economy

- Michigan wage and salary employment is expected to track national growth levels
- Michigan Personal Income growth expected through the next three years, even after adjusting for inflation

UAW STRIKE IMPACT

Income Tax Withholding for Transportation Equipment Manufacturing – NAICS 336



REVENUE SINCE MAY CREC— MAJOR TAXES ON TARGET

- Preliminary FY 2023 collections are slightly below May 2023 CREC estimates
 - Most major taxes on track with the May forecast

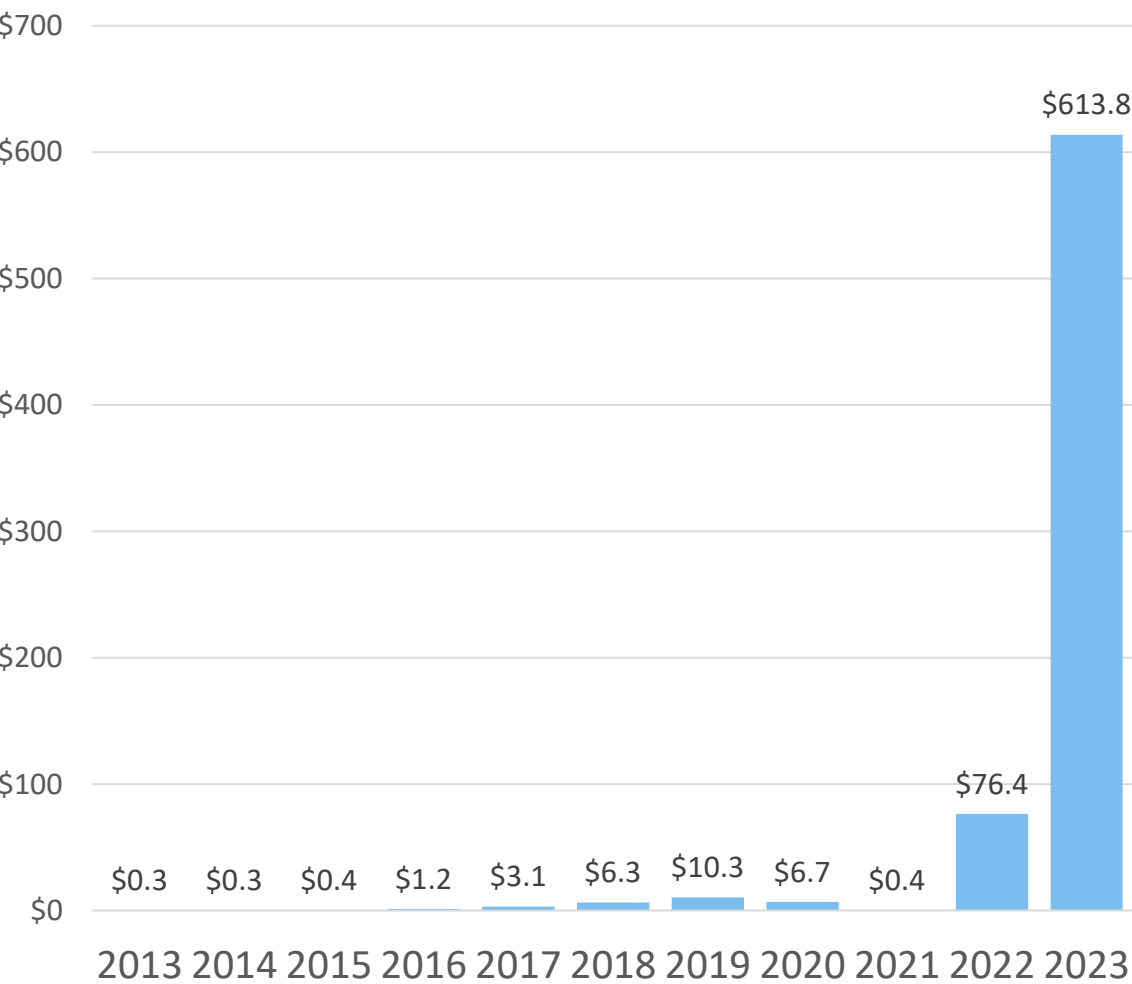
	CREC Forecast Growth Rate	Preliminary Growth Rate	Preliminary Difference from May CREC (In Millions)
Withholding	1.3%	1.5%	+\$20.2
Sales and Use	0.4%	0.2%	-\$26.2
Corporate Income Tax	6.4%	8.9%	+49.2
State Education Tax (SET)	6.8%	4.9%	-\$47.5
Total of 5 Tax Components			-\$4.3

