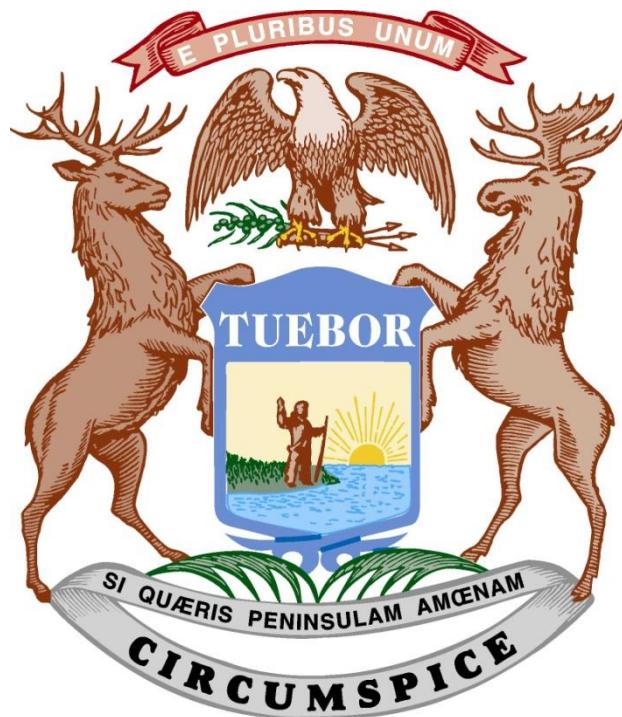


ECONOMIC AND REVENUE FORECASTS

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

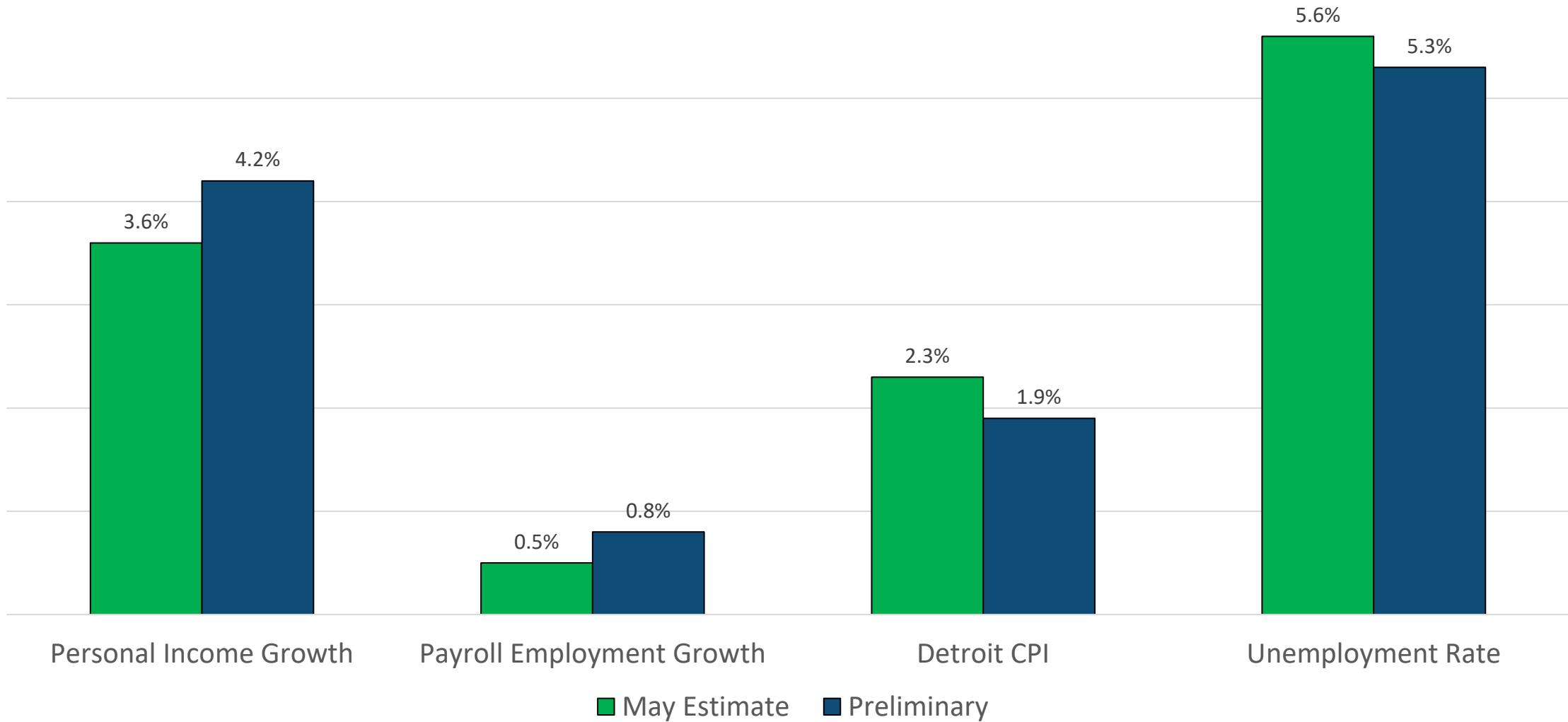
- **Revenue Estimates by Fund**

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



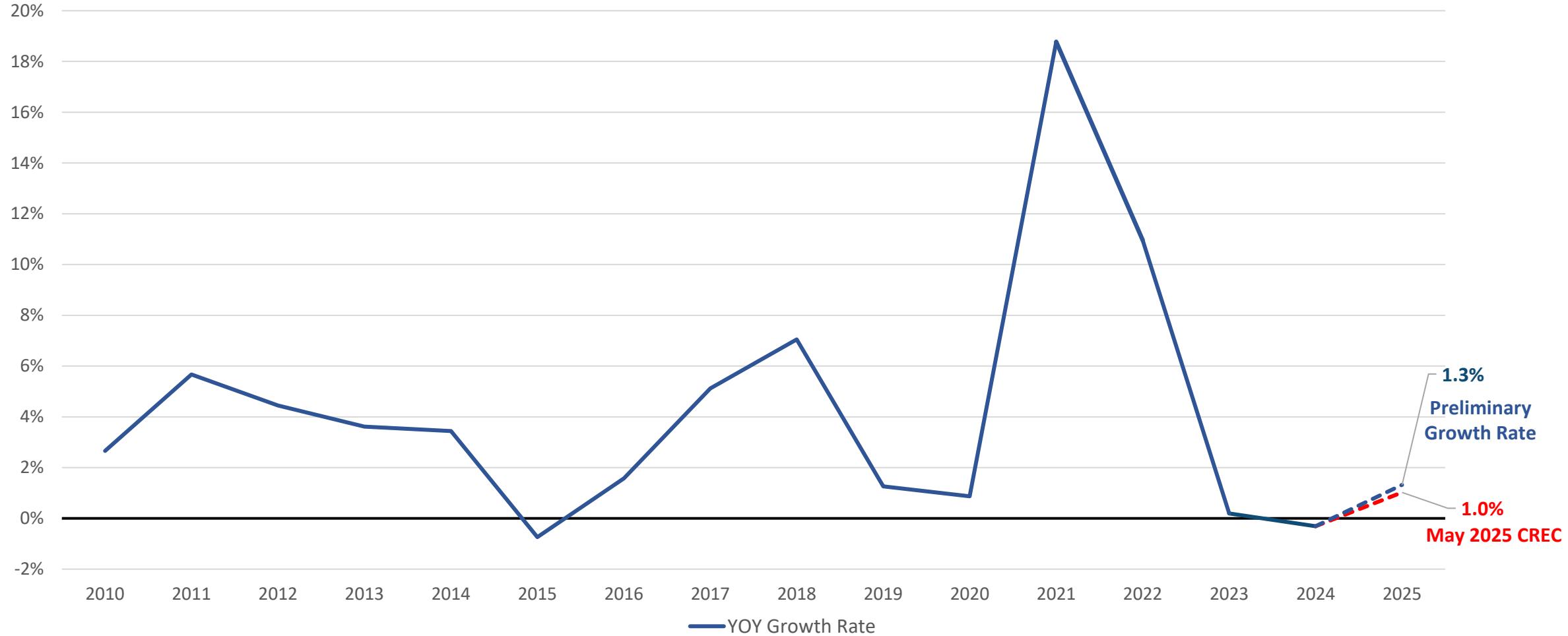
REVENUE SINCE MAY CREC

- 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
Total of 5 Tax Components	3.3%	-1.0%	-\$328.9

