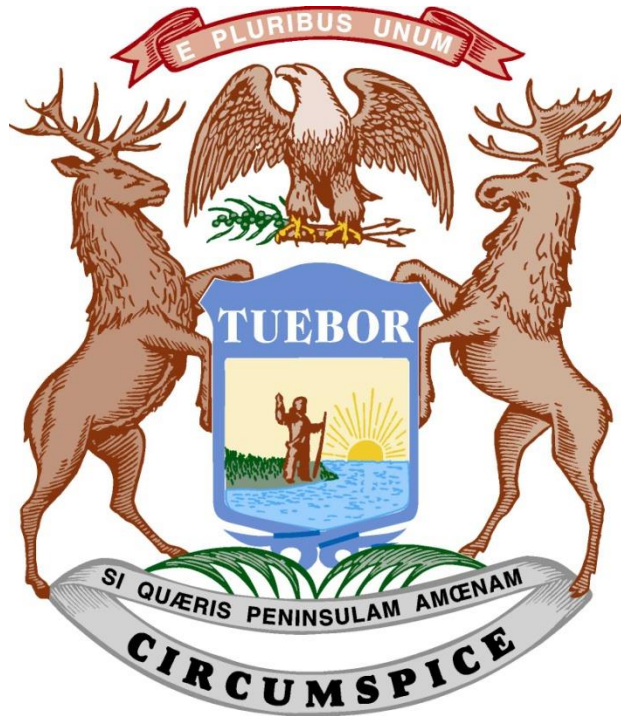


ECONOMIC AND REVENUE FORECASTS

FY 2024 • FY 2025 • FY 2026



CONSENSUS REVENUE ESTIMATING CONFERENCE (CREC)

MAY 17, 2024

OUTLINE

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

ECONOMIC OUTLOOK

- U.S. Economy

- All three forecasts estimate that 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

- Michigan Economy

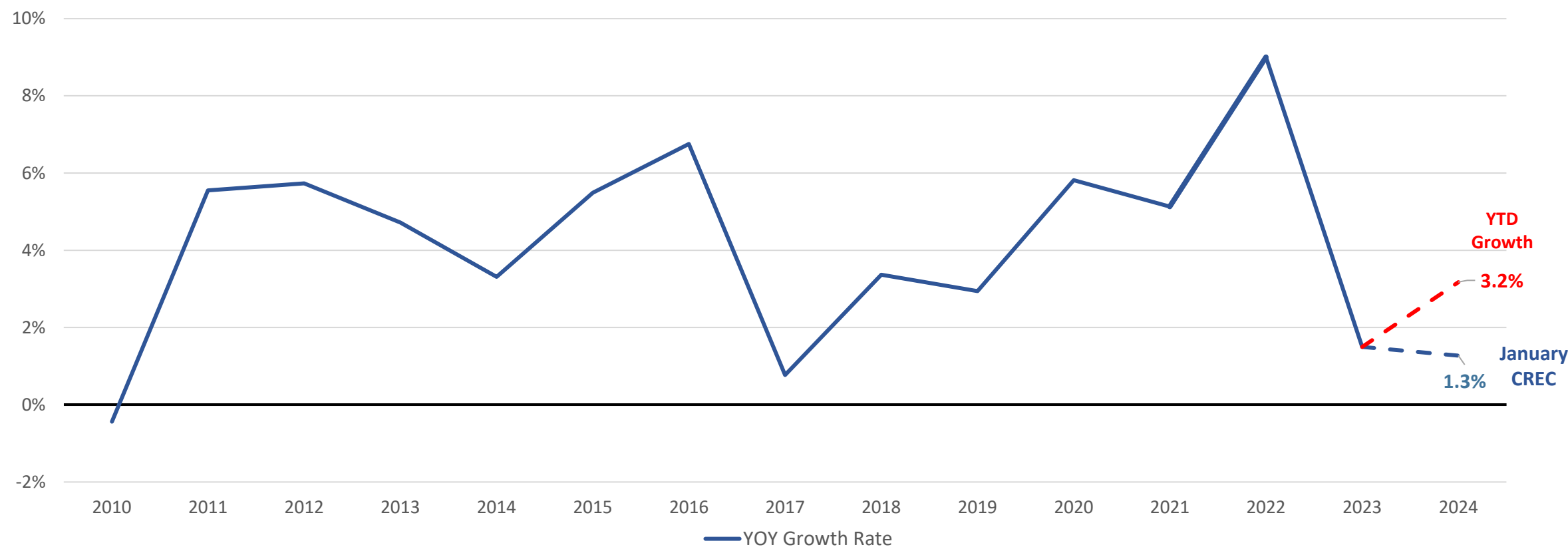
- Michigan economic outlook expected to track national growth
- Michigan Personal Income growth expected through the next three years, even after adjusting for inflation

REVENUE SINCE JANUARY CREC— MAJOR TAXES ON TARGET

- Revenue collections remain solid
- Major taxes generally on target
- IIT refunds
 - Prior-year retroactive EITC processing and rate reduction boosting cash refunds
 - Significant amounts of FY 2024 cash refunds were already accounted for in FY 2023

