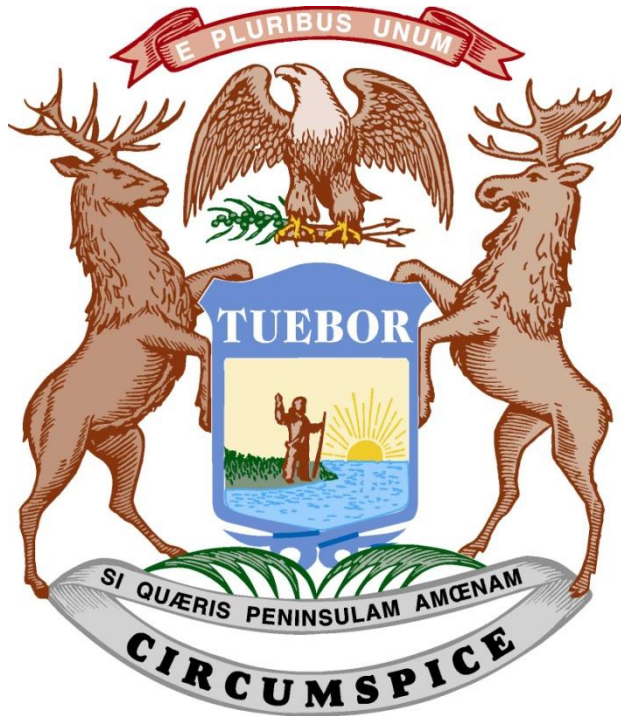


# ECONOMIC AND REVENUE FORECASTS

FY 2026 • FY 2027 • FY 2028



## CONSENSUS REVENUE ESTIMATING CONFERENCE (CREC)

JANUARY 16, 2026

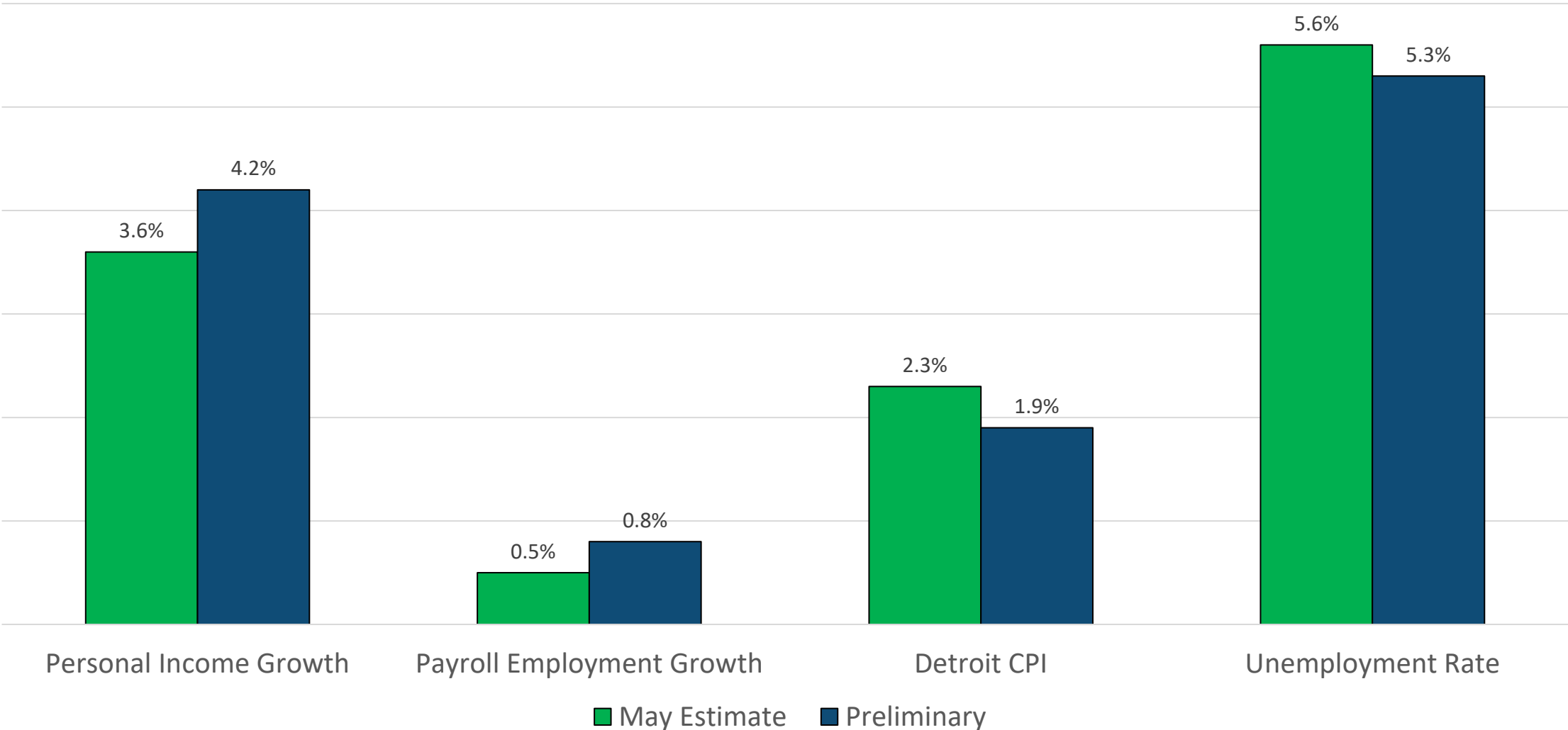
# OUTLINE

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

# ECONOMIC OUTLOOK

- U.S. Economy
  - Modest Gross Domestic Product (GDP) growth
  - Inflation is expected to remain above Federal Reserve's target
  - Wage and salary employment growth remains positive
- Michigan Economy
  - Overall economic outlook expected to track national growth
  - Michigan Personal Income growth expected through the next three years
  - Employment growth forecast to be slower than US

# THE MICHIGAN ECONOMY SINCE MAY CREC



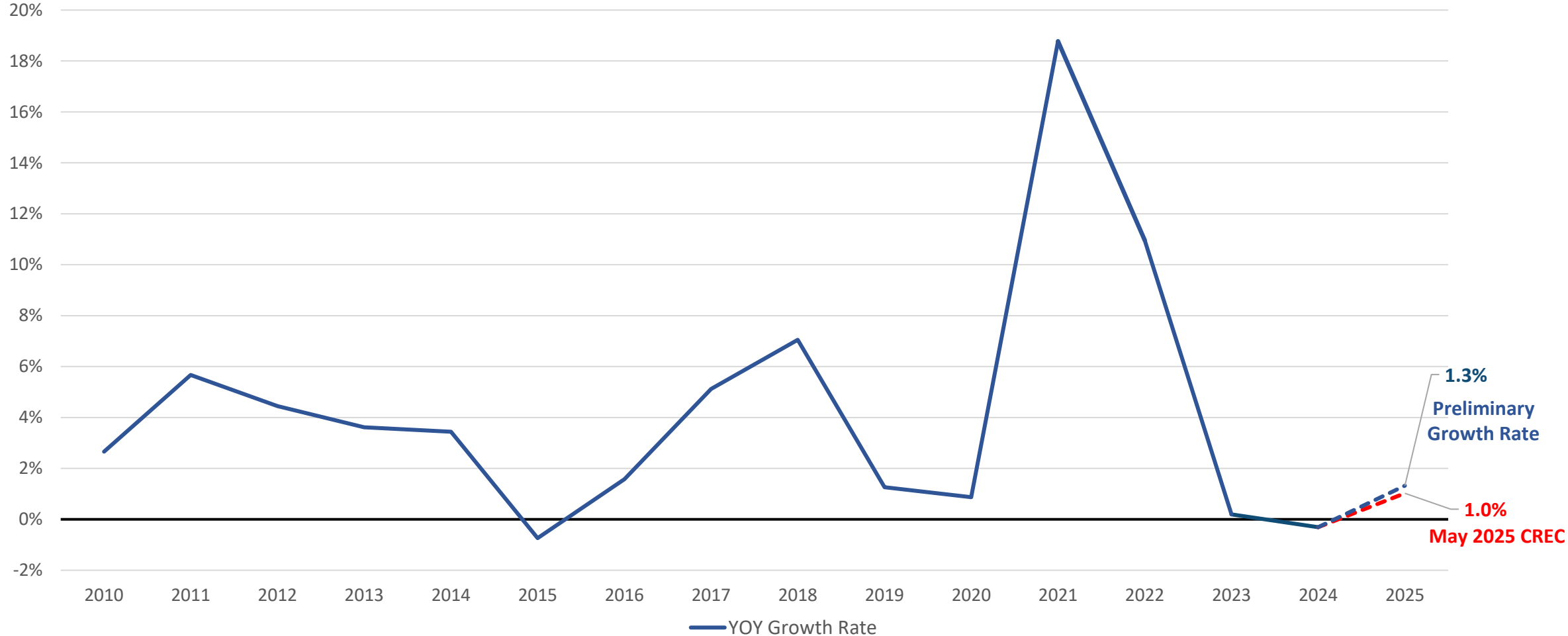
# REVENUE SINCE MAY CREC

- Preliminary FY 2025 collections are below May 2025 CREC estimates

	CREC Forecast Growth Rate	Preliminary Growth Rate	Preliminary Difference from May CREC (In Millions)
Income Tax Withholding	5.9%	5.5%	-\$54.3
Sales and Use	1.0%	1.3%	+\$39.7
Corporate Income Tax	0.9%	-14.9%	-\$341.1
State Education Tax (SET)	4.1%	5.1%	+\$26.8
<b>Total of 5 Tax Components</b>	<b>3.3%</b>	<b>-1.0%</b>	<b>-\$328.9</b>