FISCAL YEAR 2023 REVENUE SUPPRISES

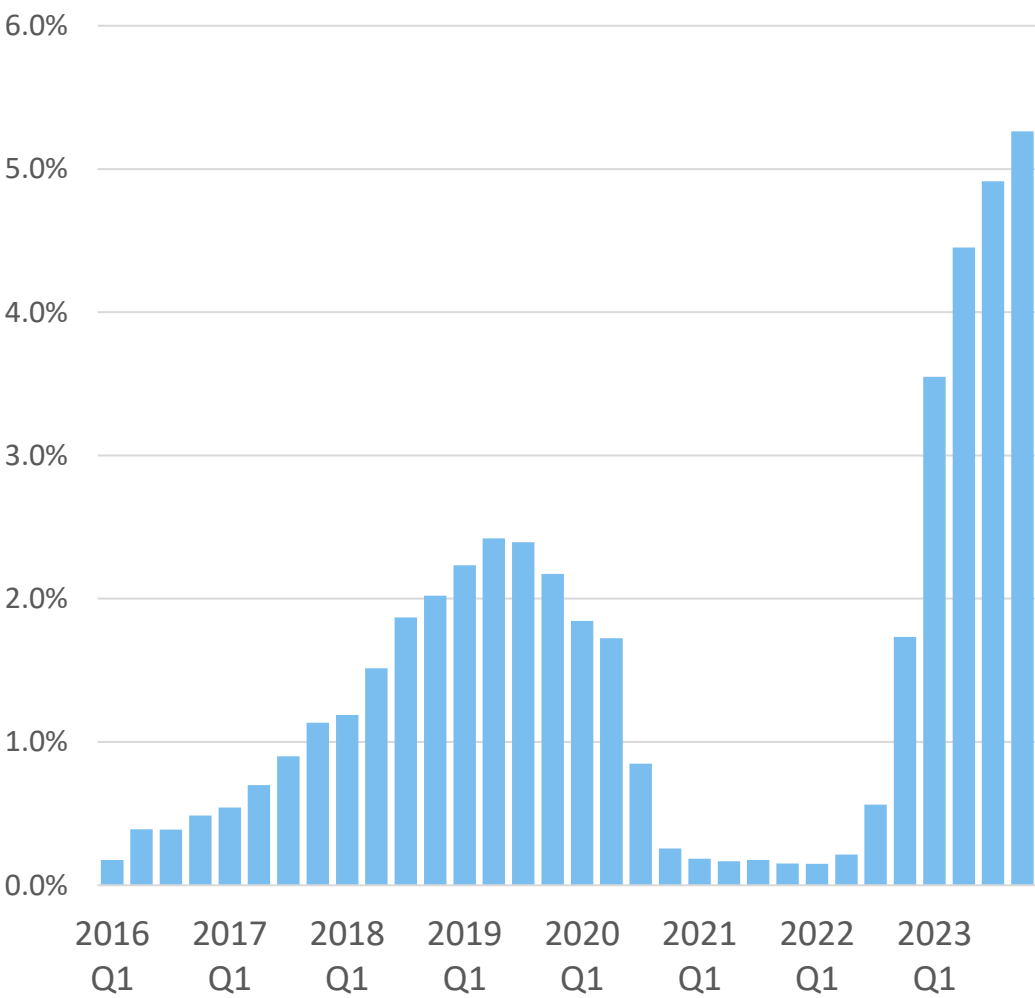
	CREC Forecast	Preliminary Totals	Preliminary Difference from May CREC (In Millions)
Income Tax Refunds	\$2,810.0	\$3,278.2	-\$468.2
General Fund Non-Tax	\$793.1	\$1,195.2	+\$402.2