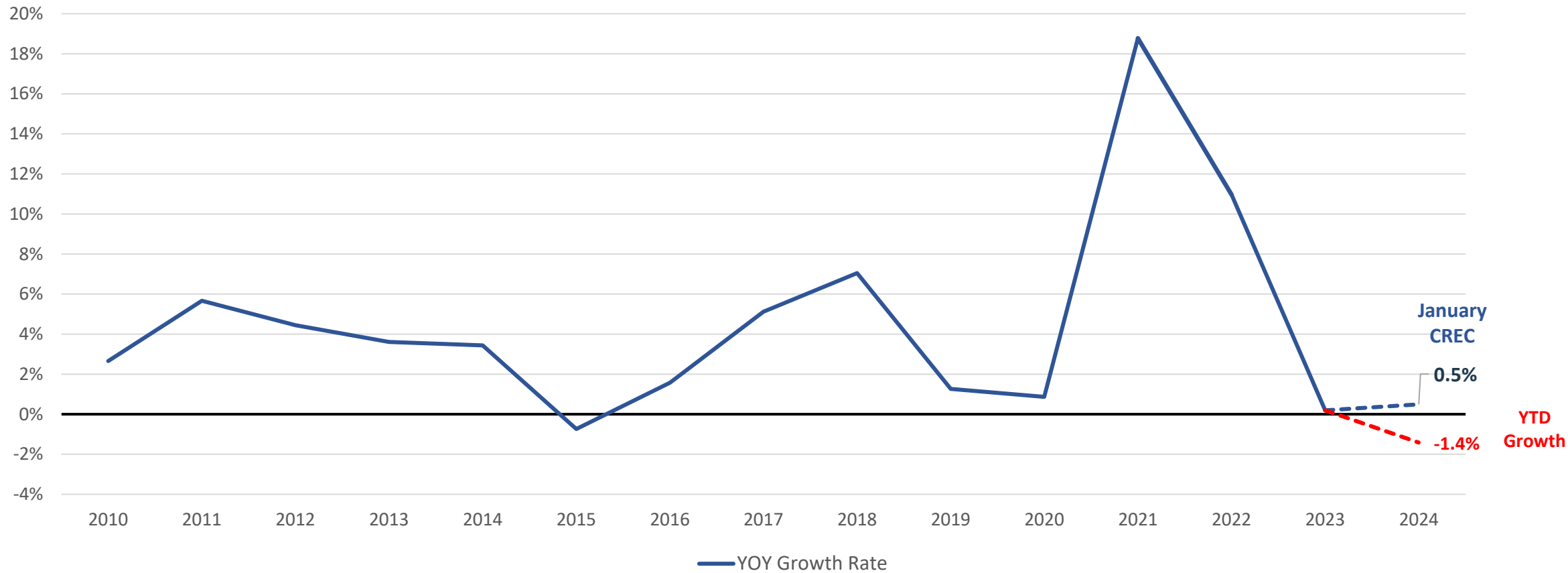
INCOME TAX WITHHOLDING GROWTH RATE

Income Tax Withholding
Fiscal Year-Over-Year Growth Rate



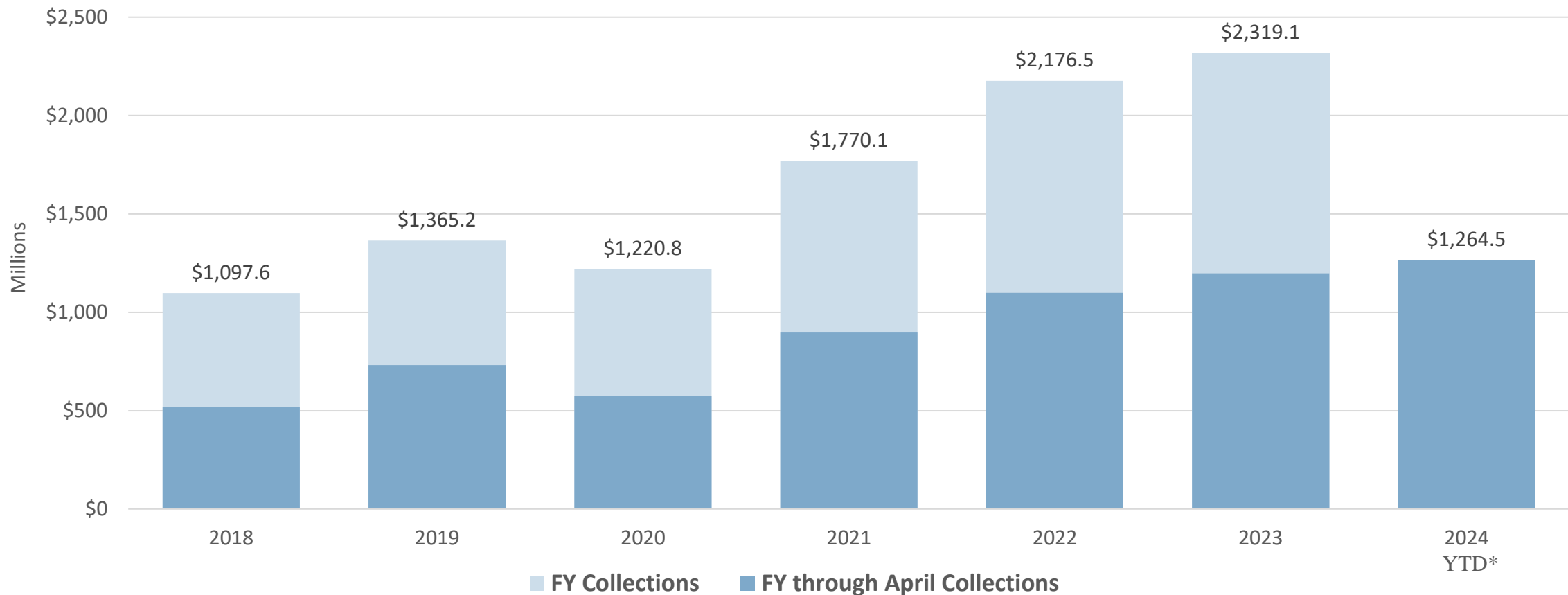
SALES AND USE GROWTH RATE

Sales and Use
Fiscal Year-Over-Year Growth Rate



CORPORATE INCOME TAX--STRONG GROWTH CONTINUES

CIT and MBT