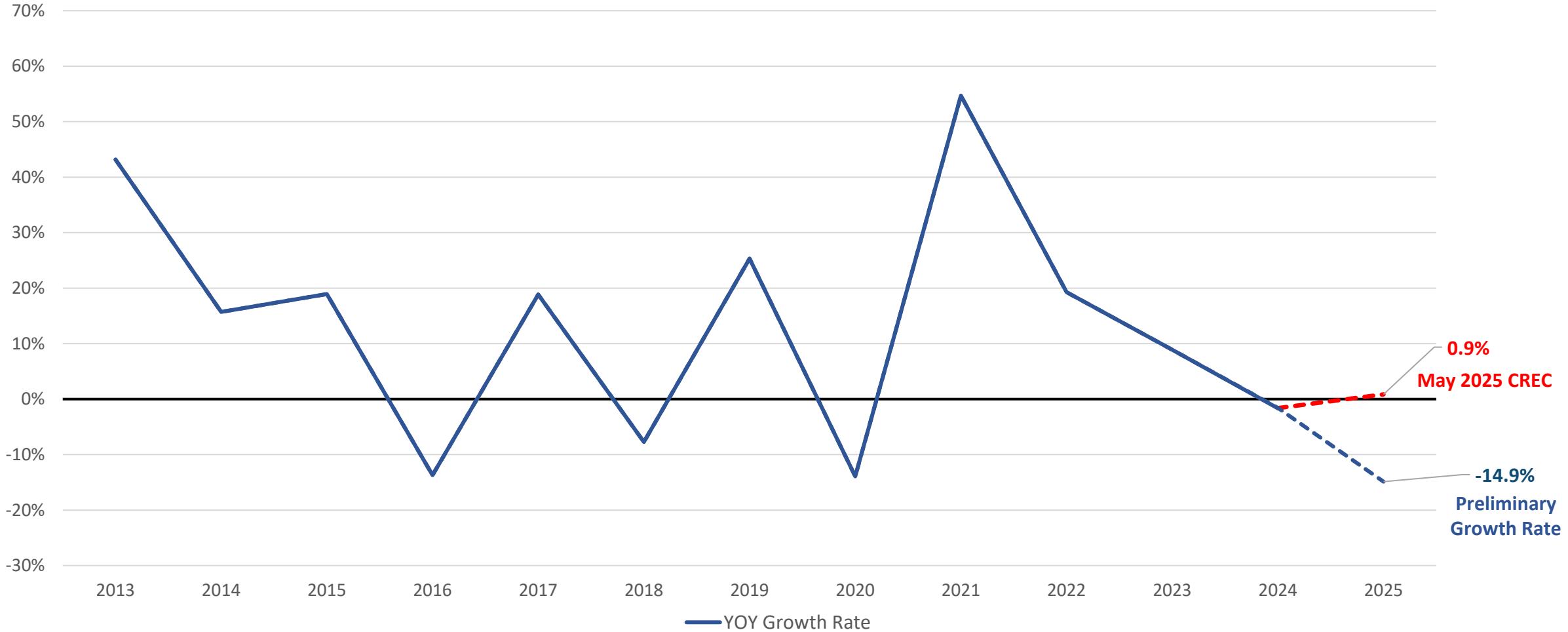
SALES AND USE TAX GROWTH RATE

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



CORPORATE INCOME TAX GROWTH RATE

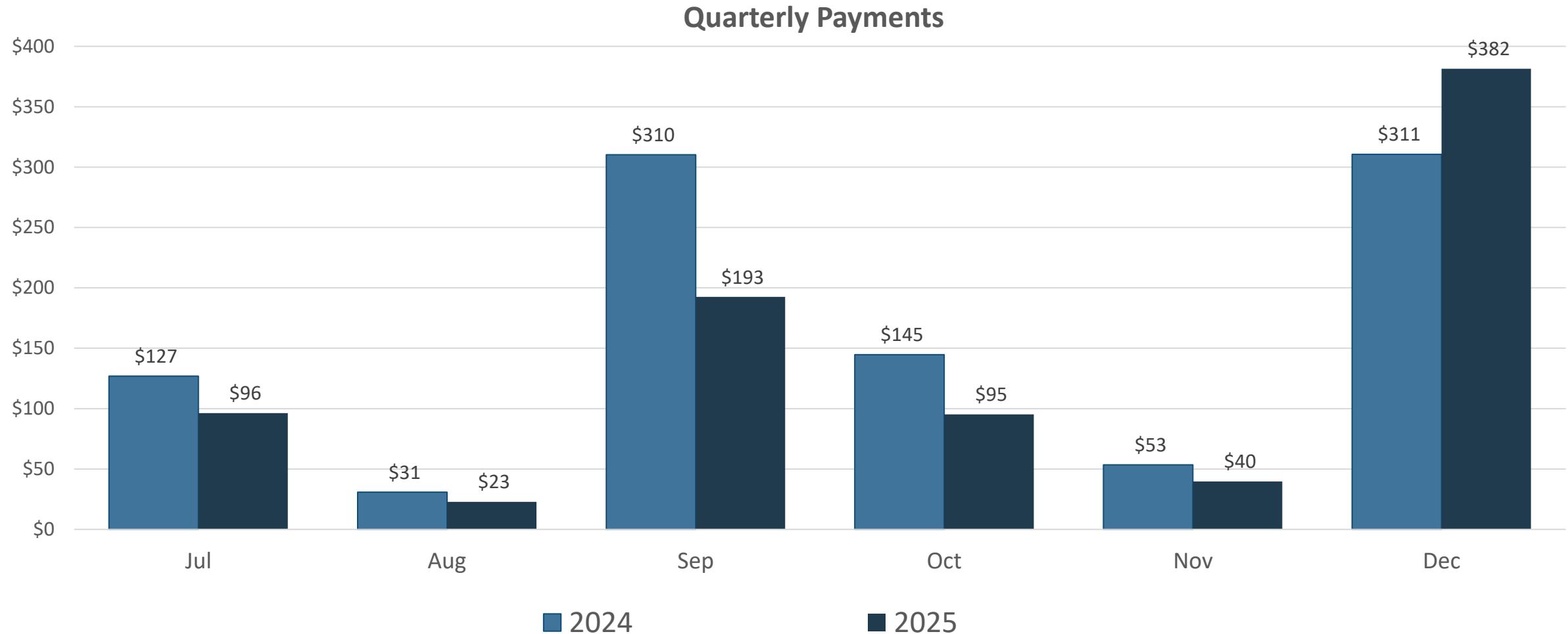
Corporate Income Tax
Fiscal Year-Over-Year Growth Rate