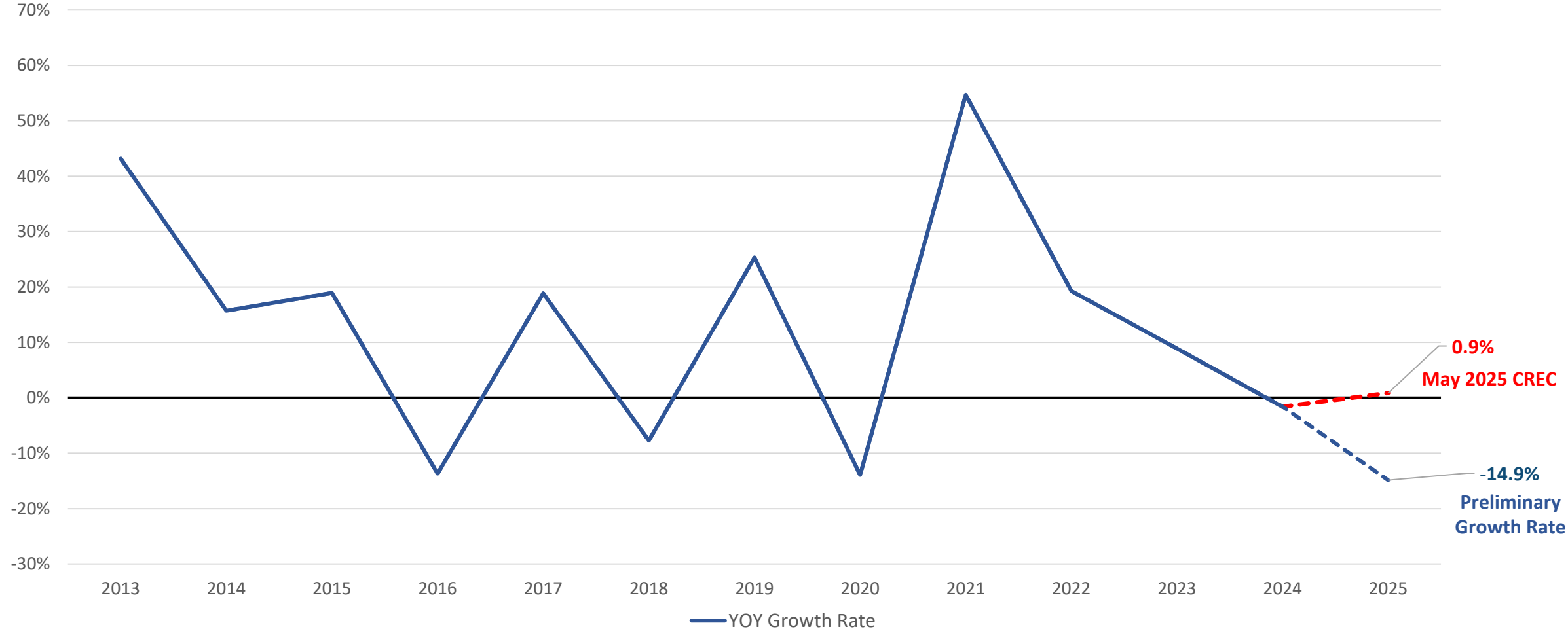
# SALES AND USE TAX GROWTH RATE

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



# CORPORATE INCOME TAX GROWTH RATE

Corporate Income Tax  
Fiscal Year-Over-Year Growth Rate

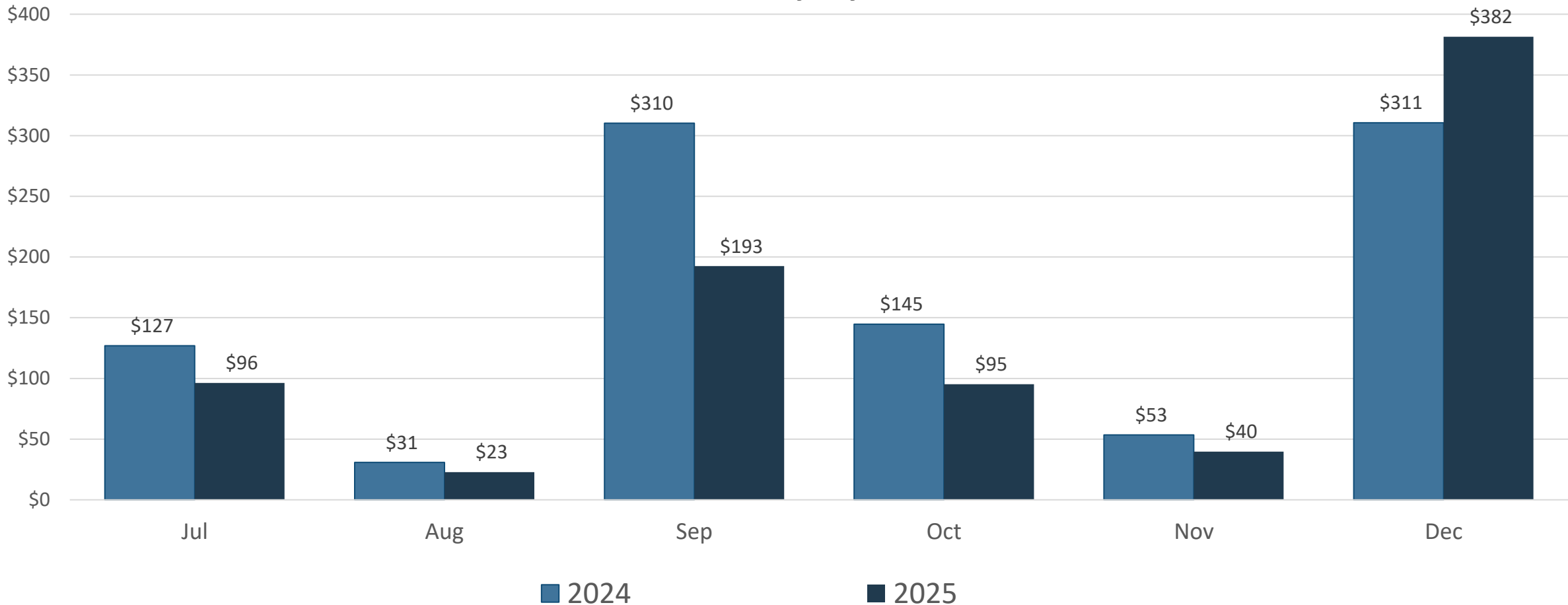


# CIT COLLECTIONS SLOWED THROUGH FY 2025

## Corporate Income Tax Collections

Millions of Dollars

### Quarterly Payments





# 2025 GF and SAF Tax Changes

Legislation and tax changes lowered CREC revenue compared to May 2025

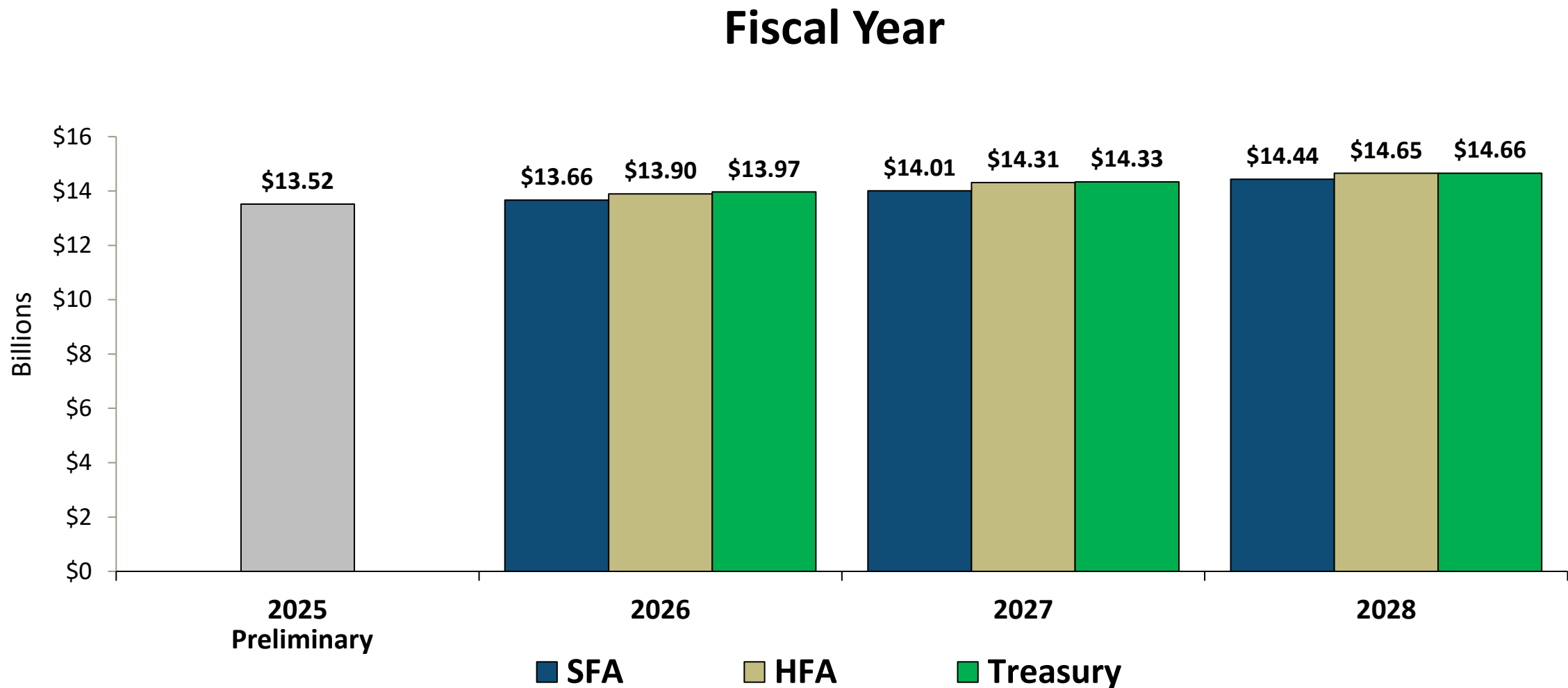
	FY 2025	FY 2026	FY 2027
CIT to Neighborhood Roads Fund	\$0	(\$688.0)	(\$776.0)
Eliminate SOAR Earmark/Add Healthy Michigan	\$250.0	\$0	\$0
Eliminate MTF Earmark from Income Tax	\$0	\$600.0	\$600.0
Sales Tax Exemption for Motor Fuel – GF Impact and SAF Backfill	\$0	(\$545.8)	(\$724.8)
Tax Deduction for Tips and Overtime; Tier 3 Social Security Changes	\$0	(\$174.1)	(\$201.2)
<b>Total Tax Policy Impacts on Revenue*</b>	<b>\$250.0</b>	<b>(\$807.9)</b>	<b>(\$1,102.0)</b>

\*Total includes some minor changes not shown above. Values shown are combined impact on GF-GP and SAF Revenue, in millions