Excluding MEGA and MBT Credits

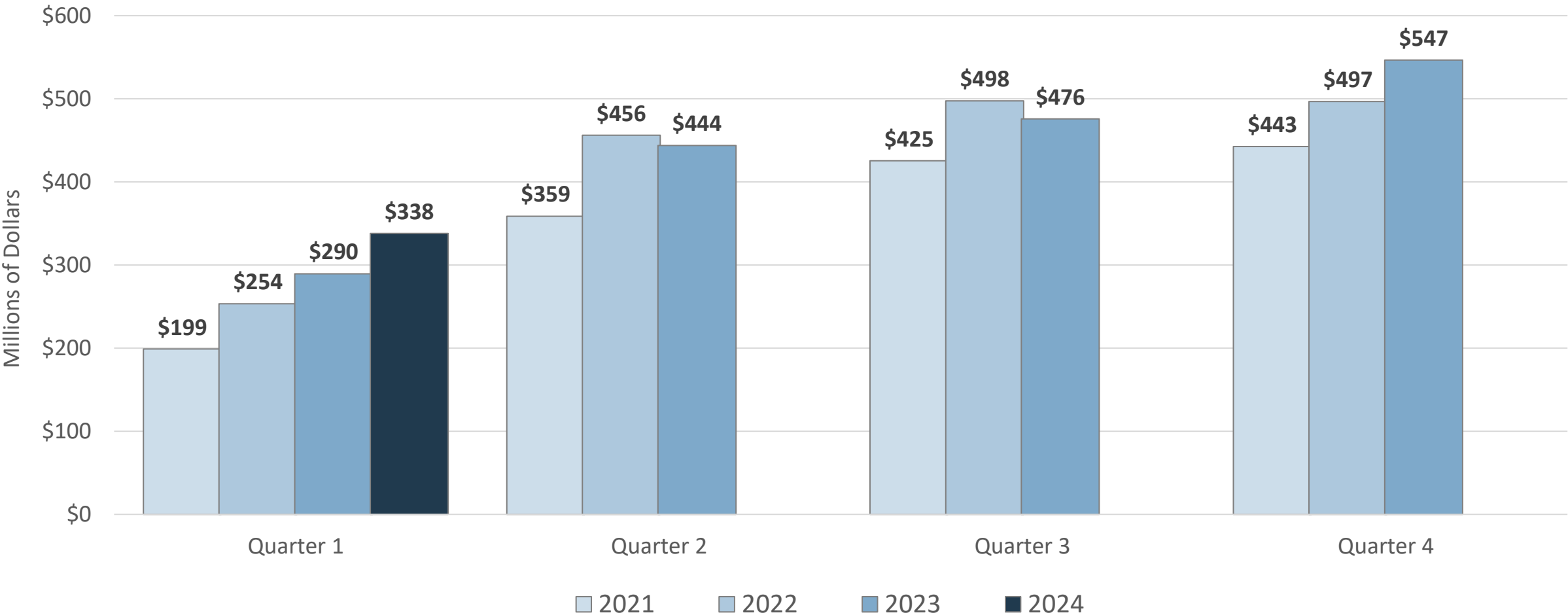


Source: Michigan Department of Treasury, 05/16/2024.

CORPORATE INCOME TAX--STRONG GROWTH CONTINUES

CIT and MBT Quarterly Payments

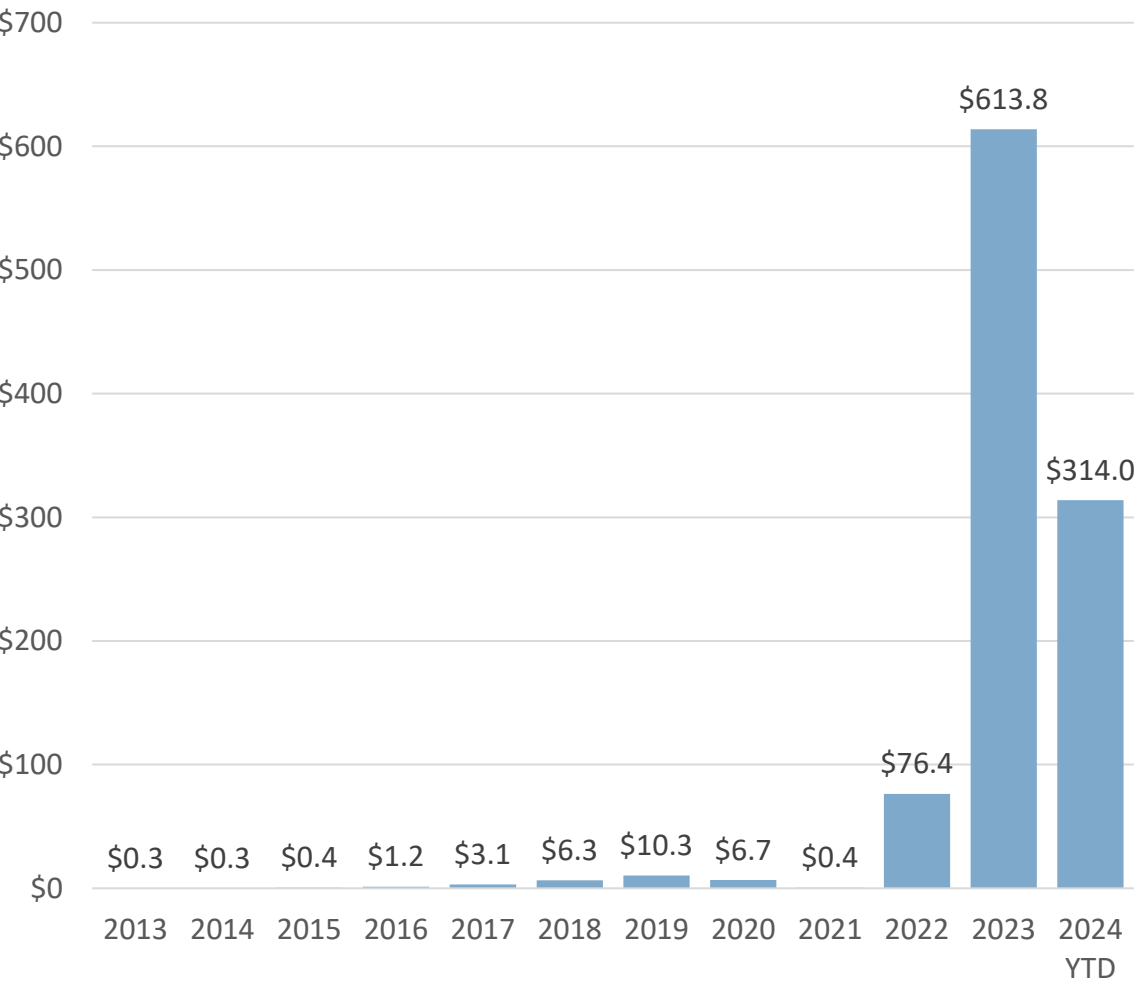
Values shown based on estimated collections for each Tax Year's Quarter