CIT COLLECTIONS SLOWED THROUGH FY 2025

Corporate Income Tax Collections

Millions of Dollars



2025 GF and SAF Tax Changes

Legislation and tax changes lowered CREC revenue compared to May 2025

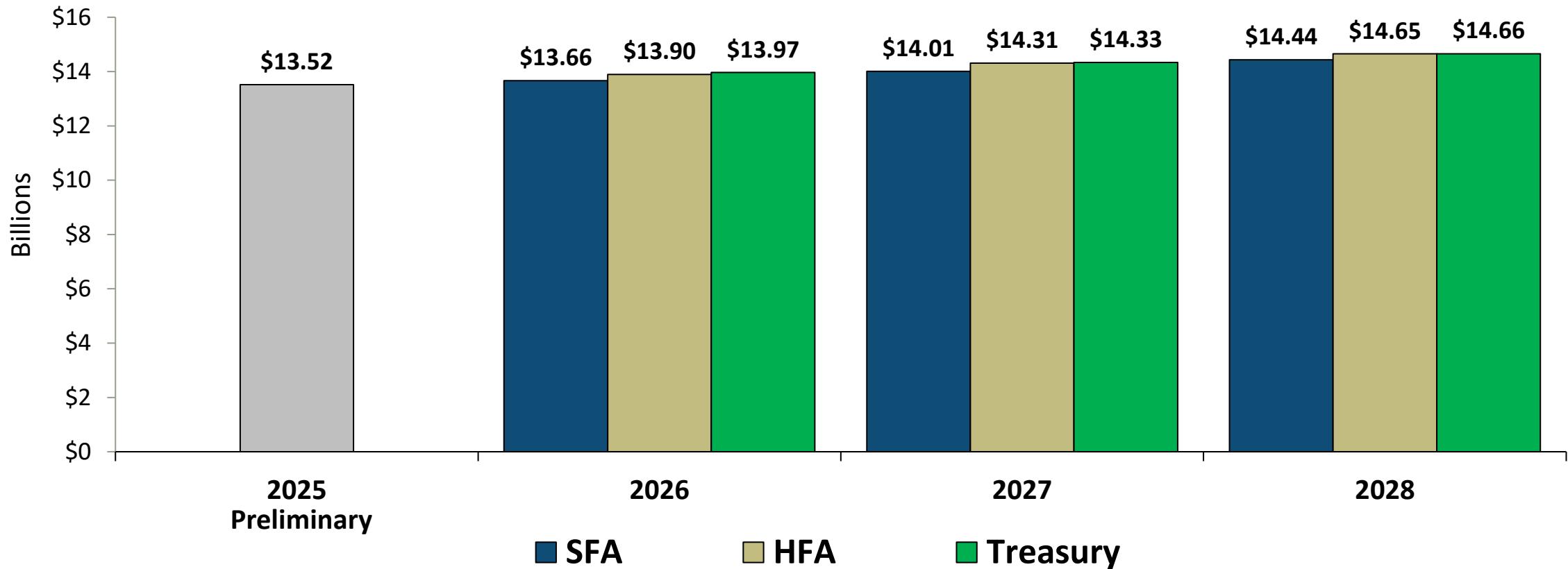
	FY 2025	FY 2026	FY 2027
CIT to Neighborhood Roads Fund	\$0	(\$688.0)	(\$776.0)
Eliminate SOAR Earmark/Add Healthy Michigan	\$250.0	\$0	\$0
Eliminate MTF Earmark from Income Tax	\$0	\$600.0	\$600.0
Sales Tax Exemption for Motor Fuel – GF Impact and SAF Backfill	\$0	(\$545.8)	(\$724.8)
Tax Deduction for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