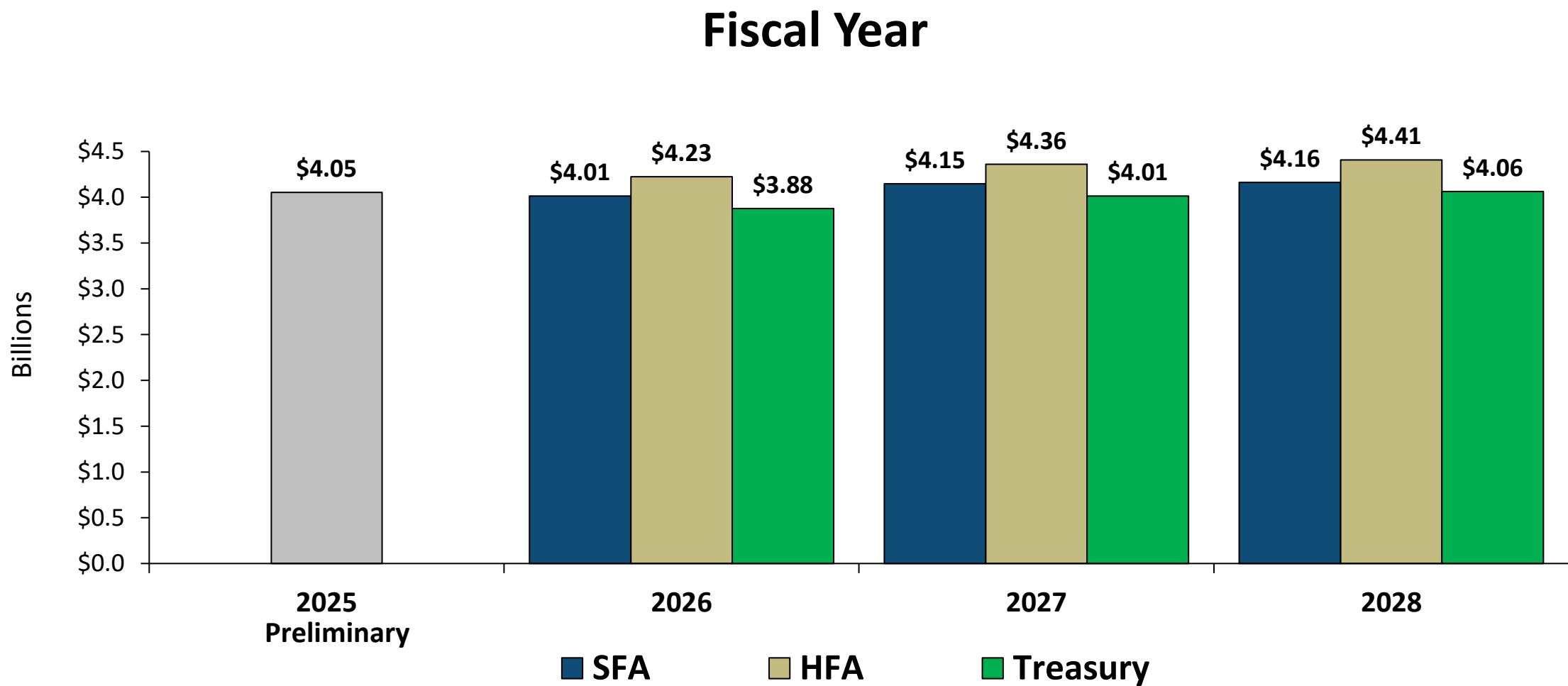
# FORECAST OF MAJOR TAXES

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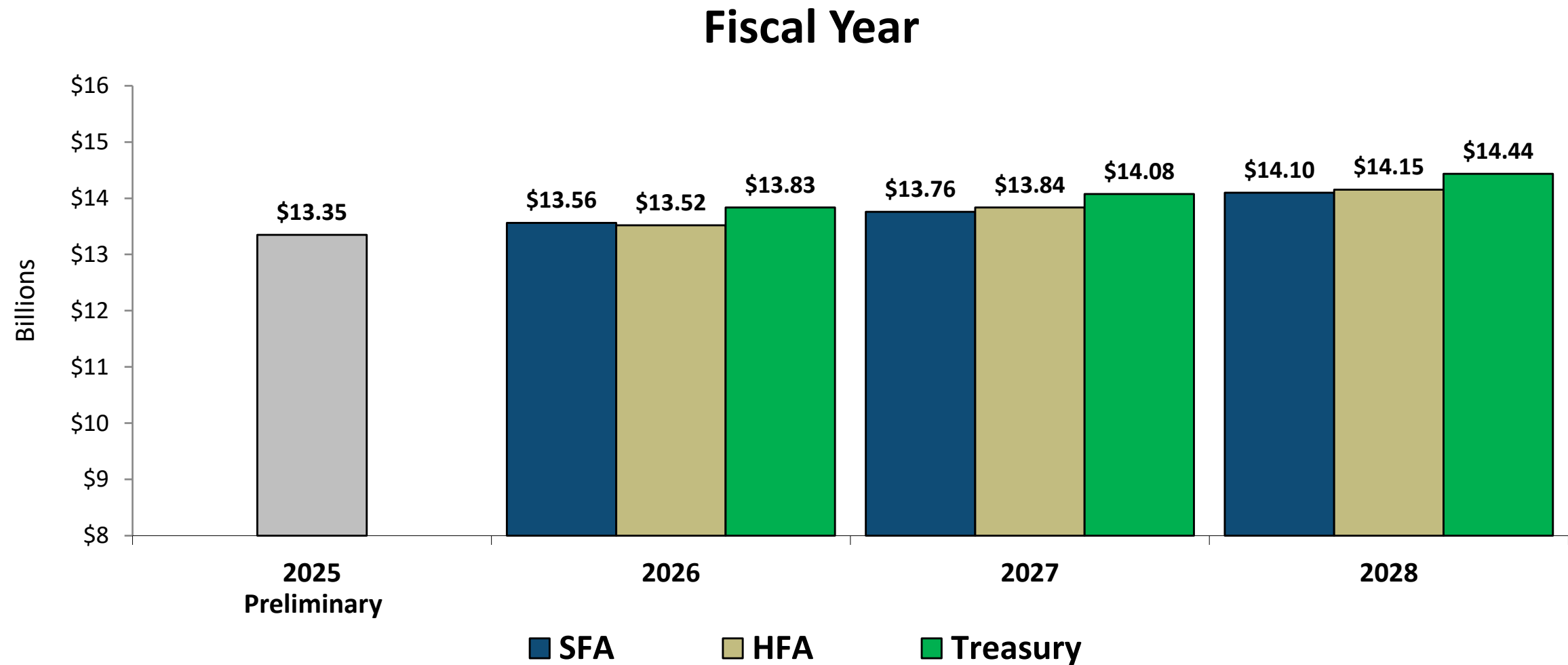