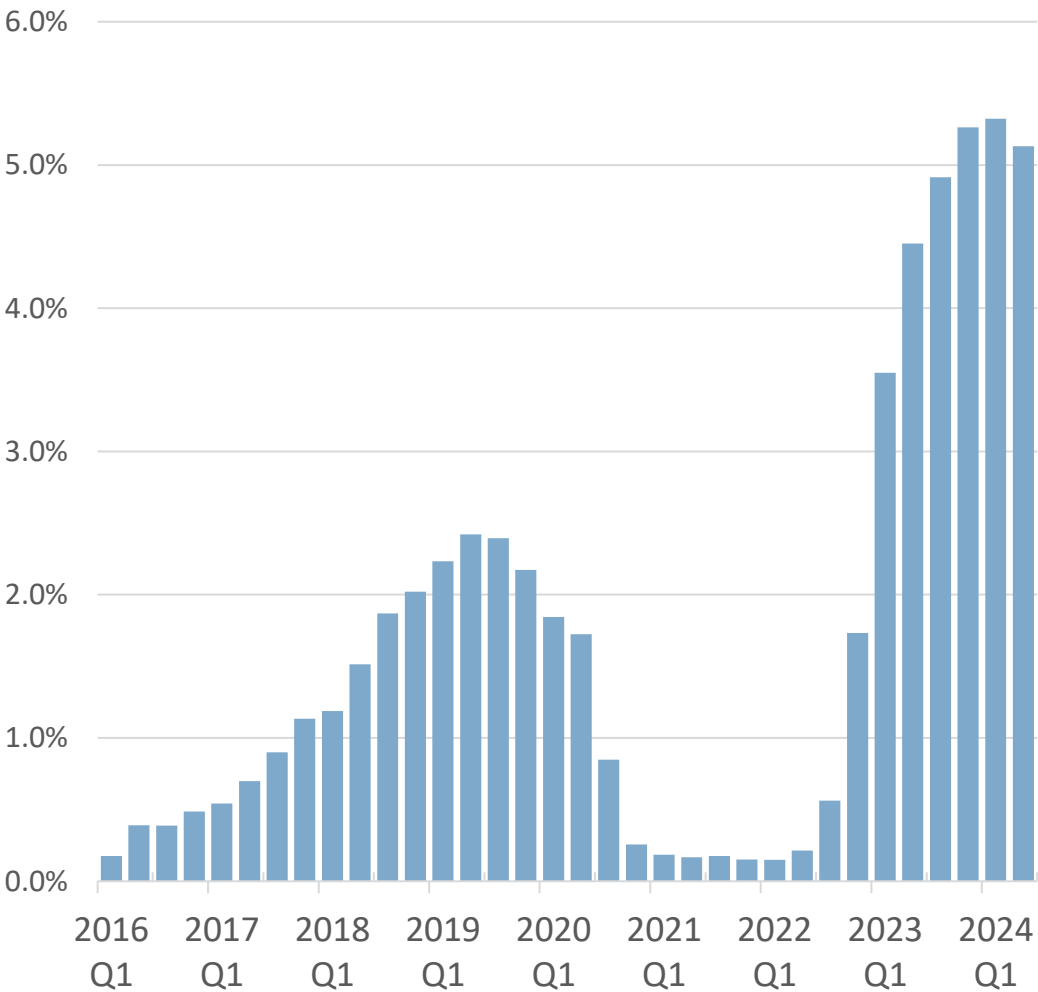
Source: Michigan Department of Treasury, 05/10/2024.