*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

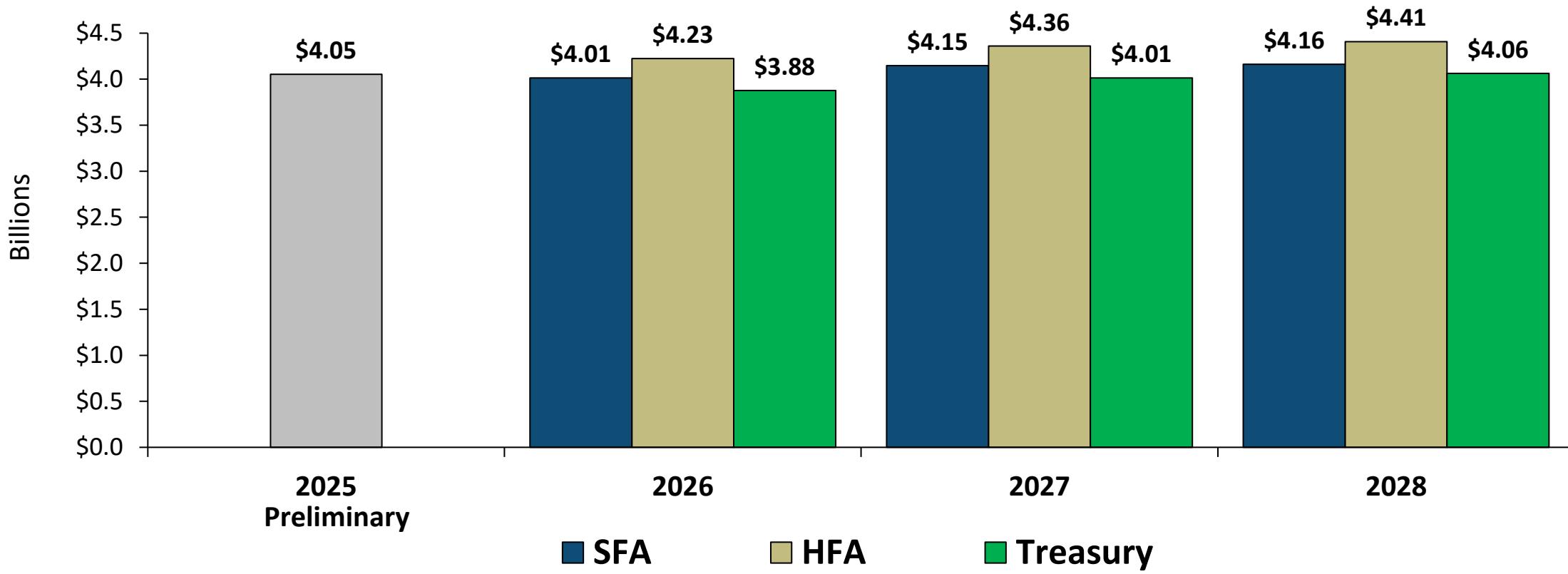
Individual Income Tax Withholding

Fiscal Year



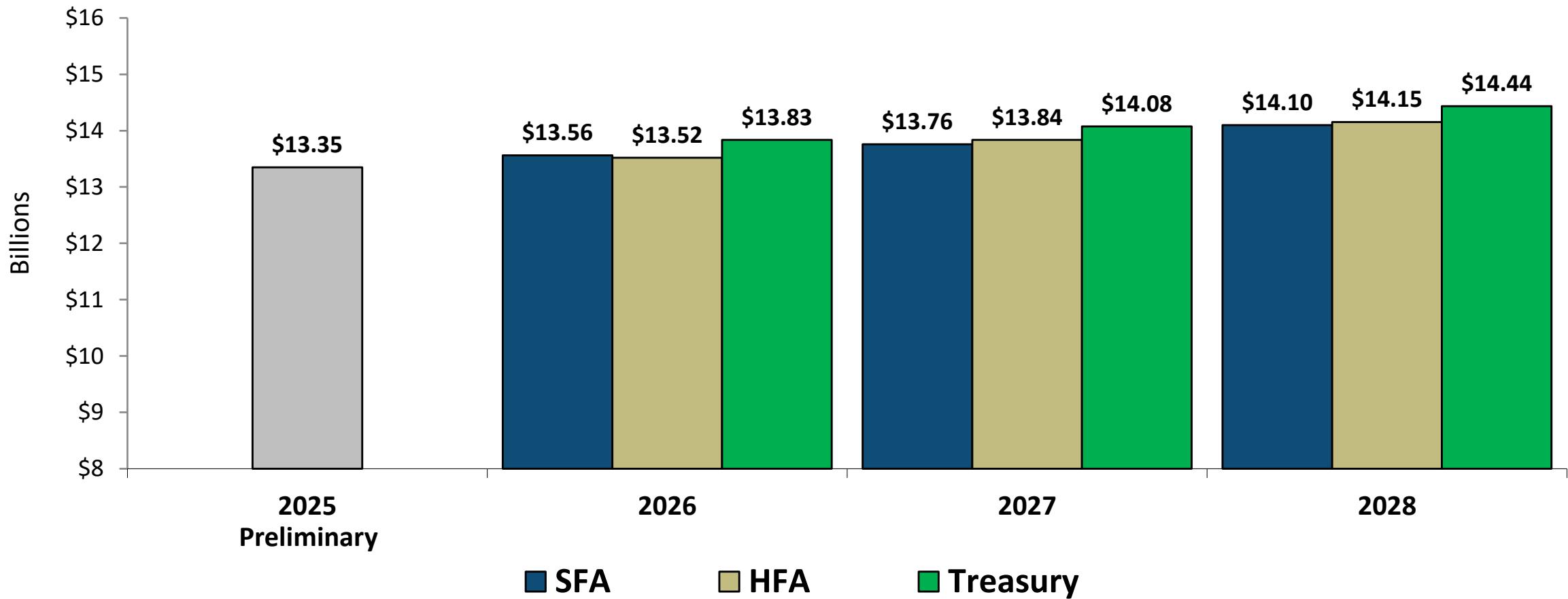
Individual Income Tax Refunds

Fiscal Year



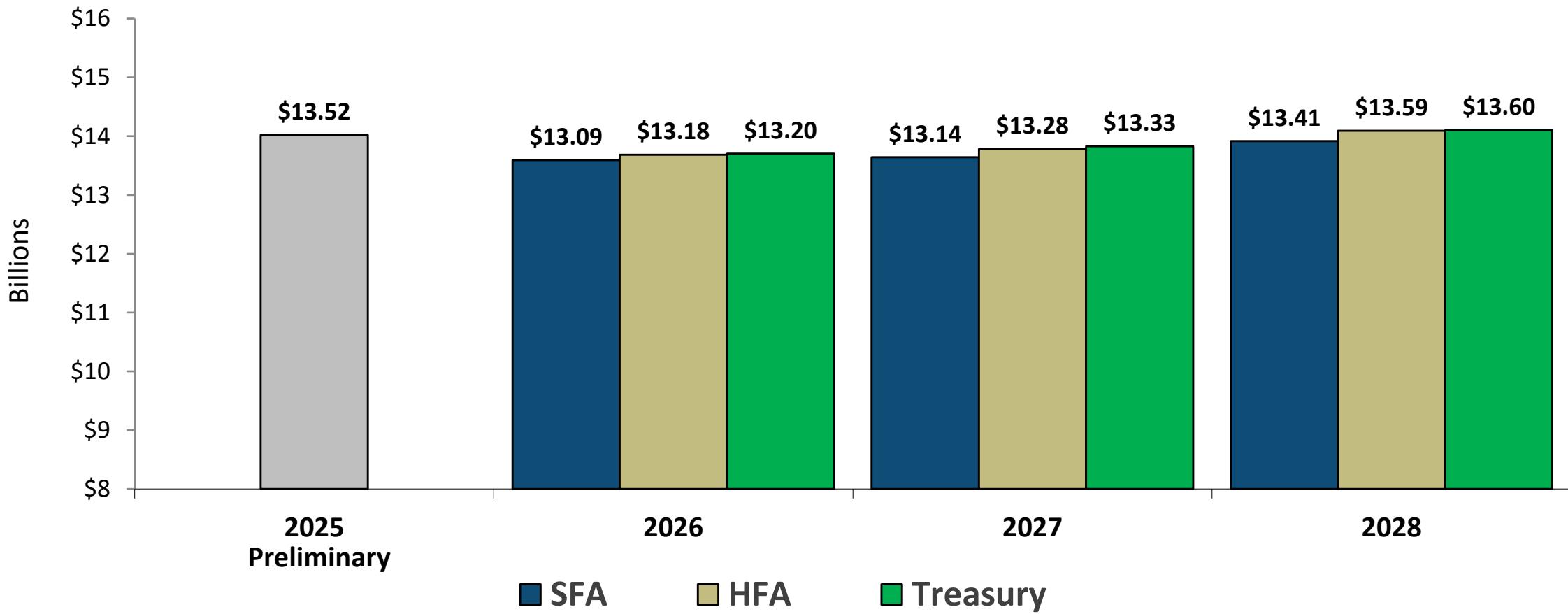
Net Individual Income Tax (IIT) Revenue Estimates

Fiscal Year



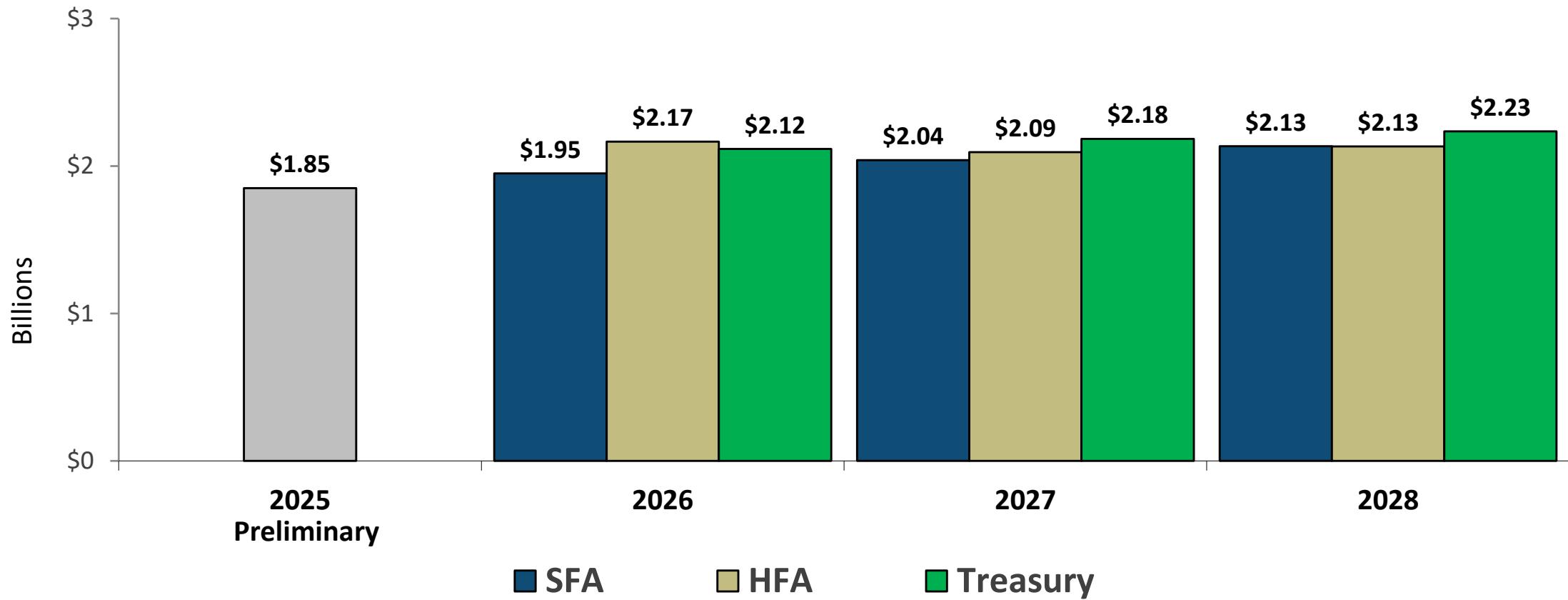
Net Sales and Use Taxes Revenue Estimates