# Individual Income Tax Withholding



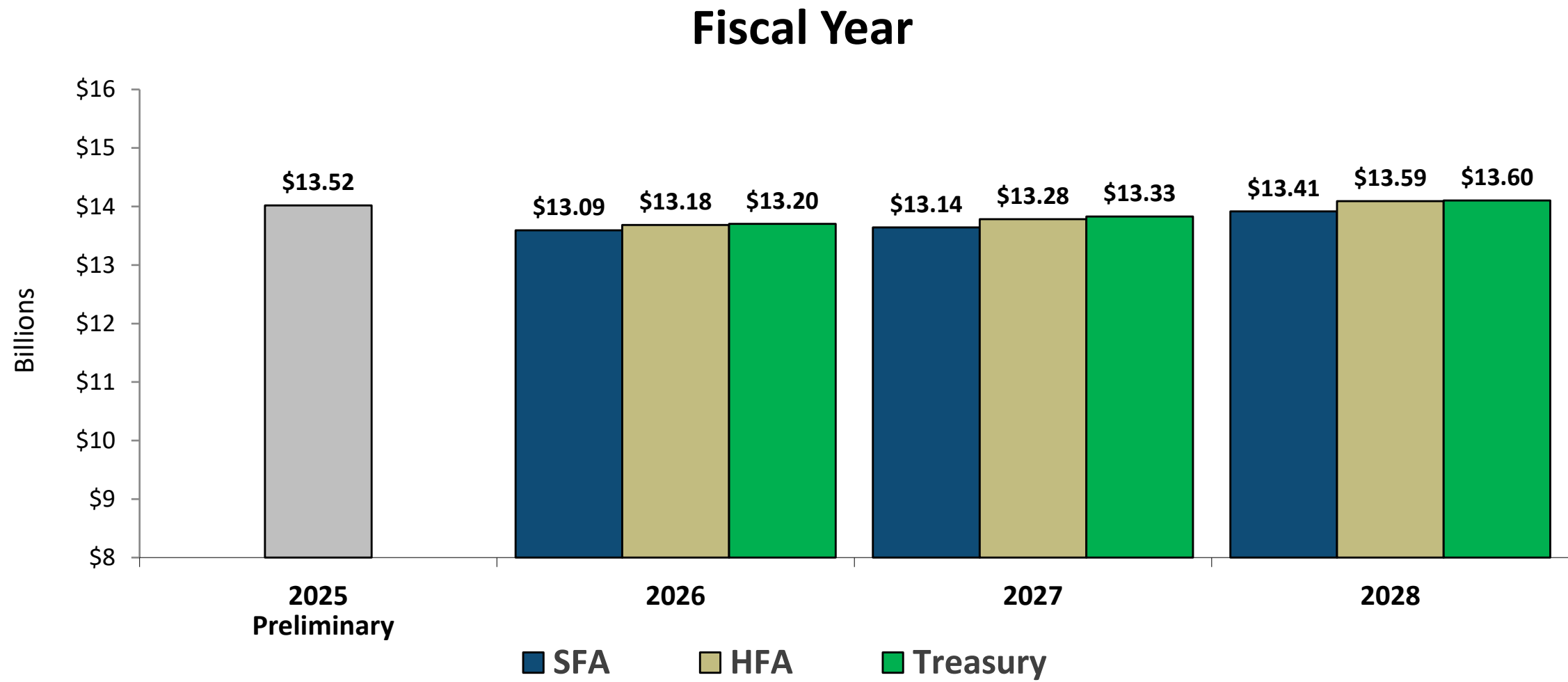
# Individual Income Tax Refunds



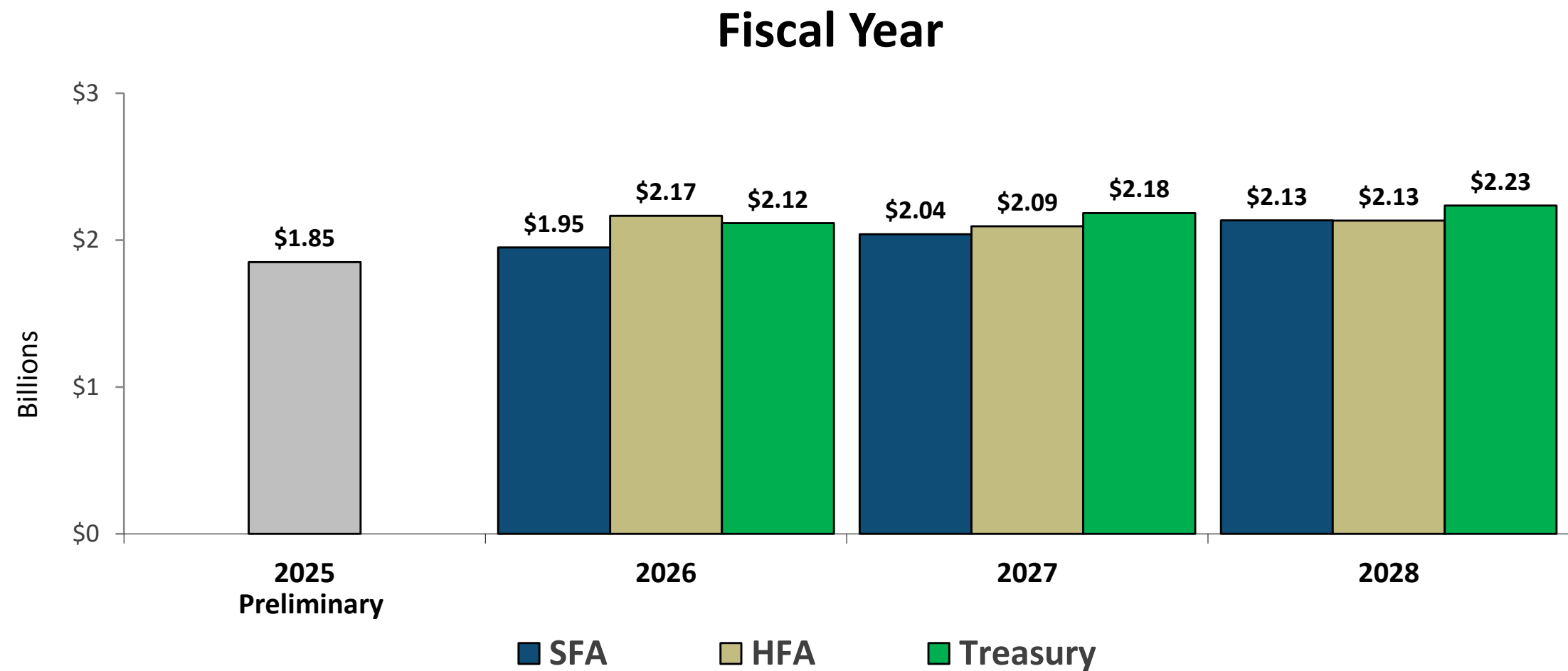
# Net Individual Income Tax (IIT) Revenue Estimates