GENERAL FUND COMMON CASH EARNINGS

General Fund Cash Earnings



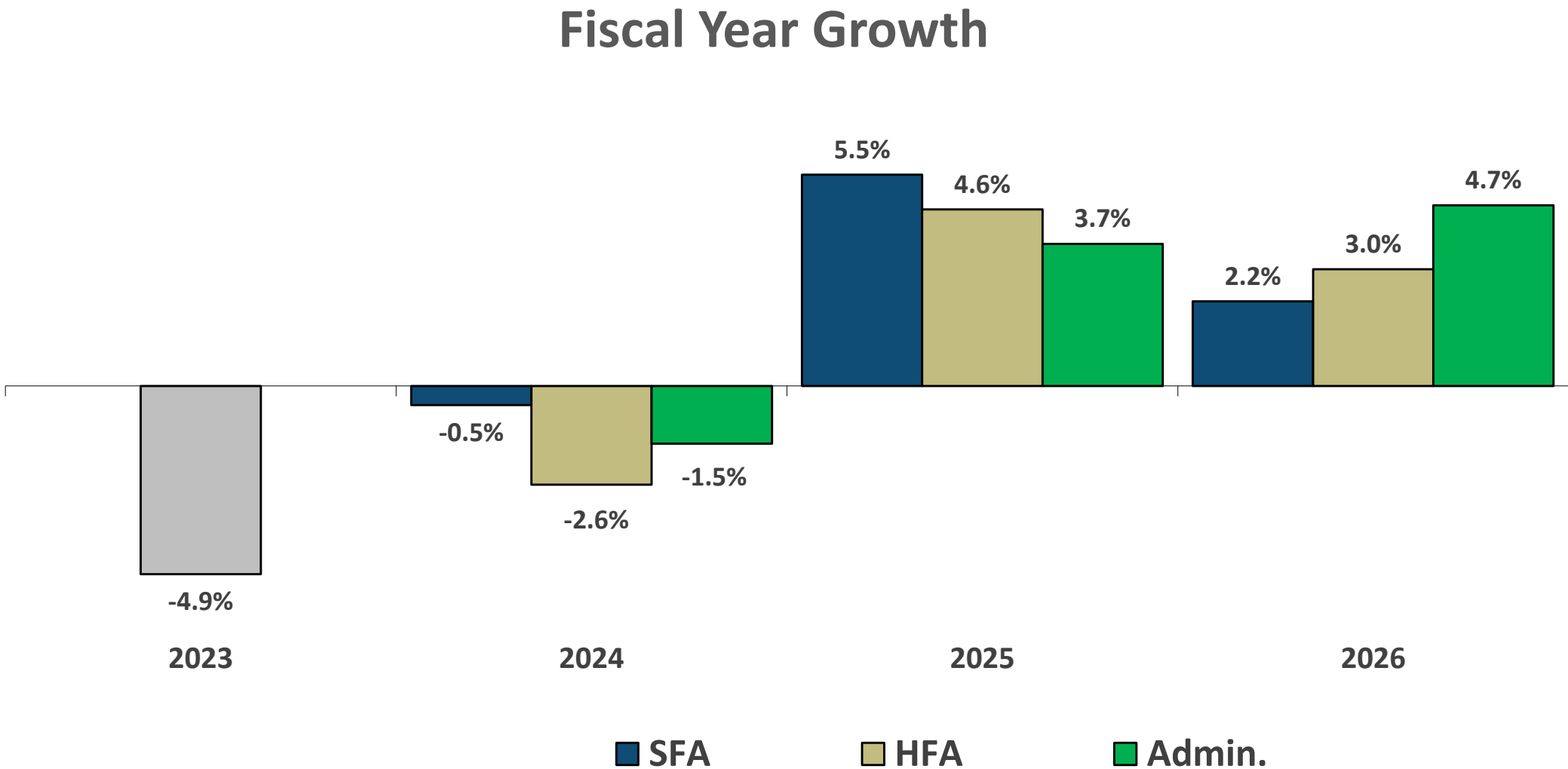
Common Cash Interest Rate



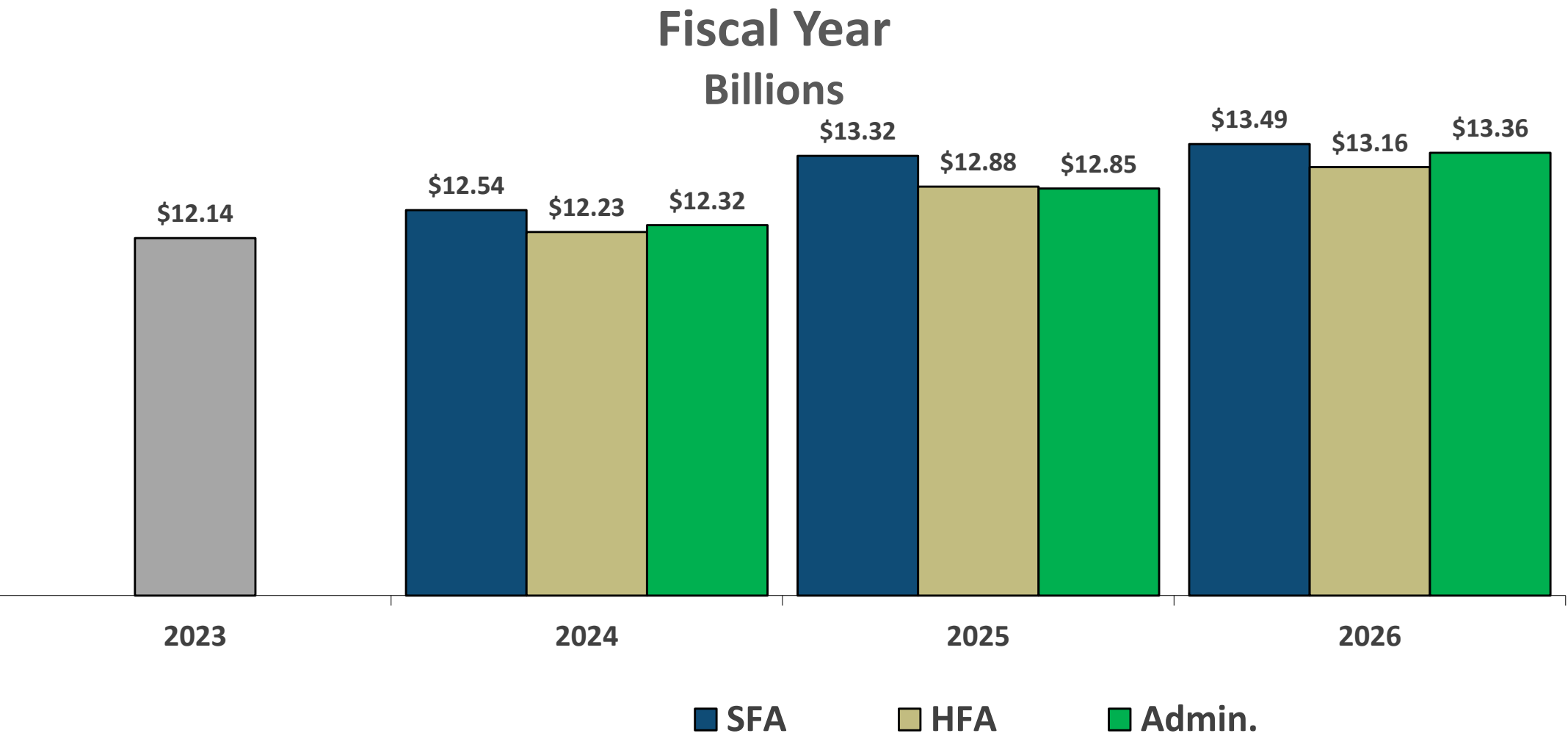
Source: Michigan Department of Treasury, 05/10/2024.