GENERAL FUND COMMON CASH EARNINGS

General Fund Cash Earnings



Common Cash Interest Earnings Rates

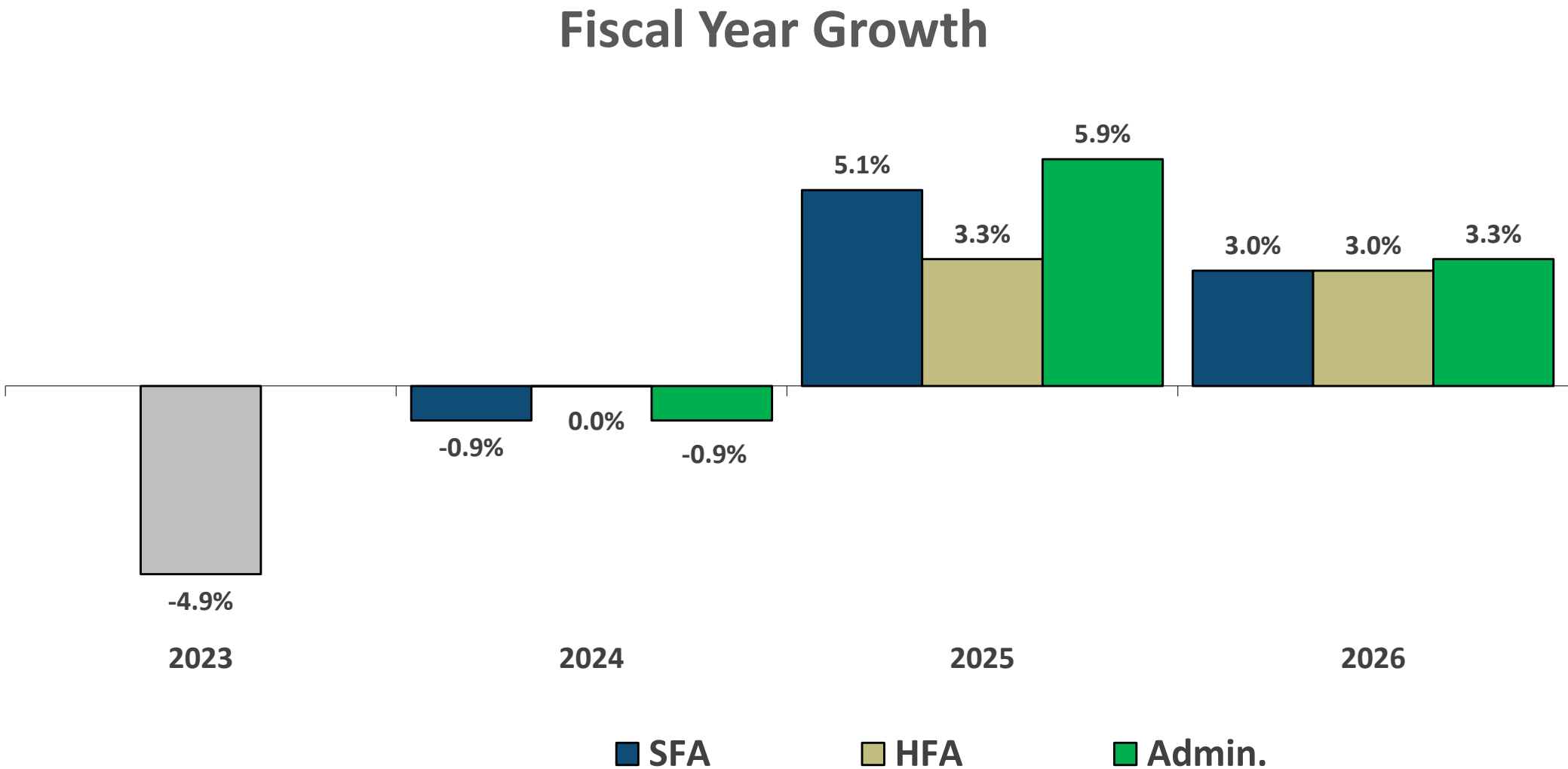