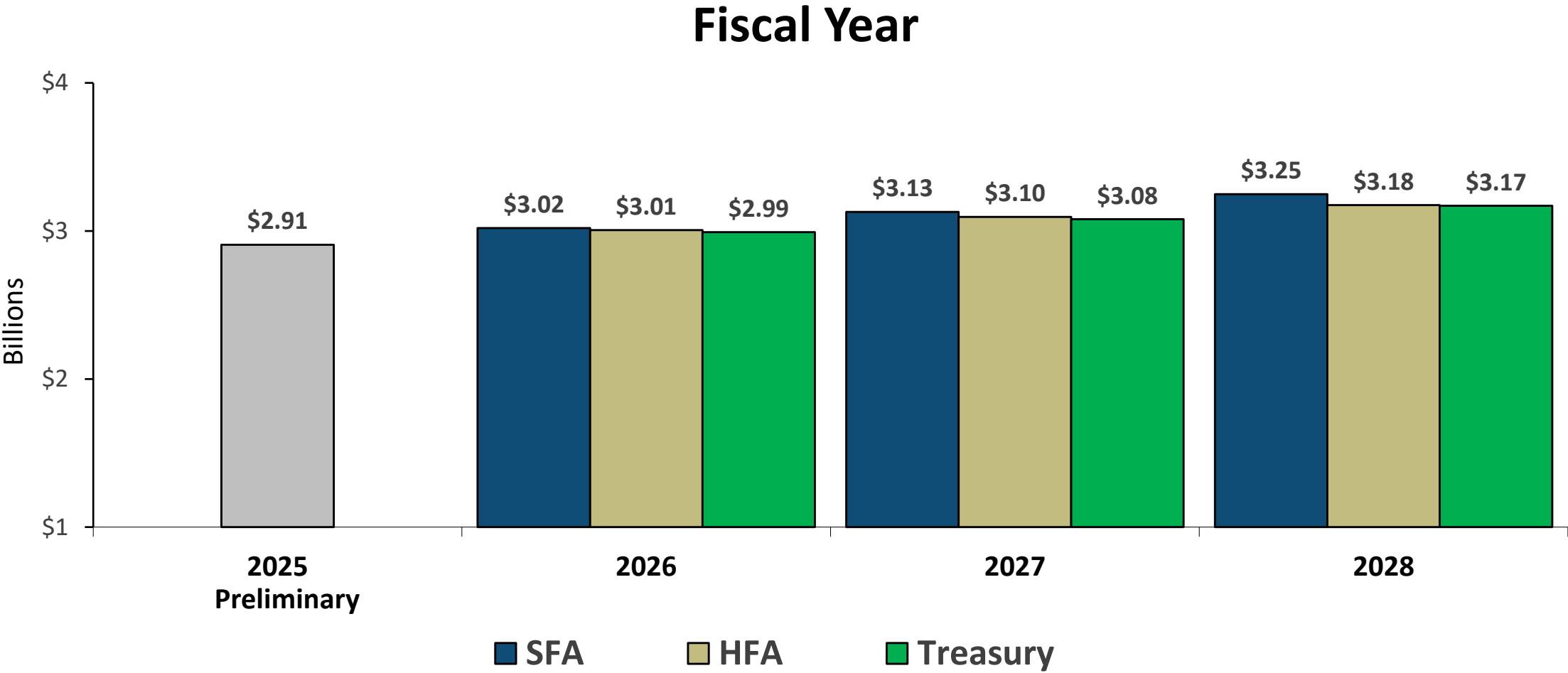
# Net Sales and Use Taxes Revenue Estimates



# Net Corporate Income Tax (CIT) Revenue Estimates



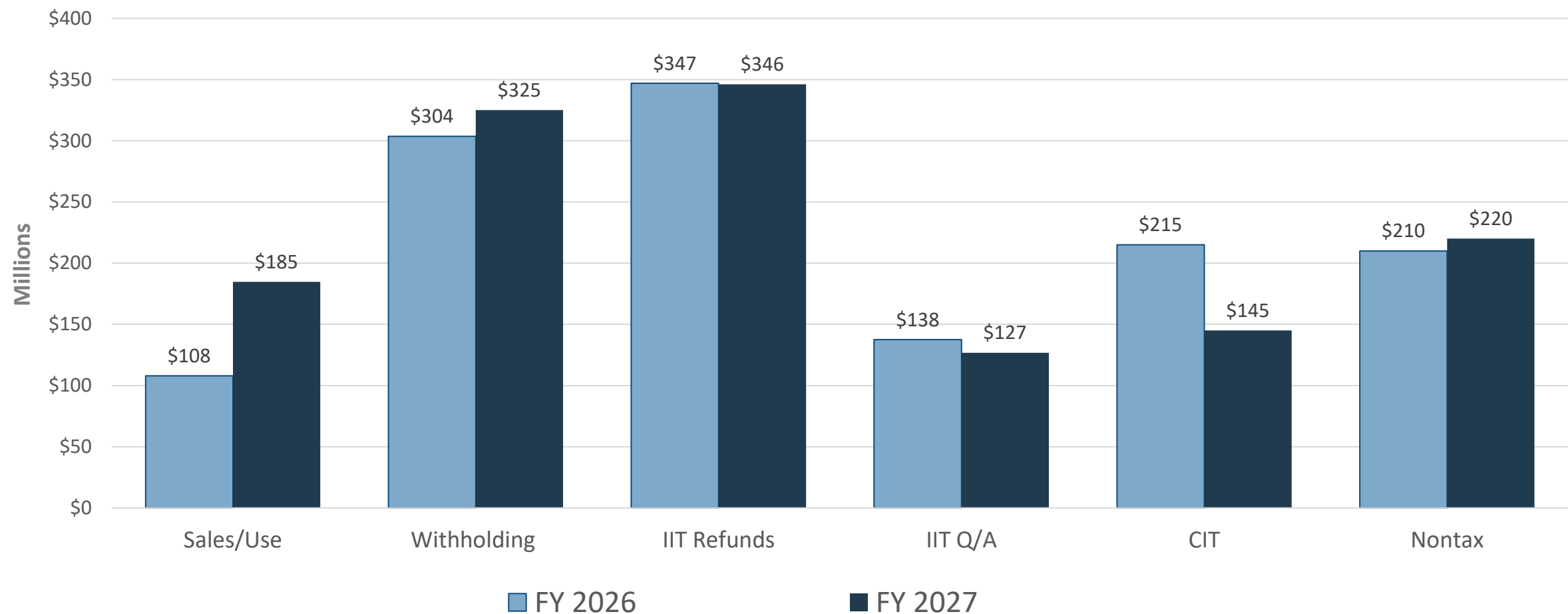
# Net State Education Tax (SET) Revenue Estimates