FORECAST OF MAJOR TAXES

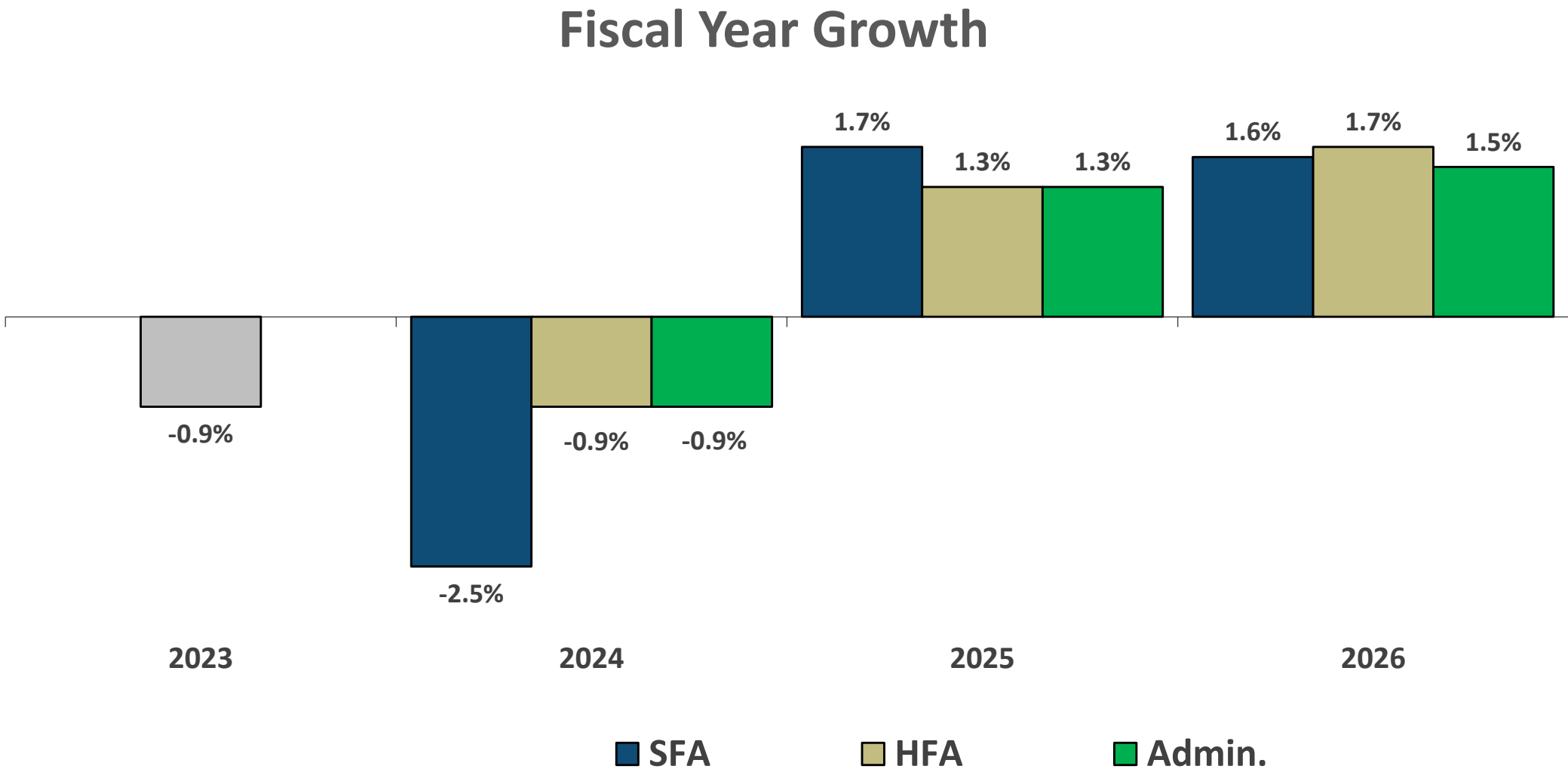
Baseline Income Tax Growth



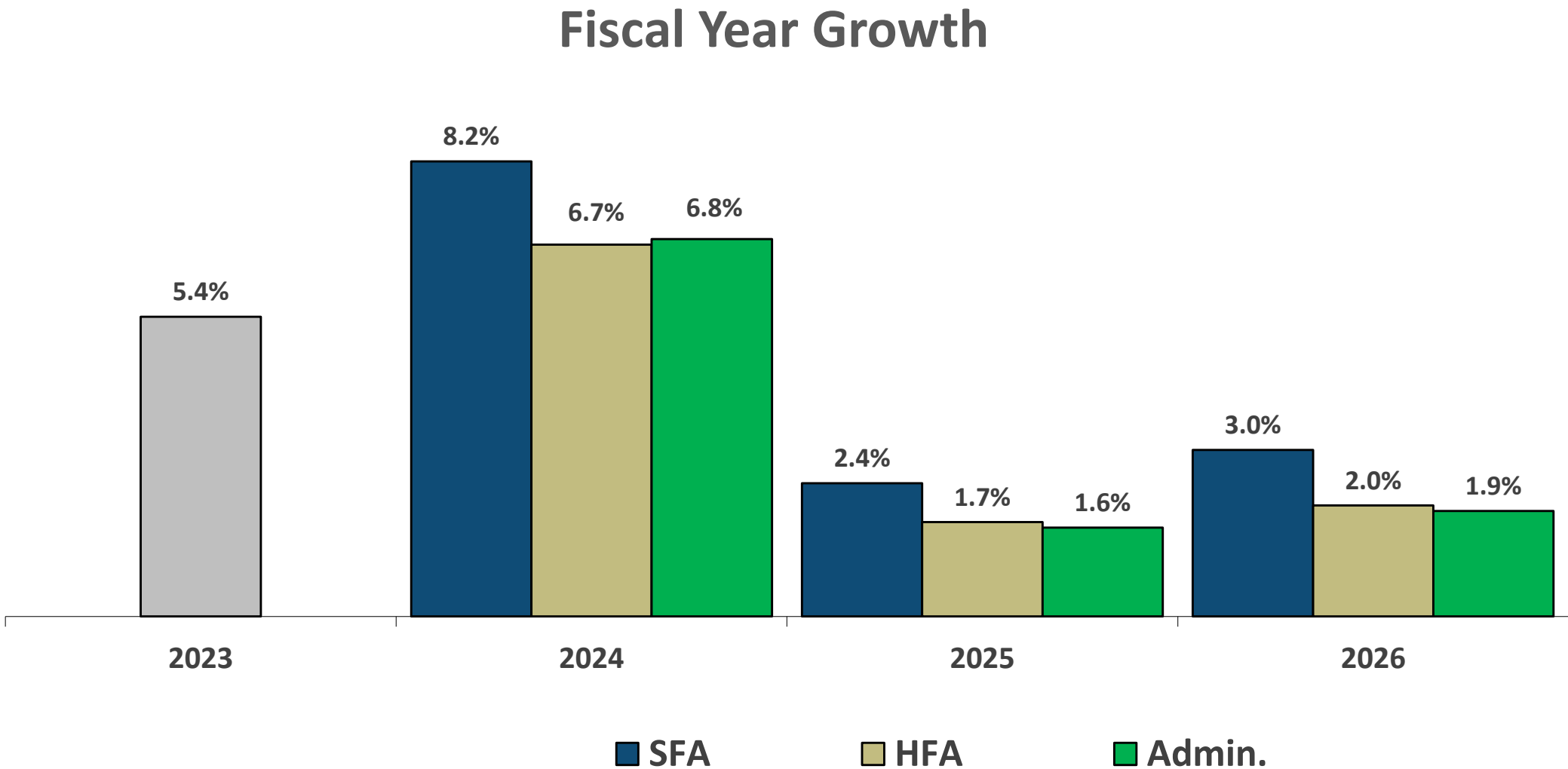
Net Income Tax Revenue Estimates