INDIVIDUAL INCOME TAX REFUNDS

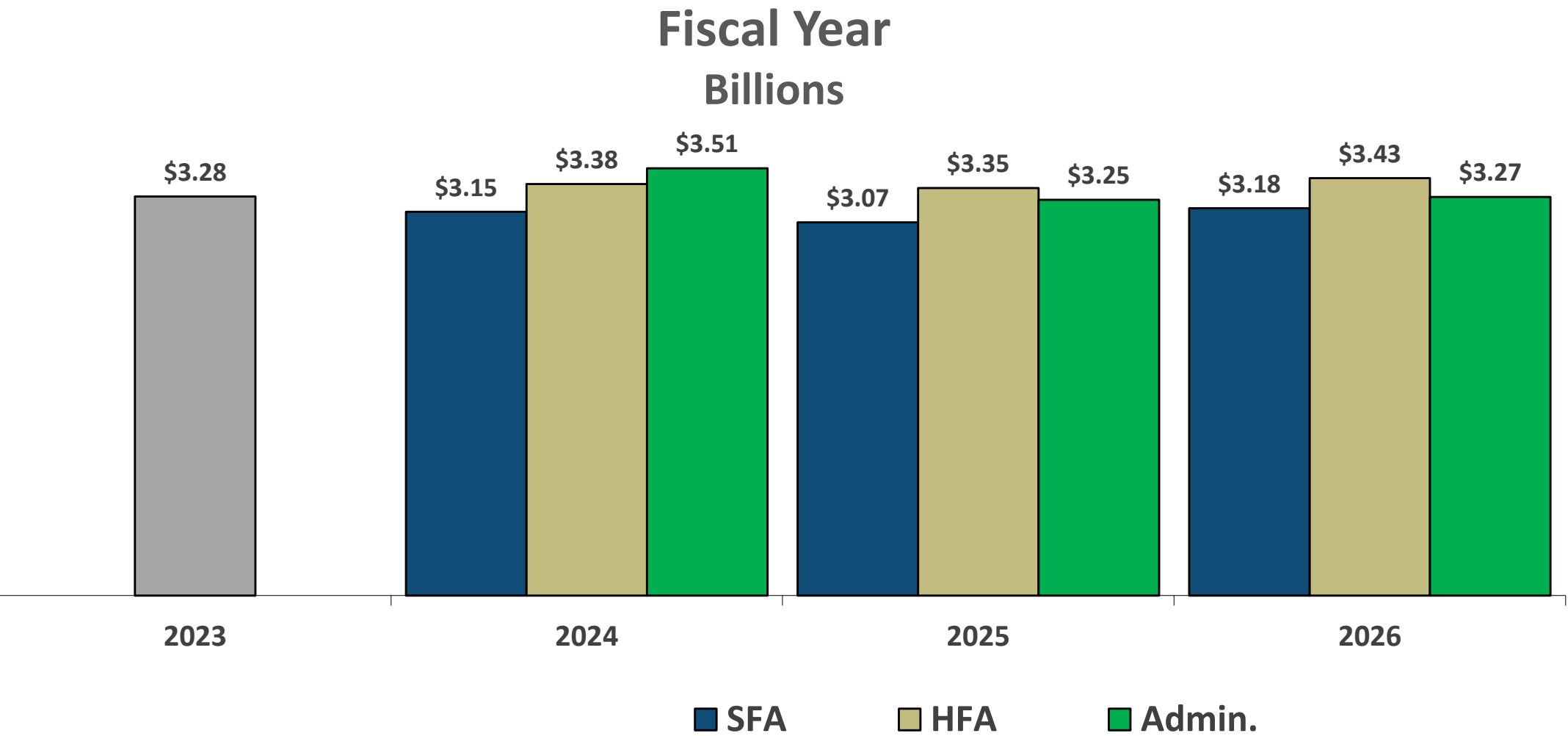


FORECAST OF MAJOR TAXES

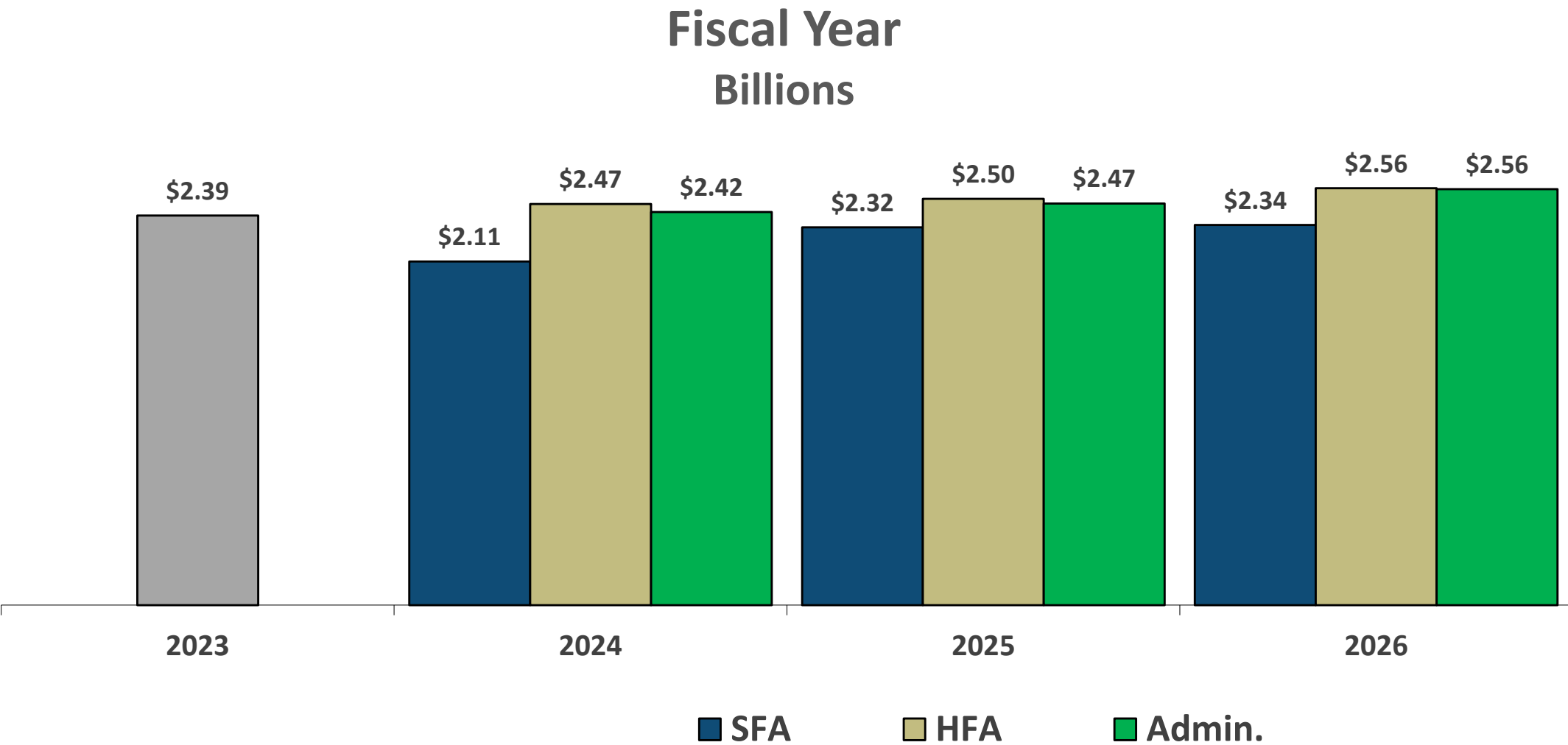
Baseline Income Tax Growth