# Differences in Forecasts of Major Taxes

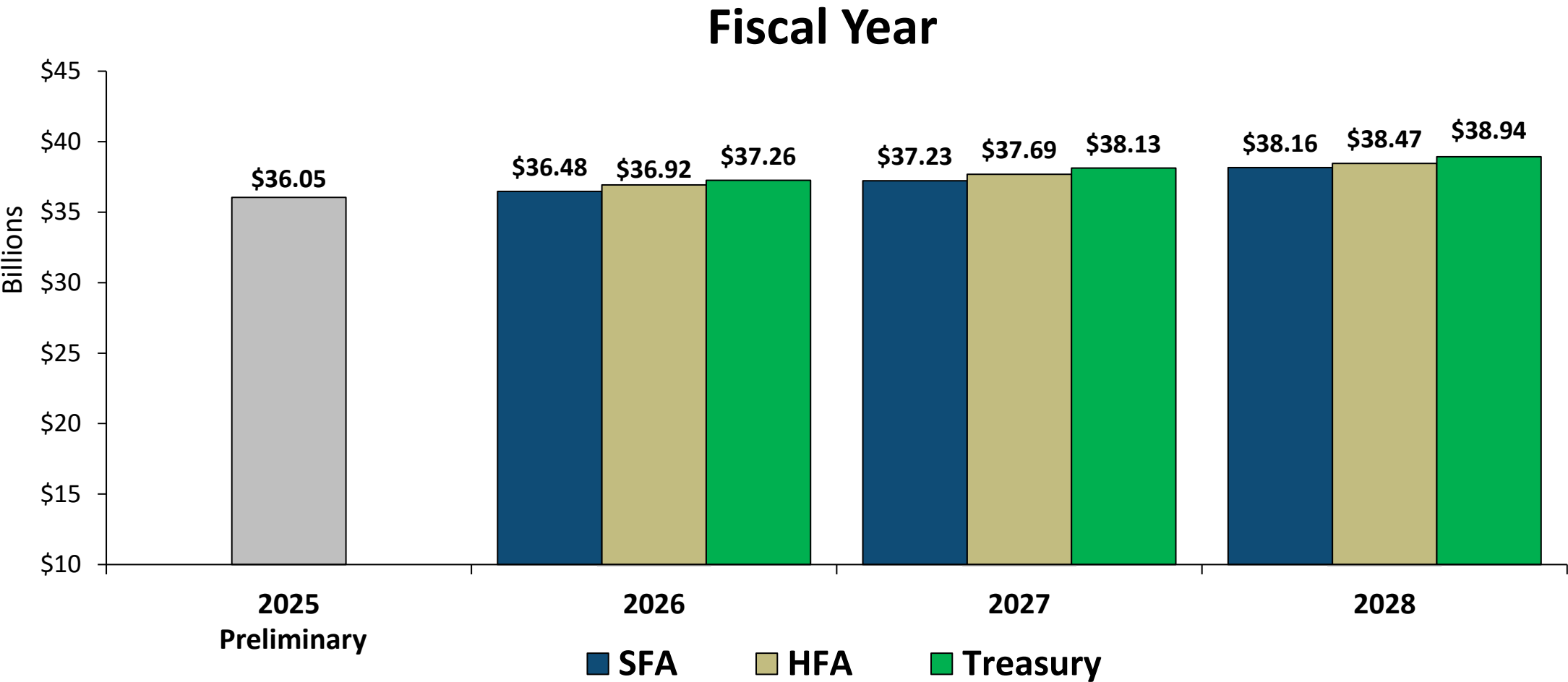
## Range of Forecast Between Highest and Lowest



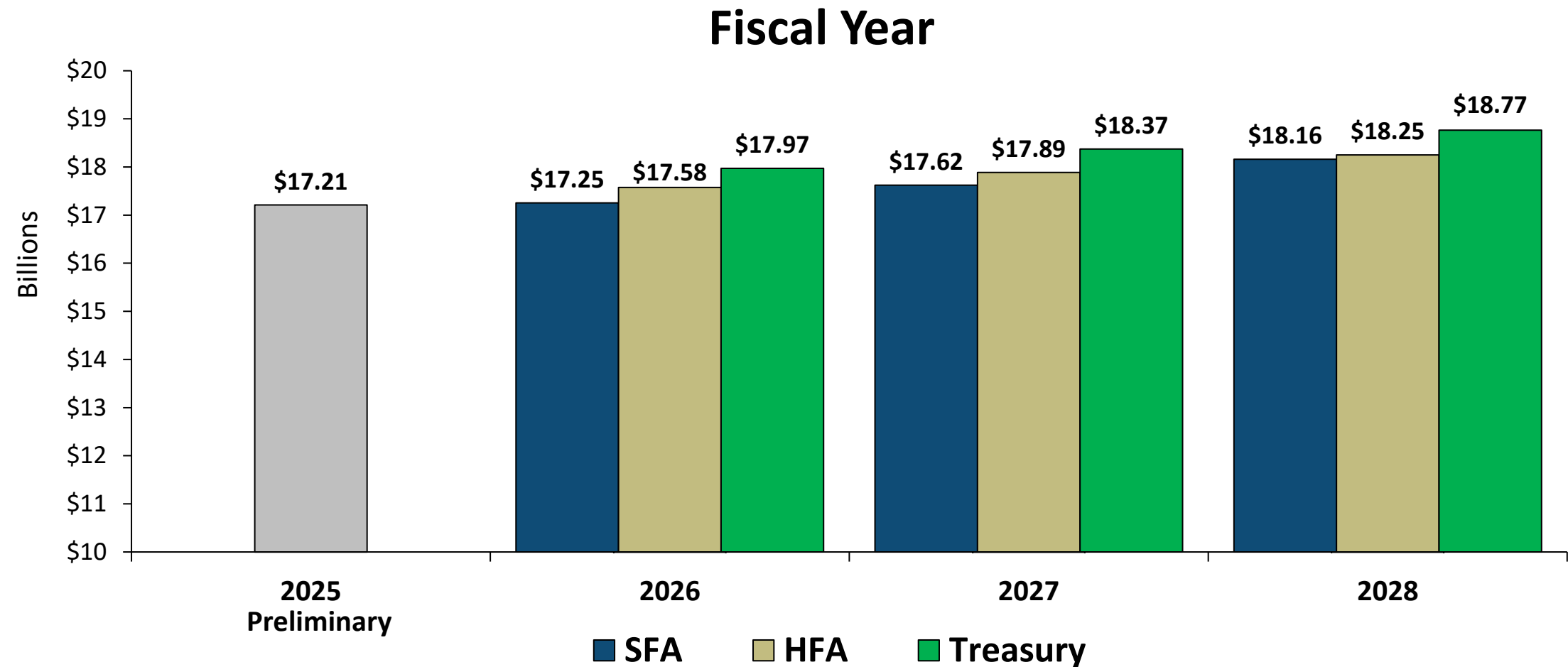
# FORECAST OF GF-GP AND SCHOOL AID FUND

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# Baseline Revenue: Total GF-GP and SAF