Fiscal Year



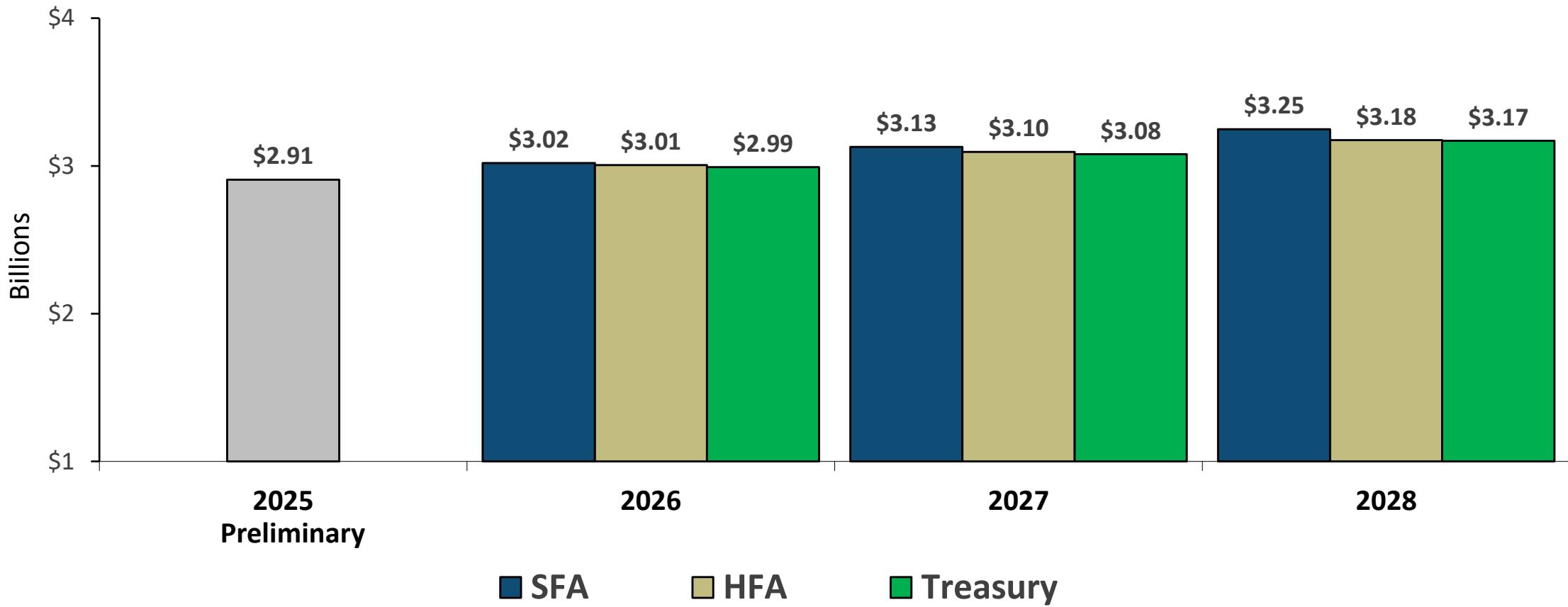
Net Corporate Income Tax (CIT) Revenue Estimates

Fiscal Year



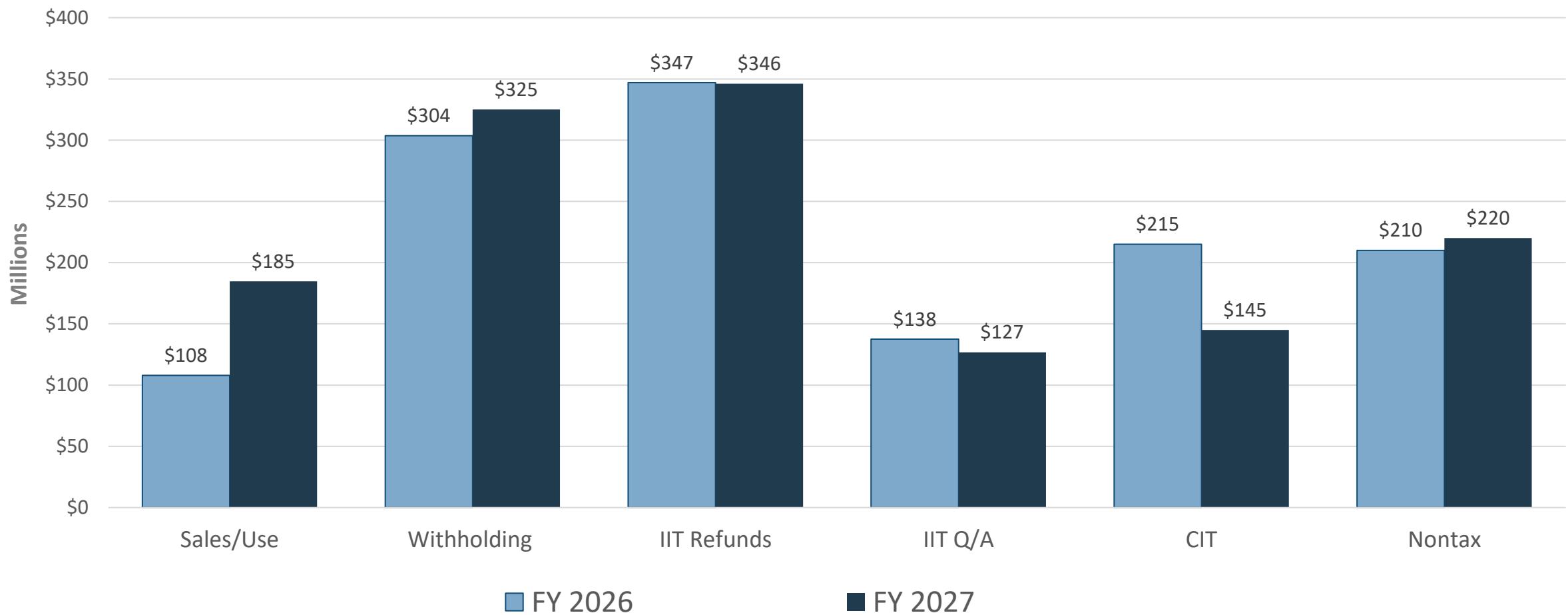
Net State Education Tax (SET) Revenue Estimates