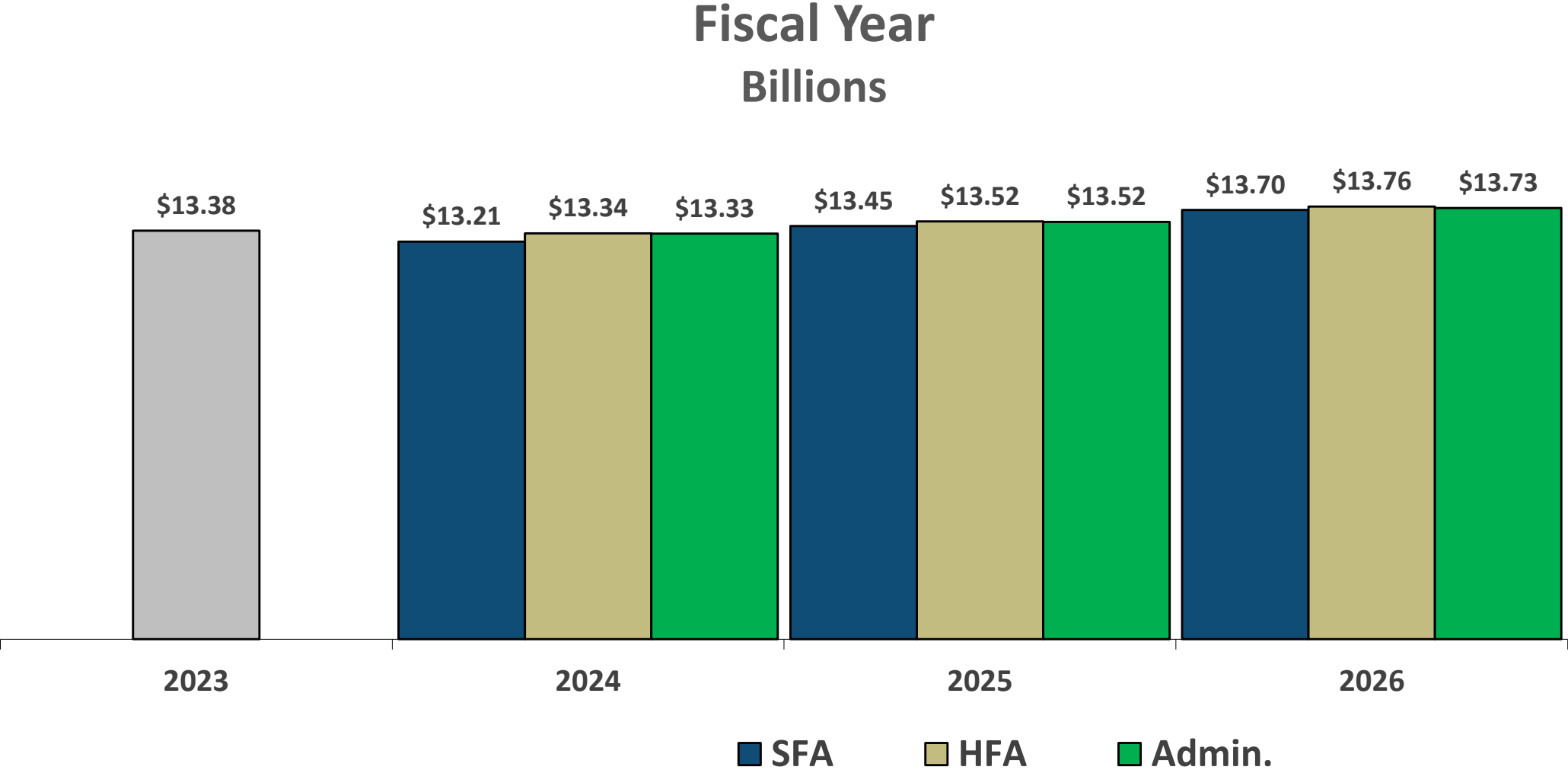
Baseline Sales Tax Growth



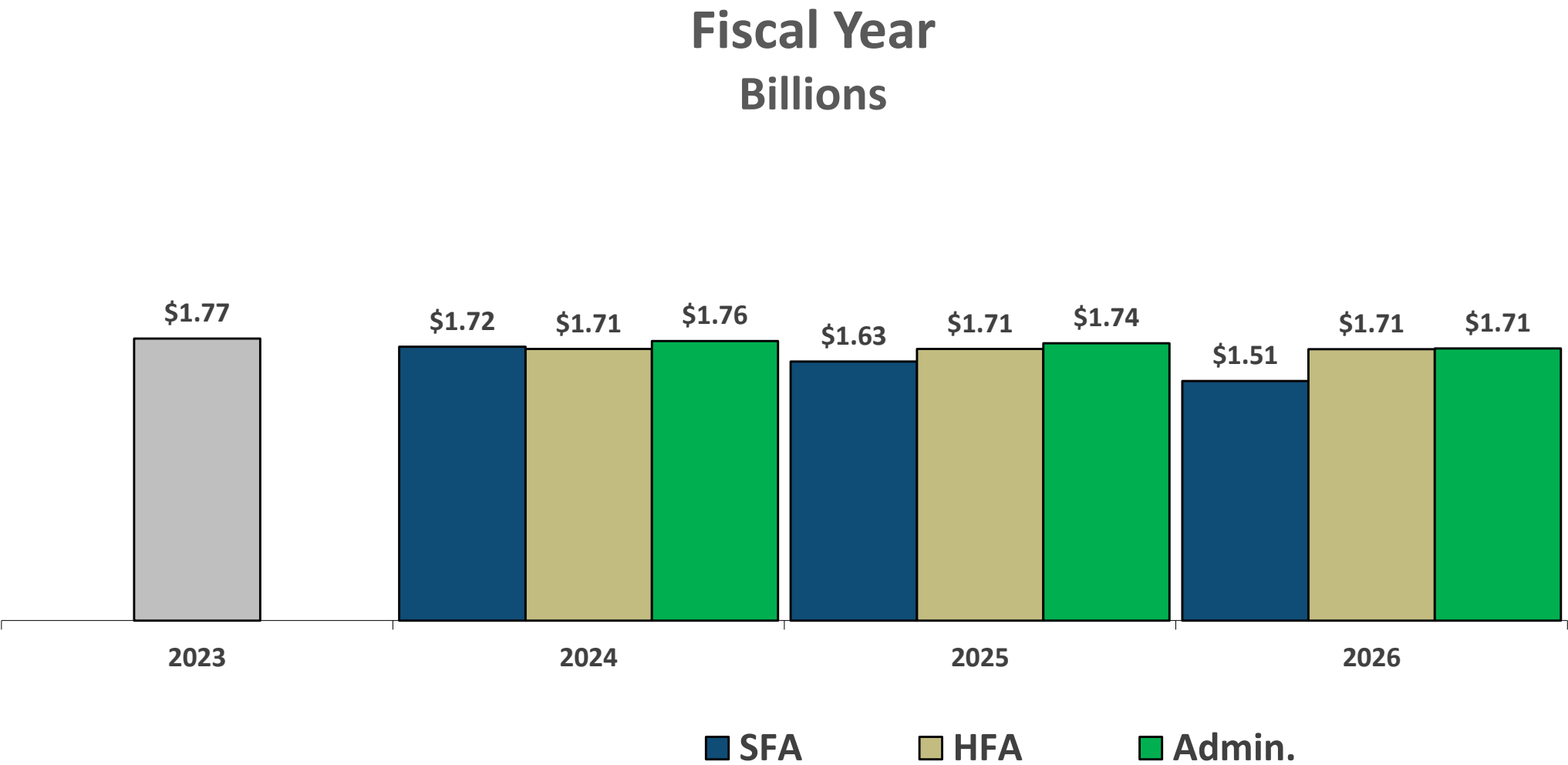
Baseline Use Tax Growth



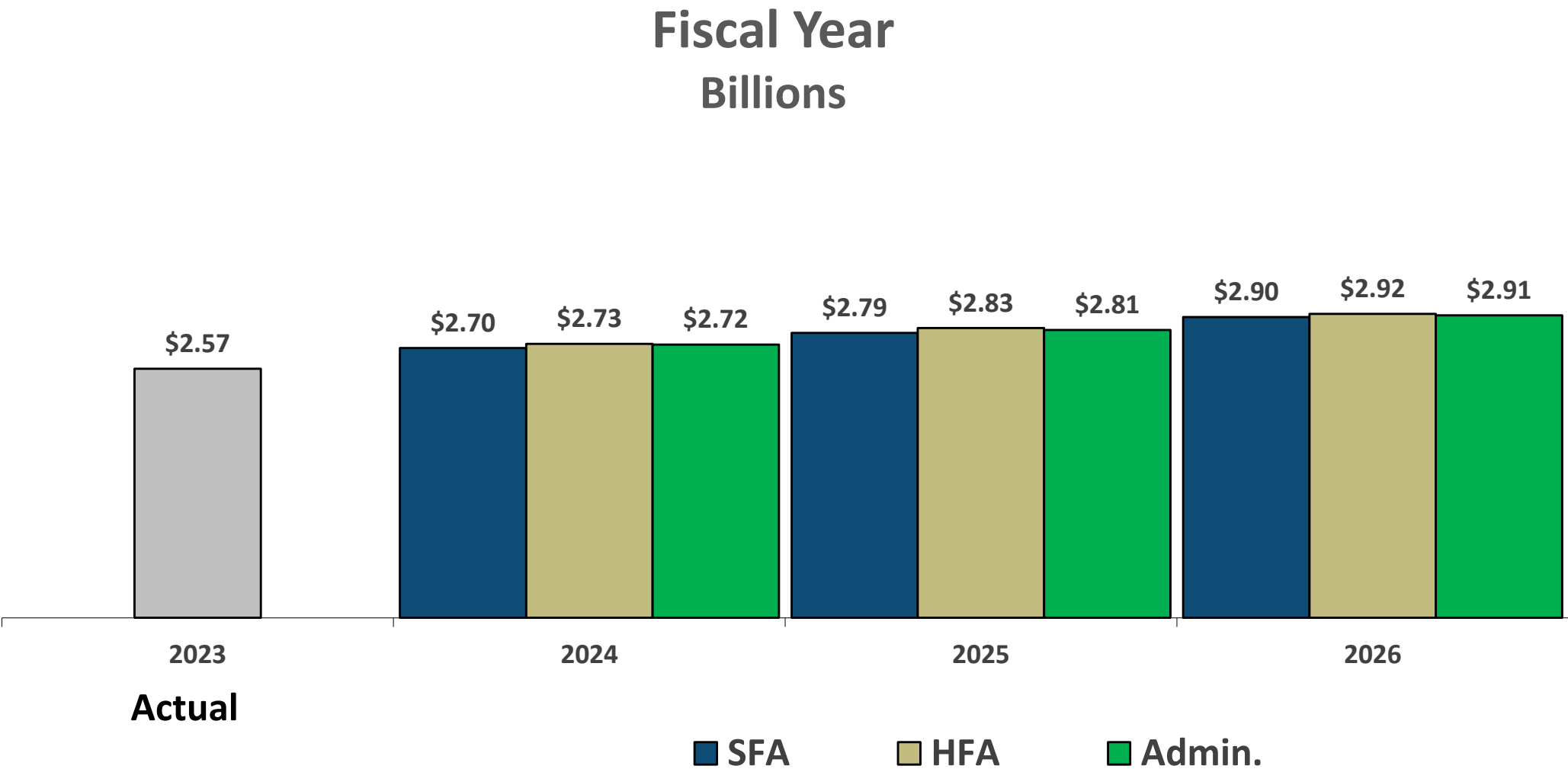