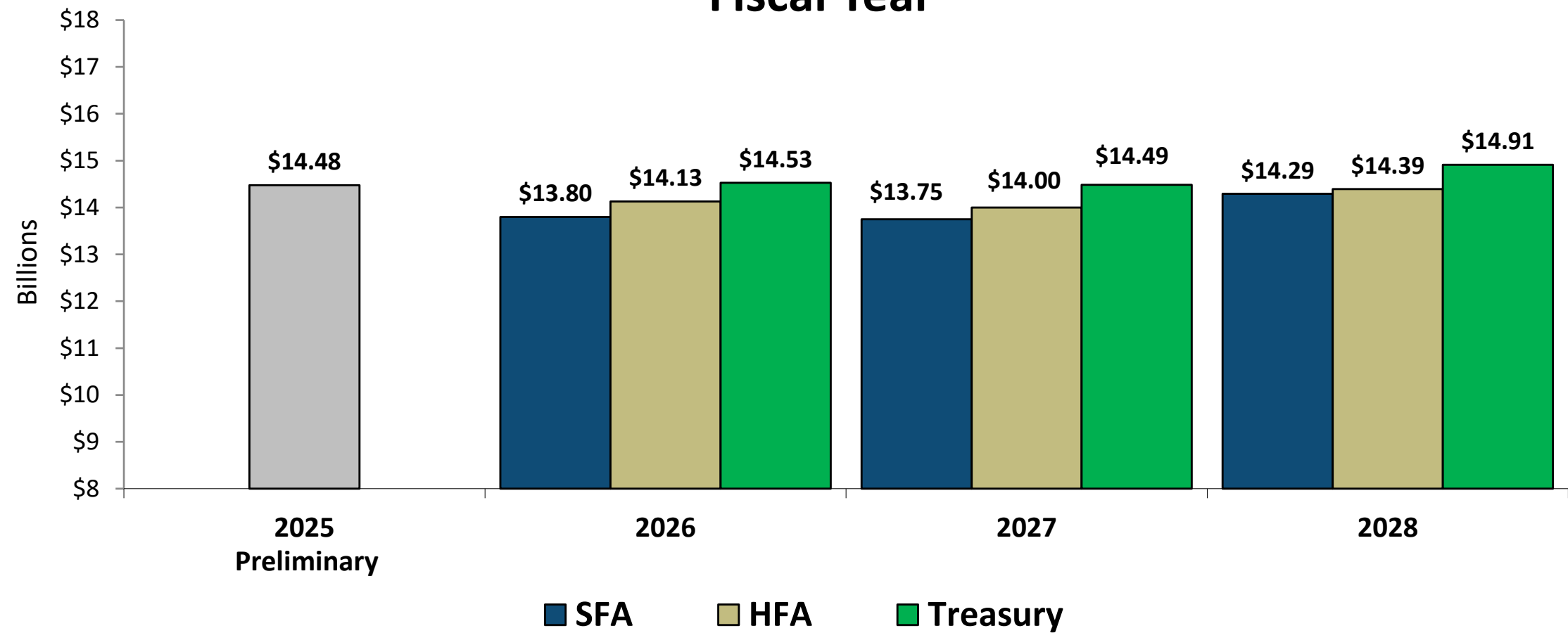


# Baseline Revenue: General Fund-General Purpose

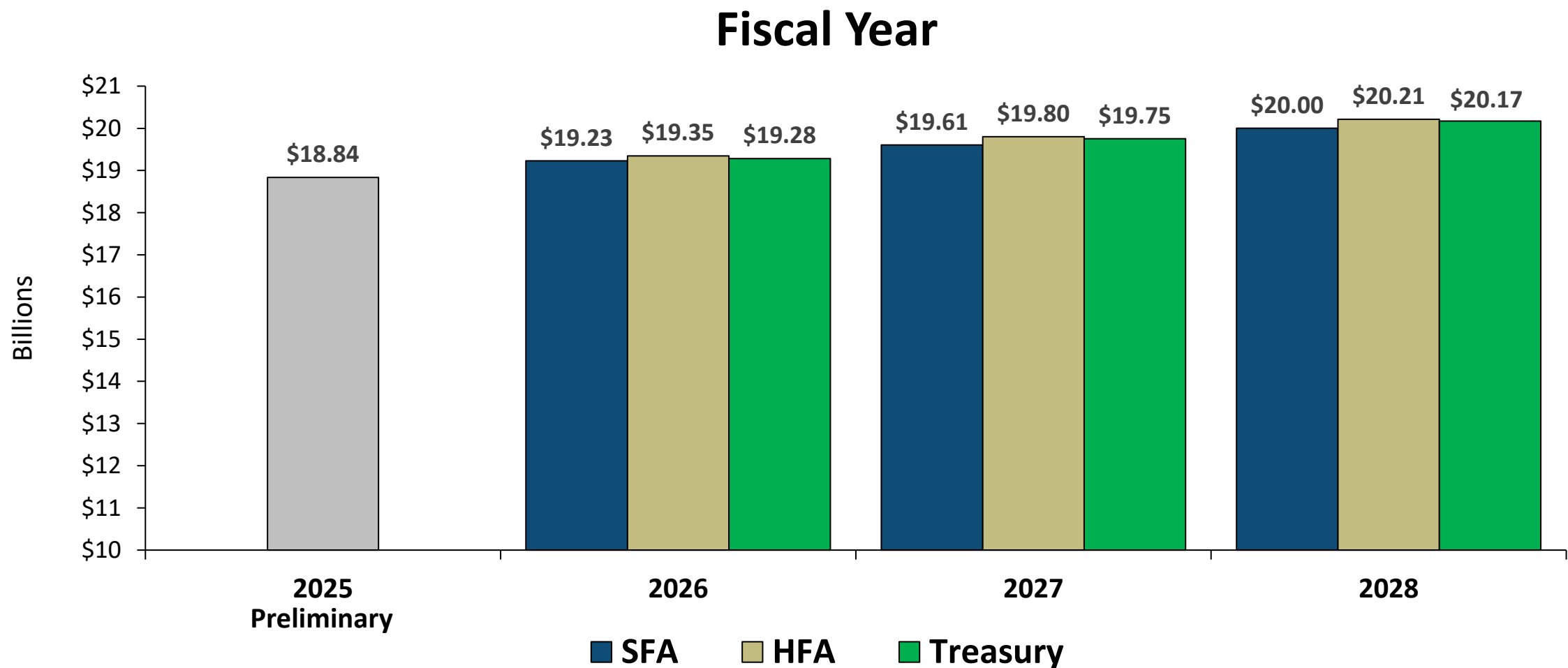


# General Fund-General Purpose Net Revenue

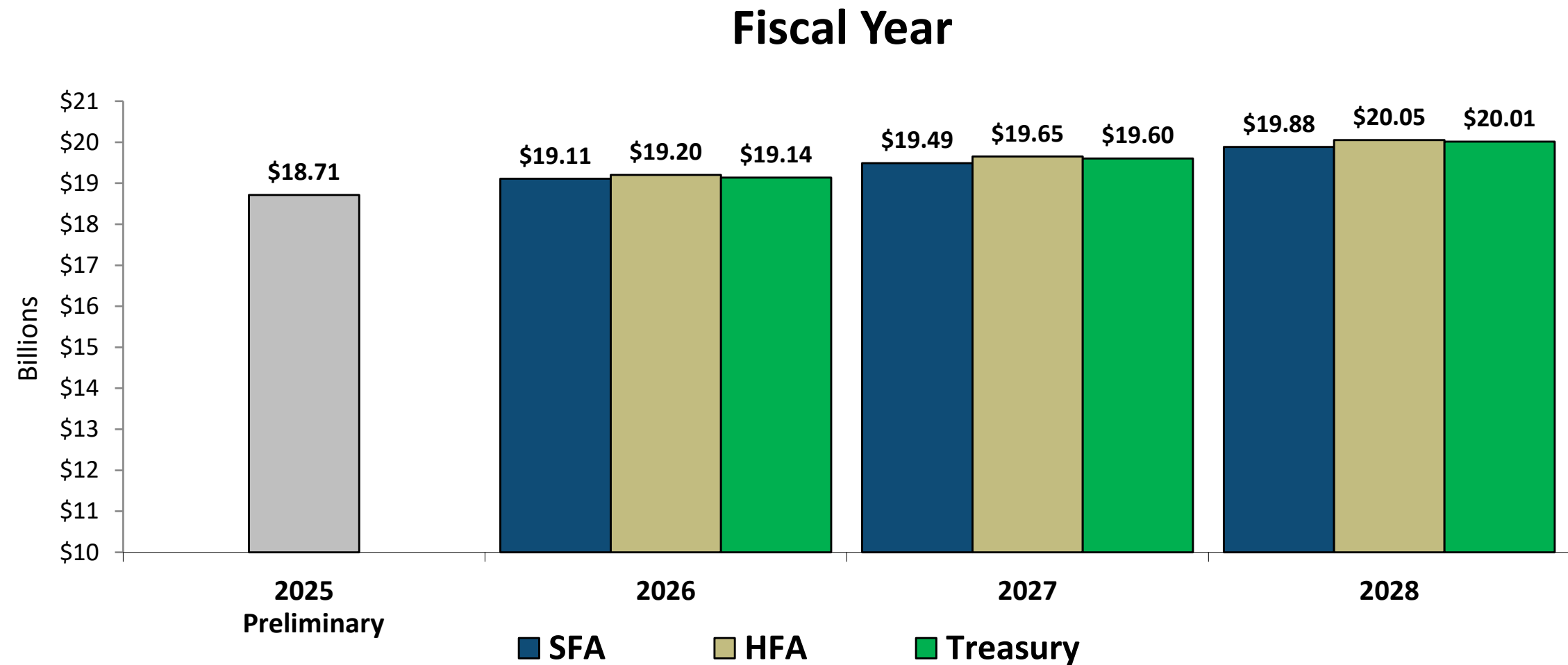
Fiscal Year



# Baseline Revenue: School Aid Fund



# School Aid Fund Net Revenue Estimates



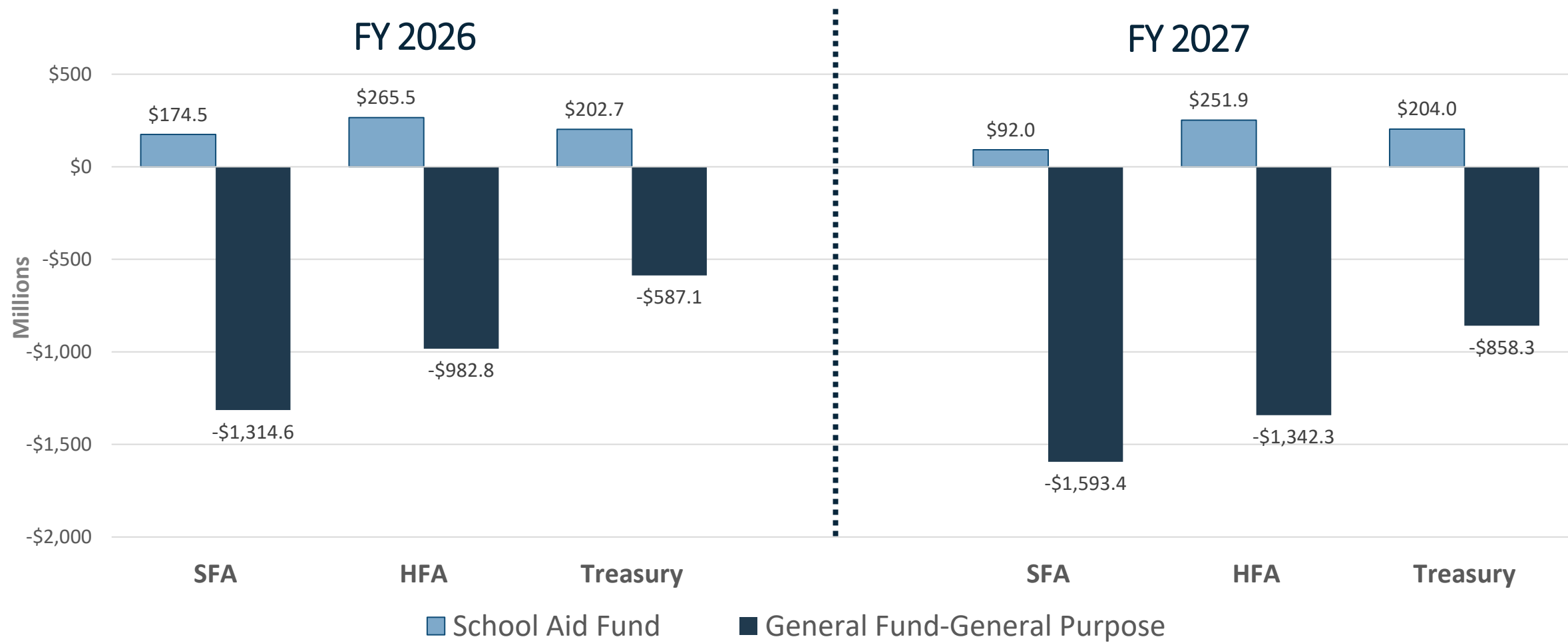
# Revenue Forecast Comparison

Total Revenue (Values in Millions)									
	FY 2026			FY 2027			FY 2028		
	SFA	HFA	Treasury	SFA	HFA	Treasury	SFA	HFA	Treasury
GF-GP	\$13,800.0	\$14,131.8	\$14,527.5	\$13,750.3	\$14,001.4	\$14,485.4	\$14,292.0	\$14,392.7	\$14,914.2
School Aid Fund	\$19,108.8	\$19,199.7	\$19,137.0	\$19,490.6	\$19,650.4	\$19,602.6	\$19,884.7	\$20,053.8	\$20,014.4
Total	\$32,908.8	\$33,331.5	\$33,664.5	\$33,240.9	\$33,651.8	\$34,088.0	\$34,176.7	\$34,446.5	\$34,928.6



# Revenue Forecast Comparison—Change From May

## Difference from May 2025 Consensus Estimates



## Changes From May CREC—Policy Changes Drive Revisions

- Forecast revisions since May result from both tax policy shifts and baseline economic changes
- The majority of the change from May in each forecast is from tax policy
- Enacted FY 2026 budget already accounted for tax policy changes

	FY 2026			FY 2027		
	SFA	HFA	Treasury	SFA	HFA	Treasury