Fiscal Year



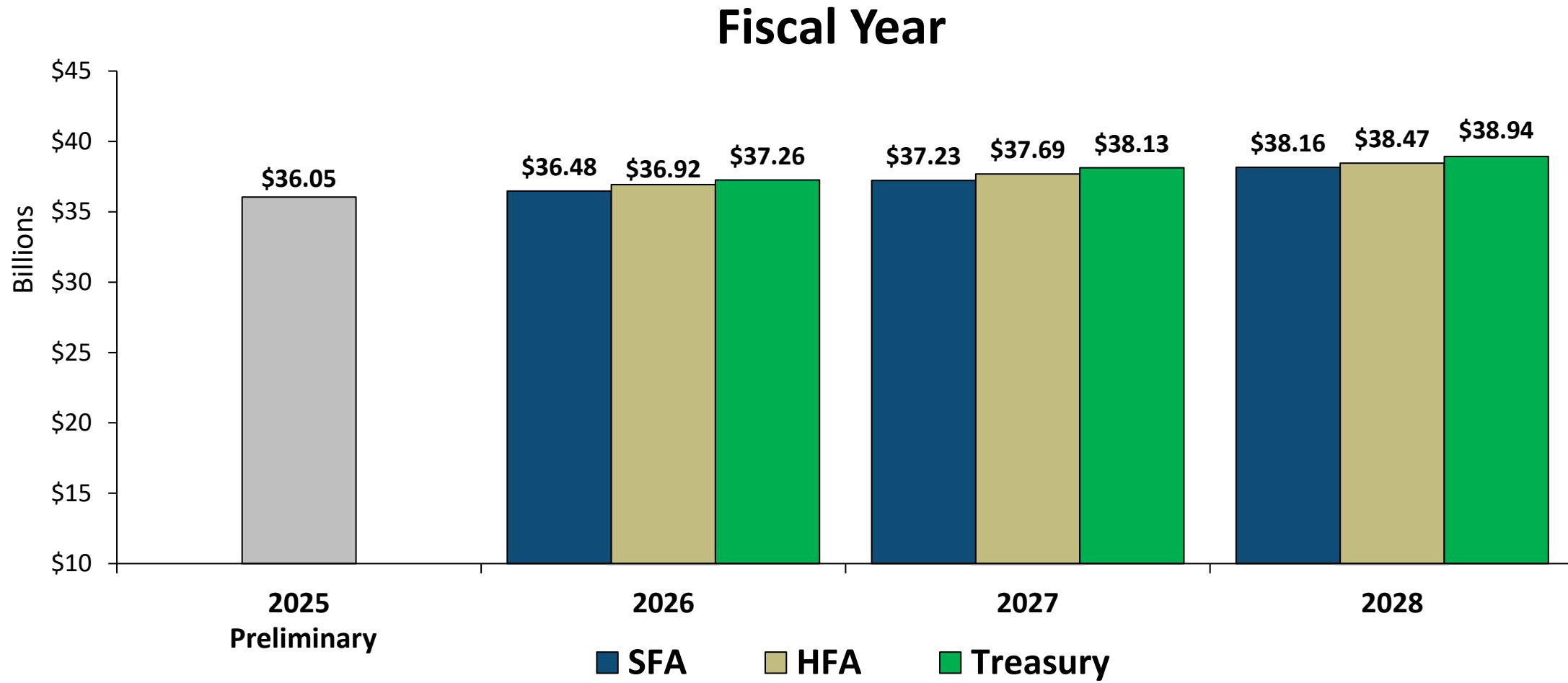
Differences in Forecasts of Major Taxes

Range of Forecast Between Highest and Lowest



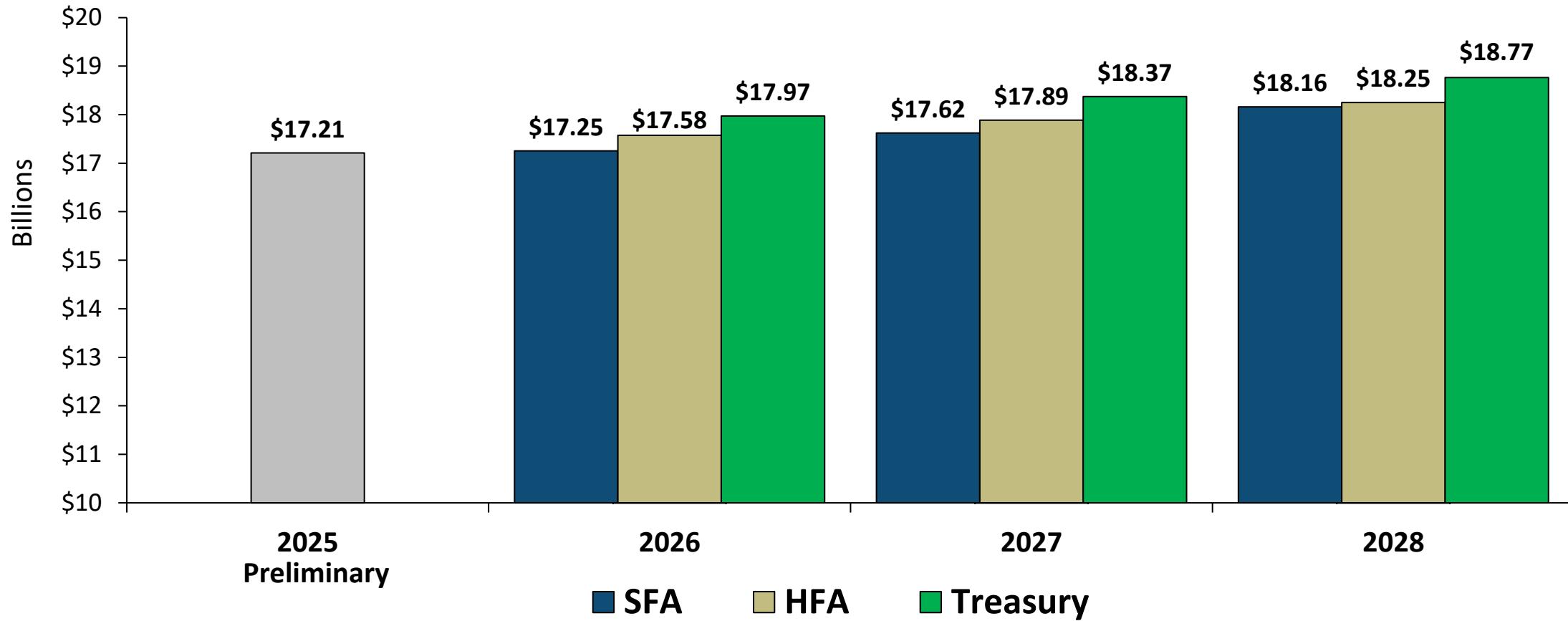
FORECAST OF GF-GP AND SCHOOL AID FUND

Baseline Revenue: Total GF-GP and SAF

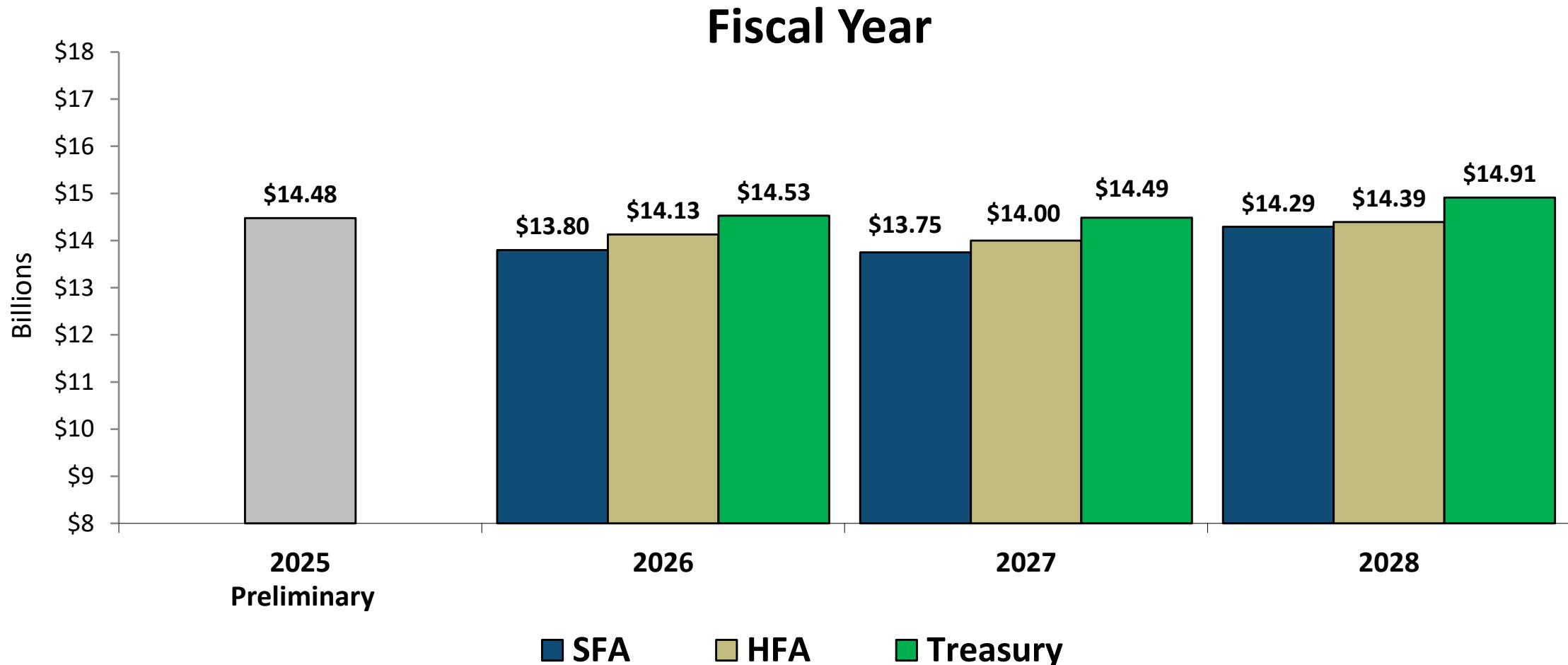


Baseline Revenue: General Fund-General Purpose