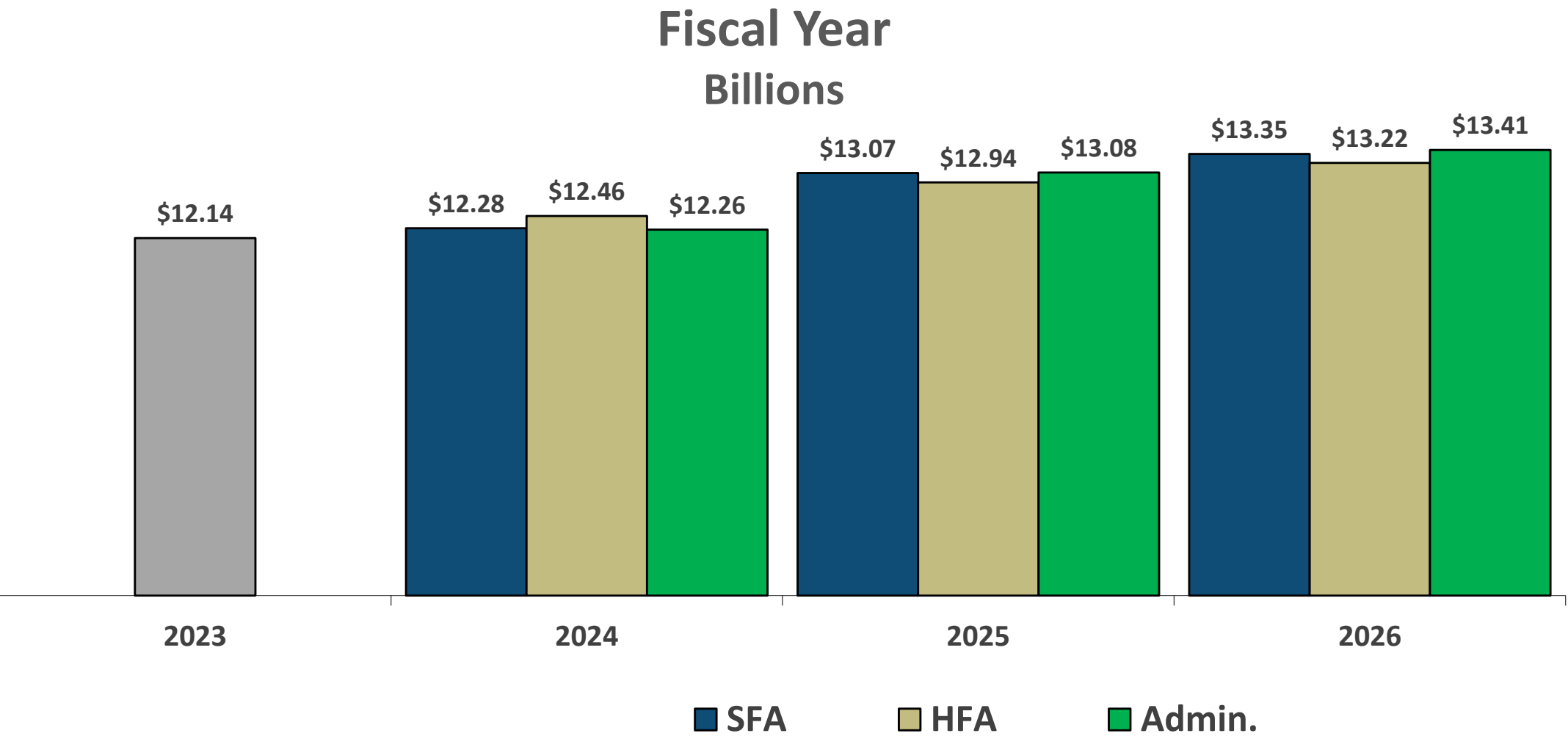
Income Tax Refunds



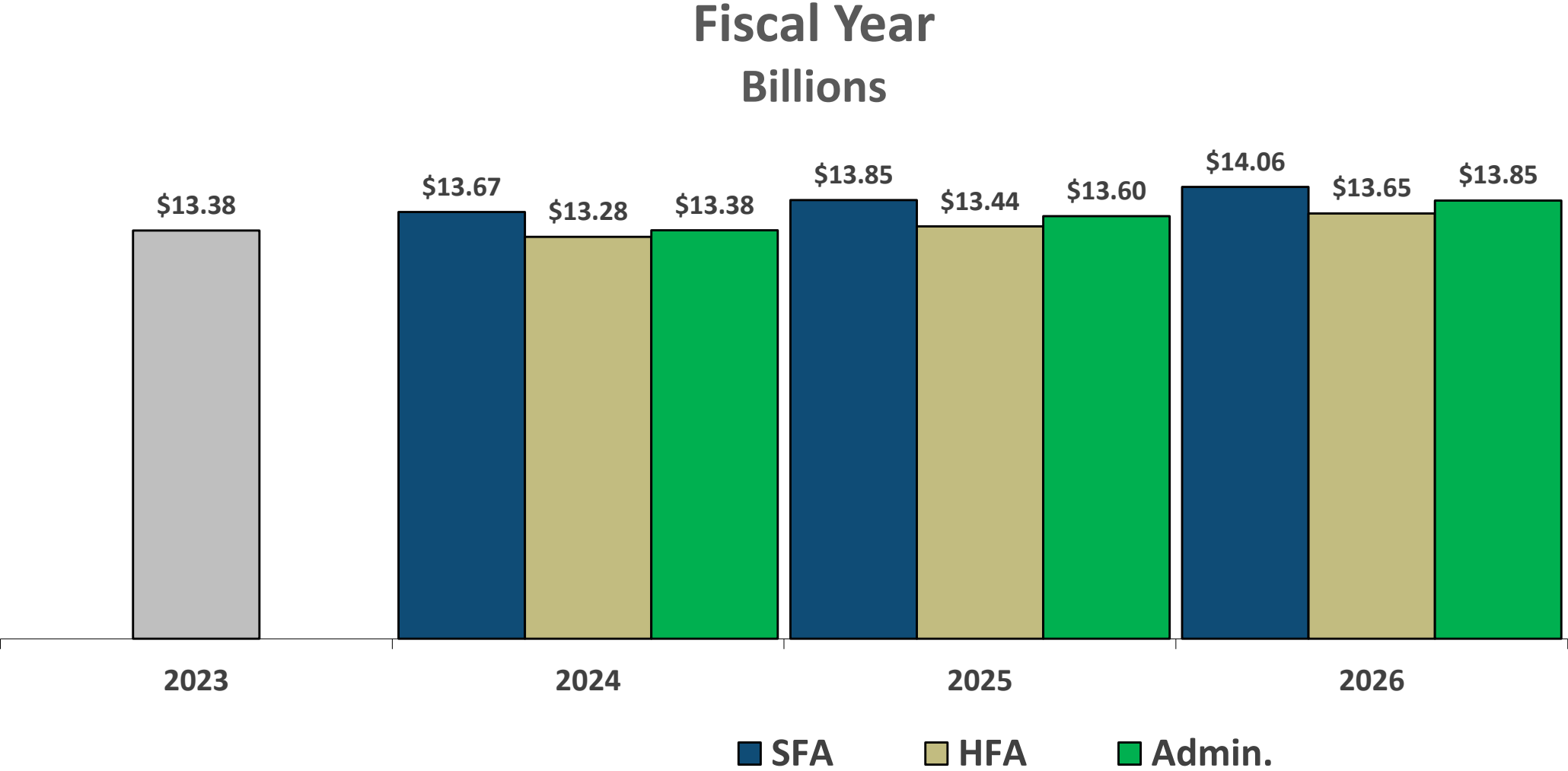
Income Tax Quarterly and Annual Payments