Tax Policy Changes	(\$793.4)	(\$793.4)	(\$793.4)	(\$1,089.3)	(\$1,089.3)	(\$1,089.3)
Baseline Revenue Change	(\$346.7)	\$76.0	\$409.0	(\$403.1)	\$7.8	\$444.0
Total Change from May	(\$1,140.1)	(\$717.3)	(\$384.4)	(\$1,501.4)	(\$1,090.4)	(\$654.3)

## Both pay-ins and pay-outs require an appropriation

The agency estimates calculate:

### ***Pay-ins***

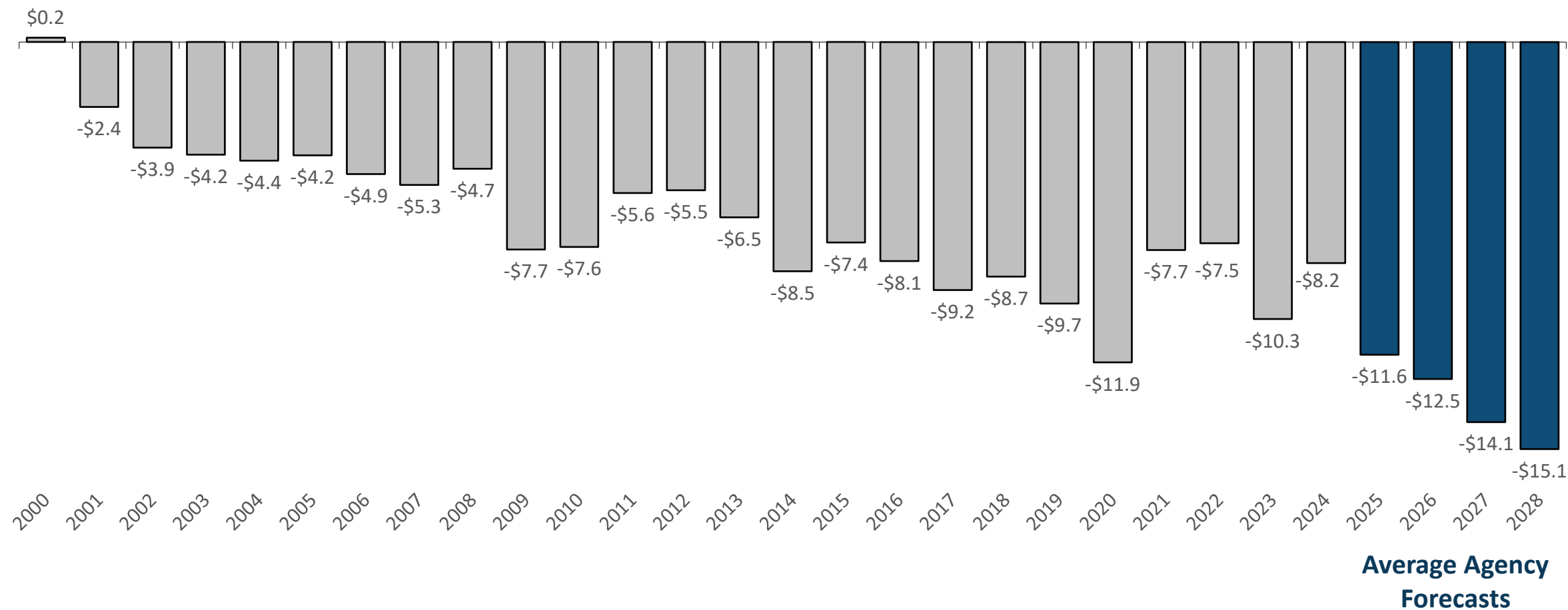
- No pay-ins during FY 2026 to FY 2028

### ***Pay-outs***

- Pay-out of up to \$538.7 million in FY 2026
- No pay-outs FY 2027 & FY 2028

# Constitutional Revenue Limit Calculation

## Amount Under/Over the Constitutional Revenue Limit Billions

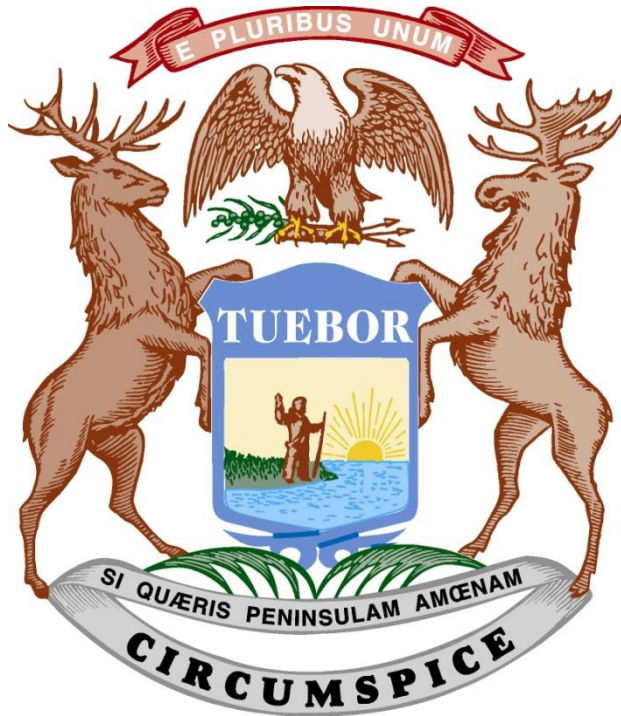


# MICHIGAN REVENUE FORECAST RISKS

- Michigan labor markets
- Federal Policy Changes: Trade, Tariffs, and Fiscal Policy
  - United States-Mexico-Canada Agreement (USMCA) renegotiation in 2026
- Nontax sources becoming a larger and more volatile part of GF-GP revenue
- Transformational Brownfield
  - Incentives awarded or in process of \$1.8 billion currently
  - Nearly all impacts are outside the forecast horizon

# ECONOMIC AND REVENUE FORECASTS

FY 2026 • FY 2027 • FY 2028



## CONSENSUS REVENUE ESTIMATING CONFERENCE

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JANUARY 16, 2026