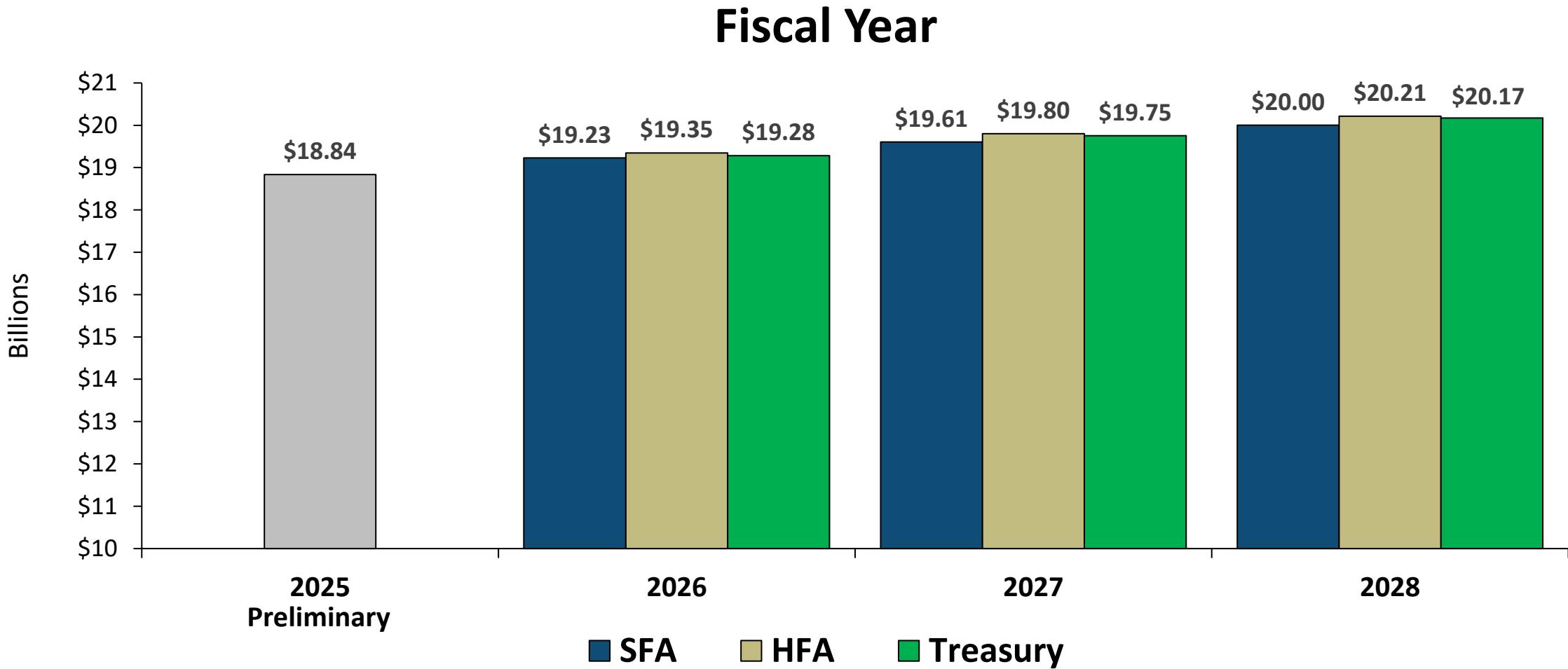
Fiscal Year



General Fund-General Purpose Net Revenue

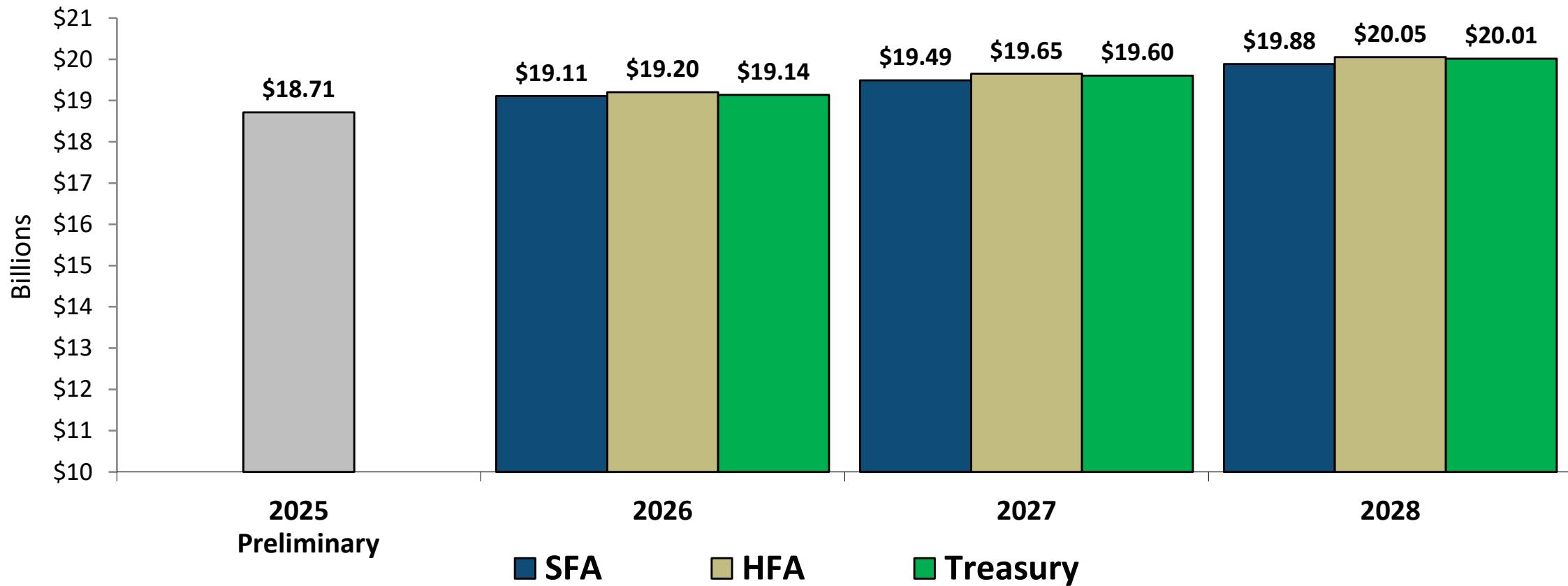


Baseline Revenue: School Aid Fund



School Aid Fund Net Revenue Estimates

Fiscal Year



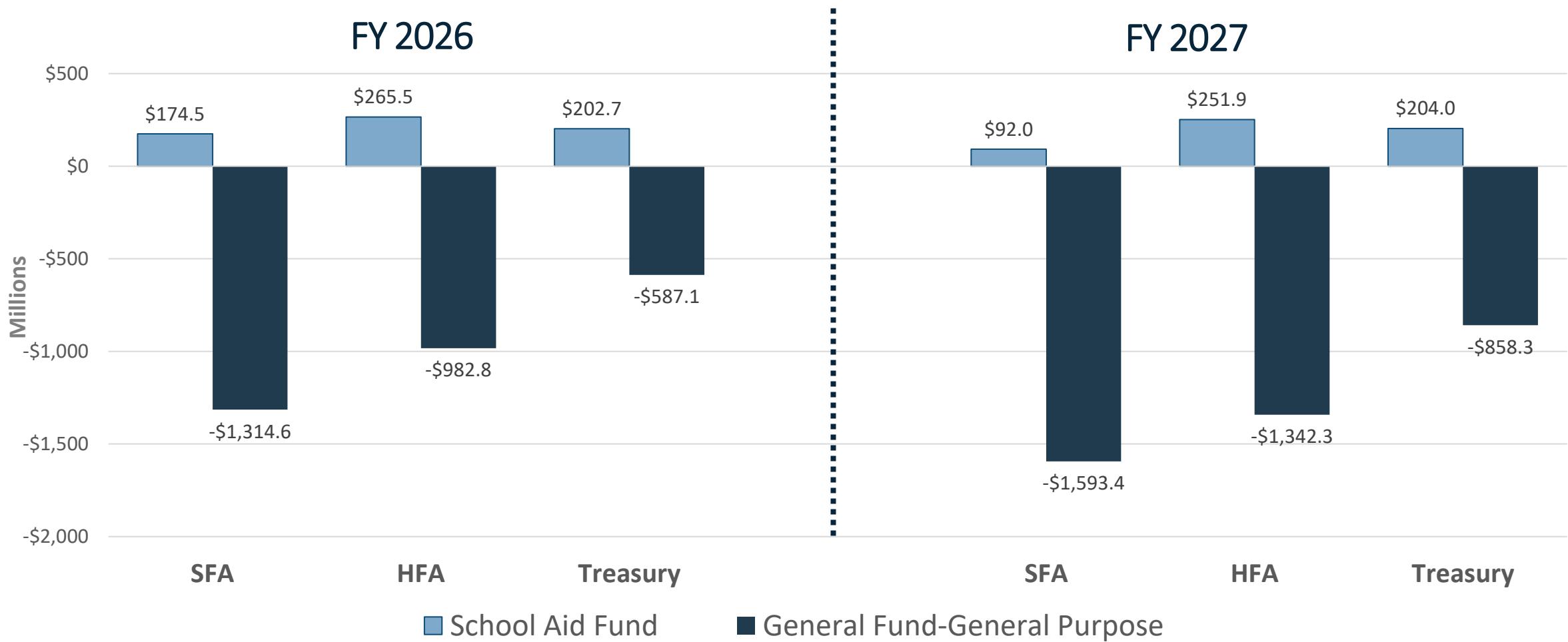
Revenue Forecast Comparison

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