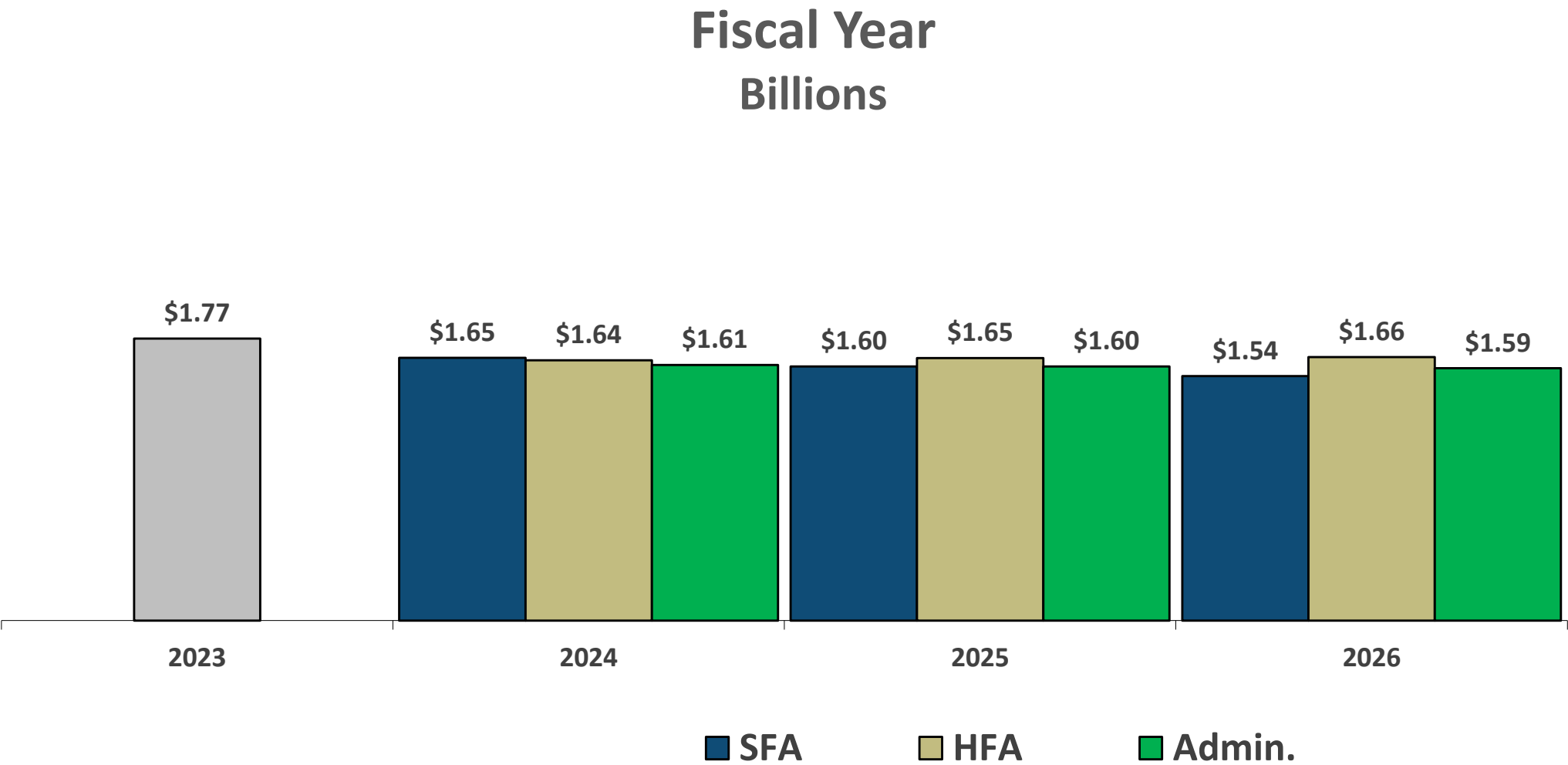
Net Income Tax Revenue Estimates



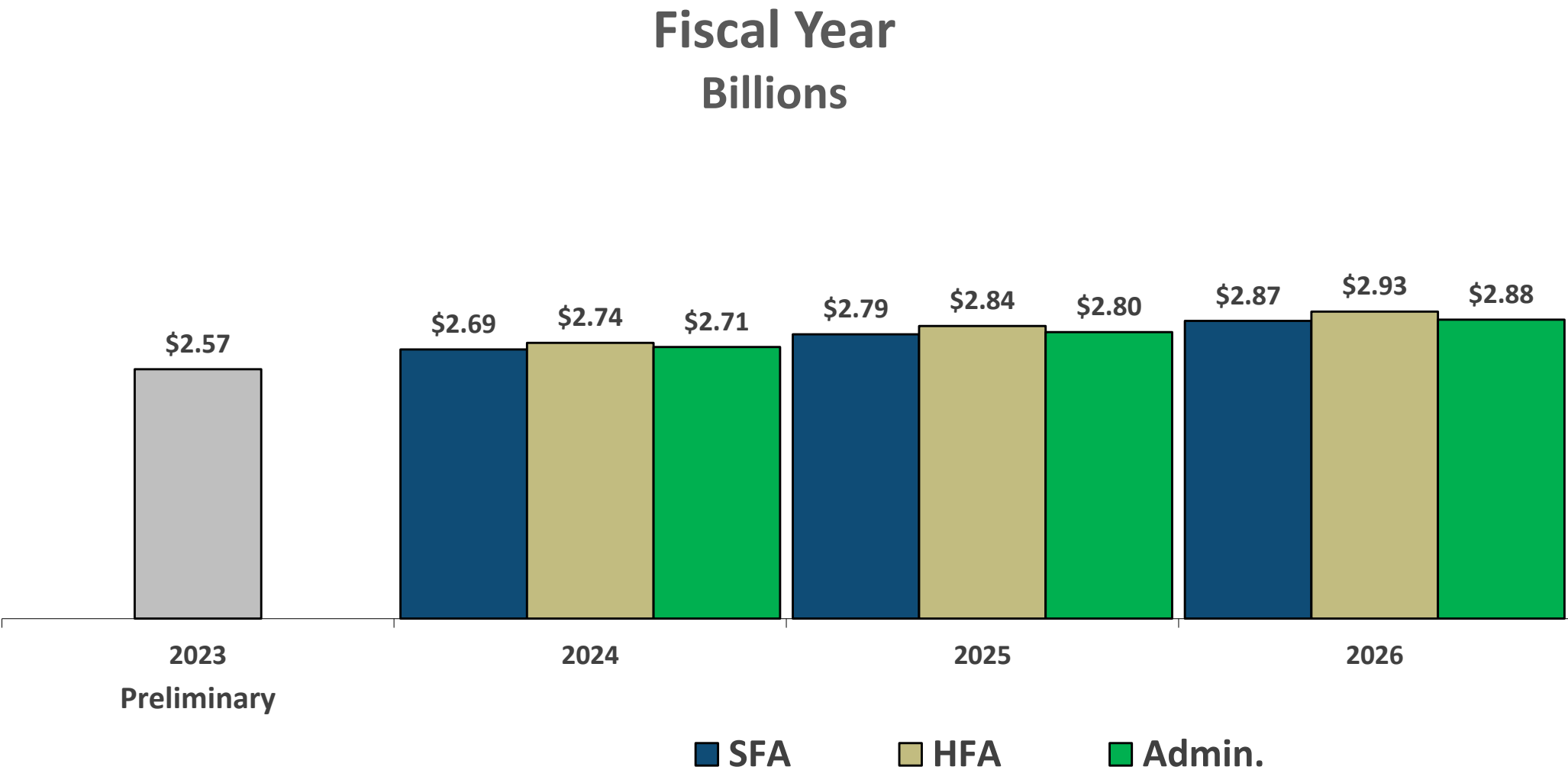
Net Sales and Use Taxes Revenue Estimates