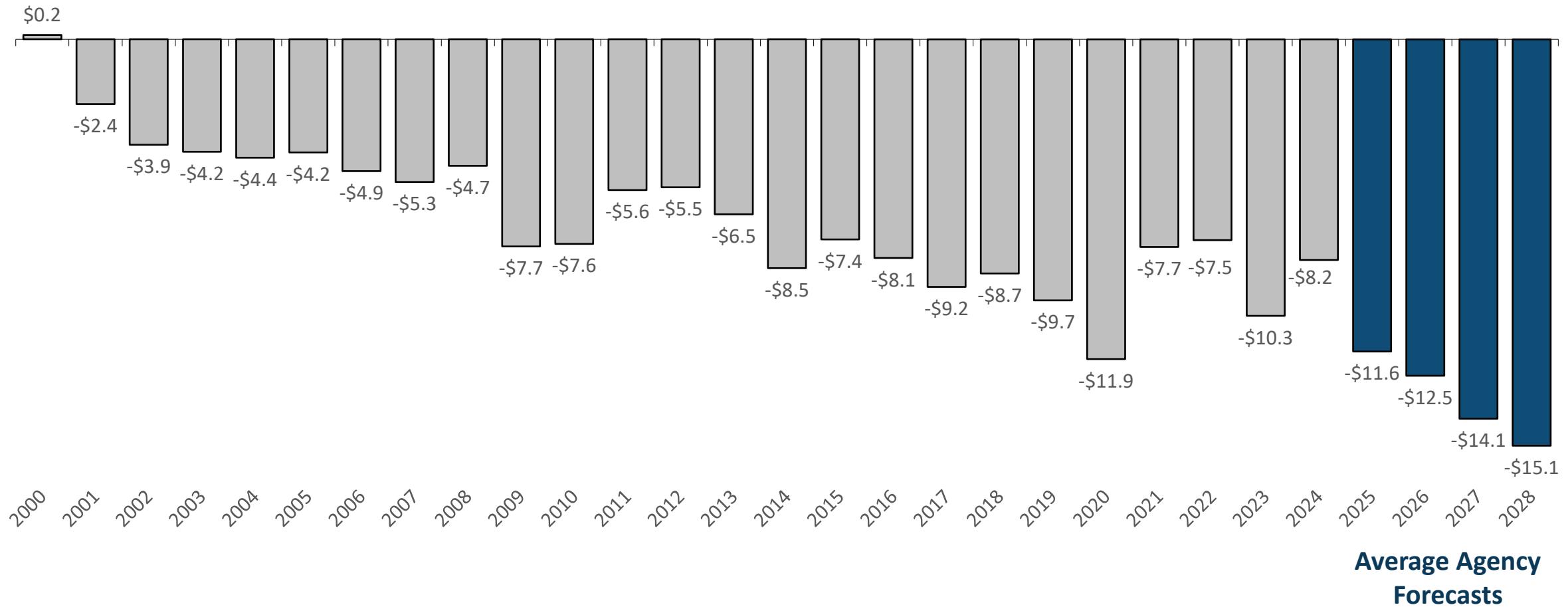
- No pay-ins during FY 2026 to FY 2028

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

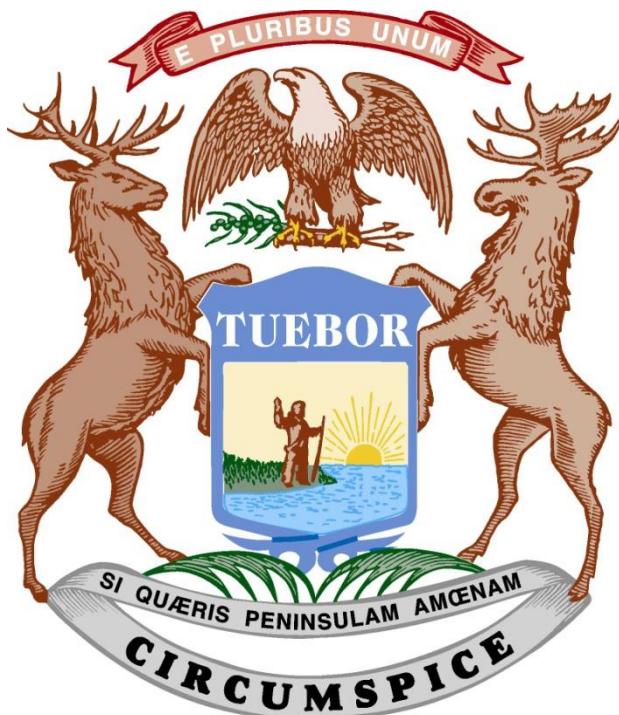


MICHIGAN REVENUE FORECAST RISKS

- 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

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