Net CIT/MBT Revenue Estimates

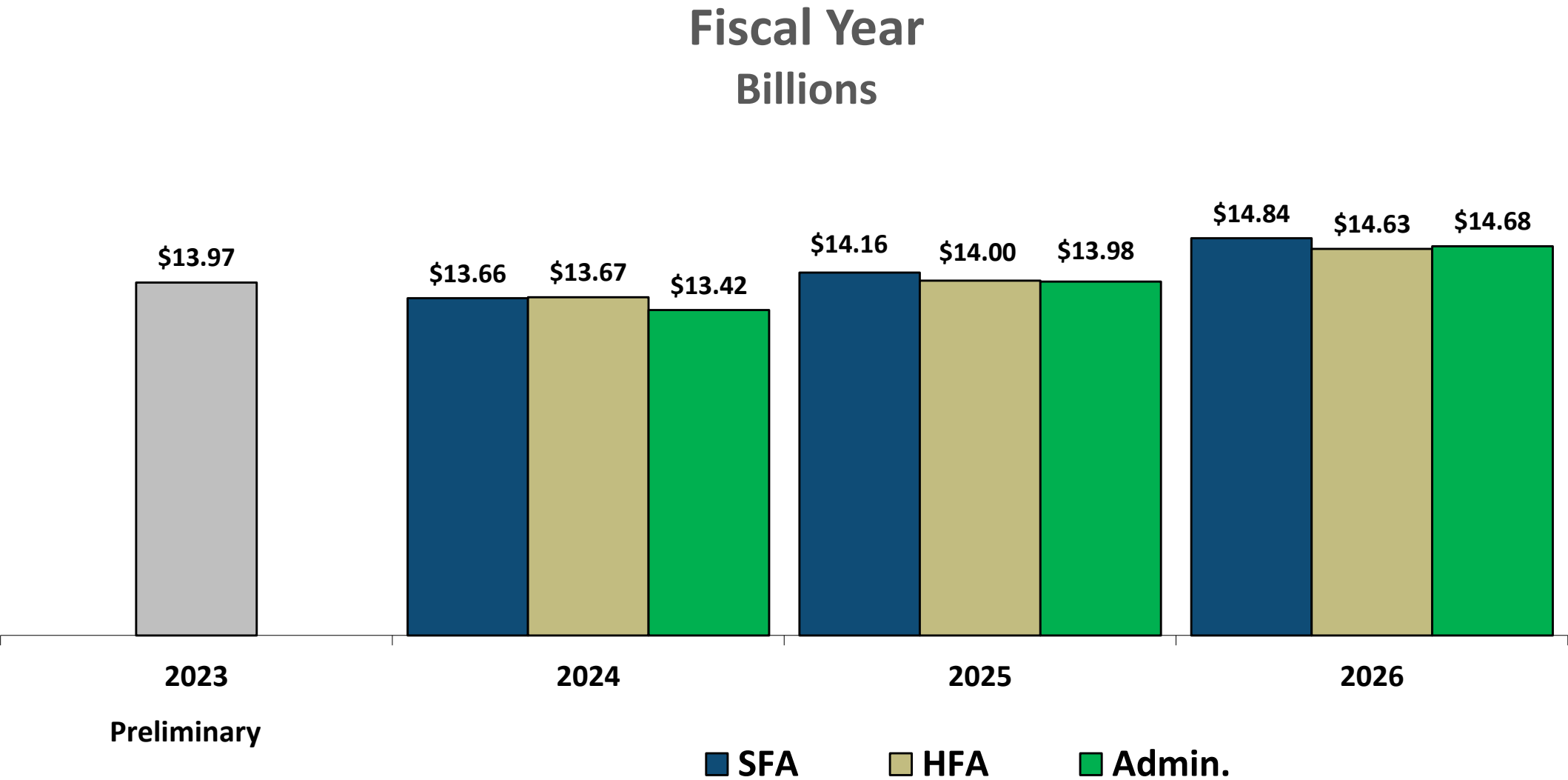


Net SET Revenue Estimates

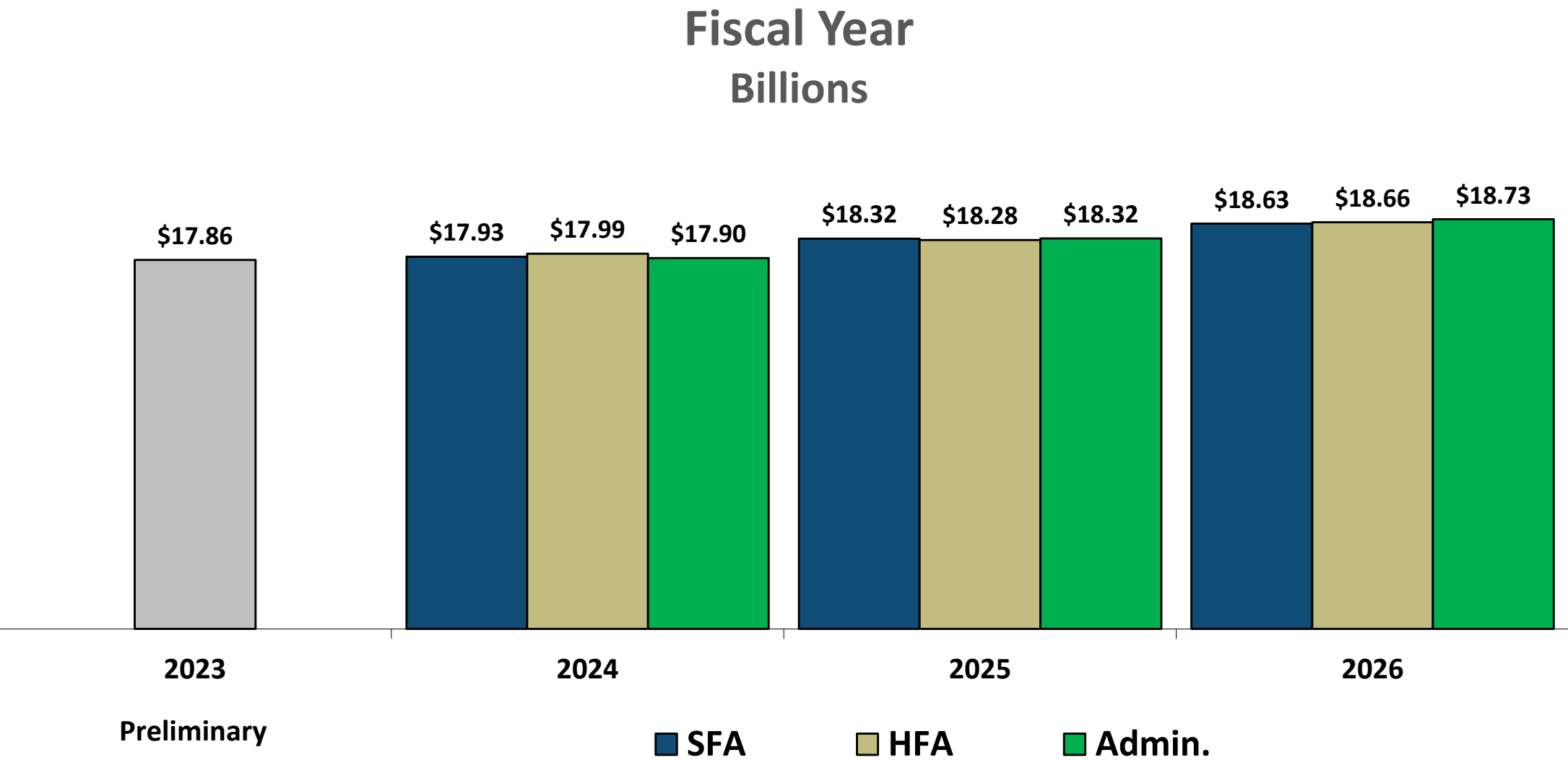


FORECAST OF GF-GP AND SCHOOL AID FUND

GF-GP Net Revenue Estimates



School Aid Fund Net Revenue Estimates



Revenue Forecast Comparison

Total Revenue (Values in Millions)									
	FY 2024			FY 2025			FY 2026		
	<u>SFA</u>	<u>HFA</u>	<u>Admin.</u>	<u>SFA</u>	<u>HFA</u>	<u>Admin.</u>	<u>SFA</u>	<u>HFA</u>	<u>Admin.</u>
GF-GP	\$13,656.7	\$13,672.3	\$13,419.8	\$14,162.4	\$14,003.2	\$13,982.0	\$14,837.5	\$14,628.5	\$14,681.9
School Aid Fund	\$17,930.9	\$17,992.6	\$17,899.5	\$18,316.0	\$18,282.5	\$18,317.3	\$18,633.8	\$18,664.2	\$18,728.5

Difference from May 2023 Consensus Estimates									
	FY 2024			FY 2025			FY 2026		
	<u>SFA</u>	<u>HFA</u>	<u>Admin.</u>	<u>SFA</u>	<u>HFA</u>	<u>Admin.</u>	<u>SFA</u>	<u>HFA</u>	<u>Admin.</u>
GF-GP	\$418.4	\$434.0	\$181.5	\$246.0	\$86.8	\$65.6			
School Aid Fund	\$42.8	\$104.5	\$11.4	\$50.1	\$16.6	\$51.4			
Combined	\$461.2	\$538.5	\$192.9	\$296.1	\$103.4	\$117.0			

Budget Stabilization Fund

Both pay-ins and pay-outs require an appropriation

The agency estimates calculate:

Pay-ins

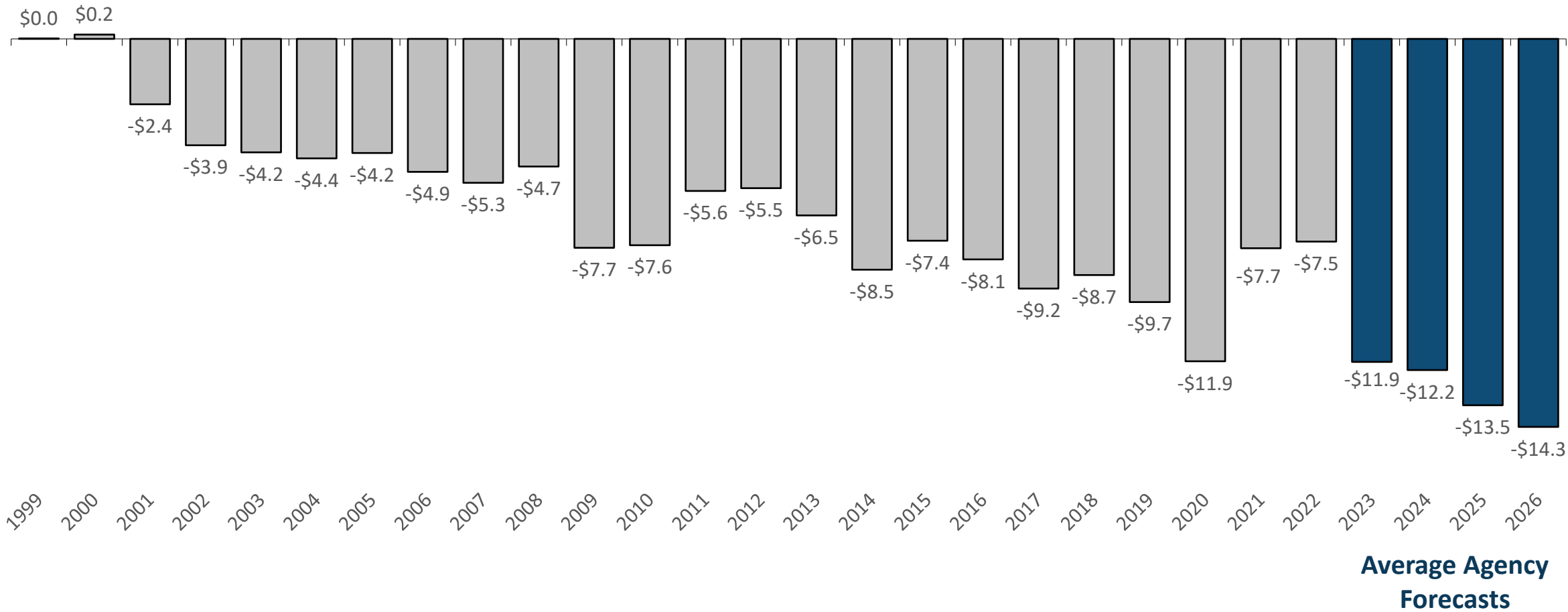
- No pay-ins during FY 2024 & FY 2025
- FY 2026 estimated to be between \$0 and \$54 million

Pay-outs

- No pay-outs during FY 2024 through FY 2026

Constitutional Revenue Limit Calculation

Amount Under/Over the Constitutional Revenue Limit Billions

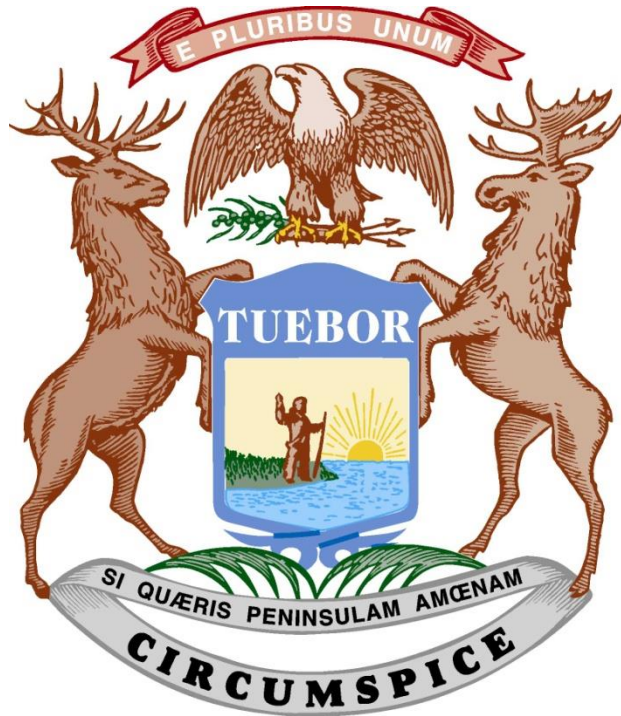


MICHIGAN TAX REVENUE FORECAST RISKS

- Changes to consumption levels and inflation
- Many provisions in the Tax Cuts and Jobs Act sunset beginning in 2026
 - Some provisions that impact the Michigan tax base may lapse
- Potential changes to the revenue accrual process and standards
- Economic development tax incentives
 - Projects have been approved for Transformational Brownfield and Good Jobs for Michigan incentives, which will reduce revenue in the future. These include:
 - Six Good Jobs for Michigan projects will reimburse the company in the amount of their employees' withholding, which will lower revenue by \$188.4 million
 - Ten Transformational Brownfield projects have been approved or are under invitation to apply. There has been \$762.9 million approved in incentives, with an additional \$715.9 million under invitation to apply, and additional space under the current cap of \$321.1 million.

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