Net Sales and Use Taxes Revenue Estimates



Net CIT/MBT Revenue Estimates

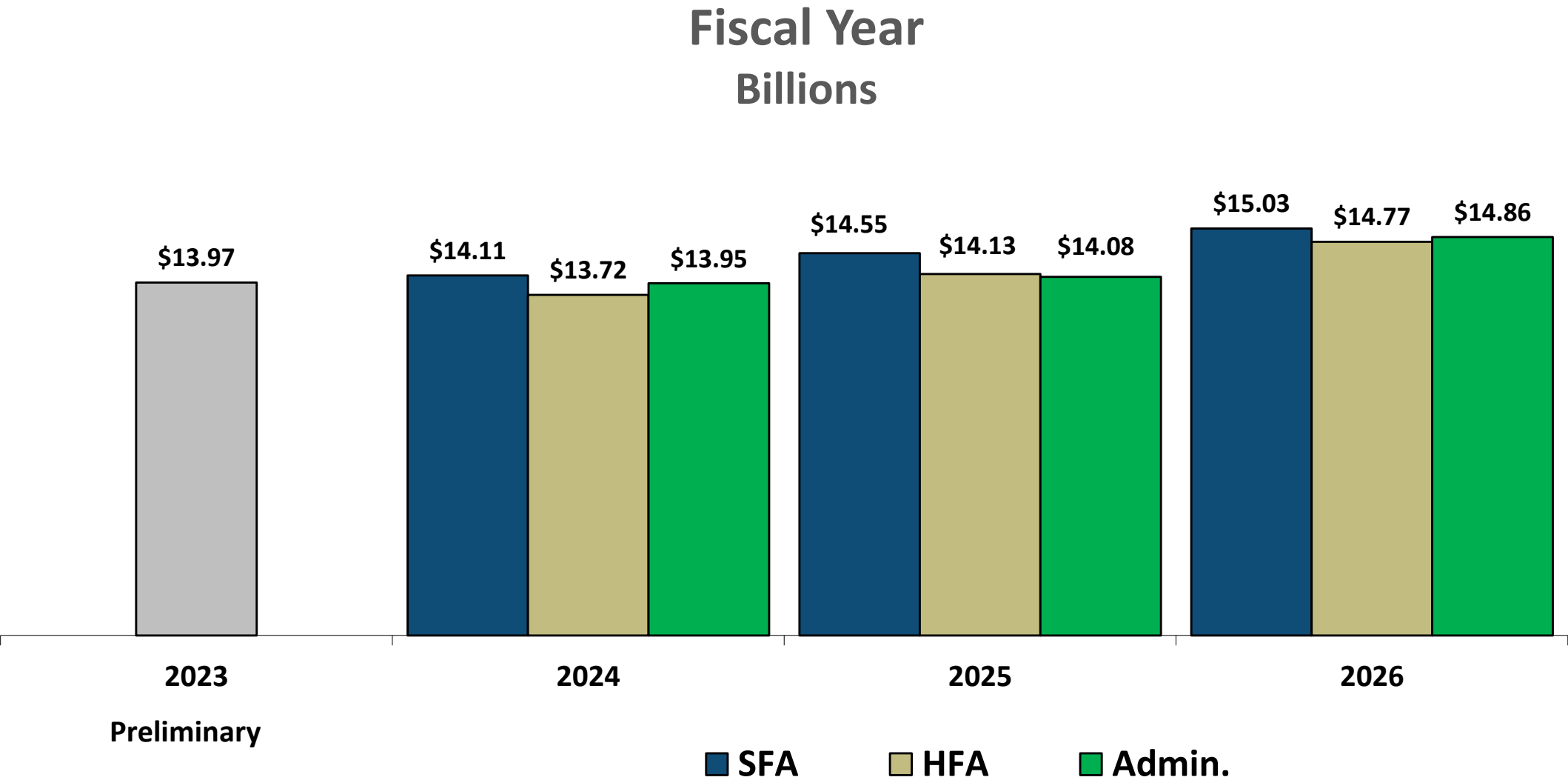


Net SET Revenue Estimates

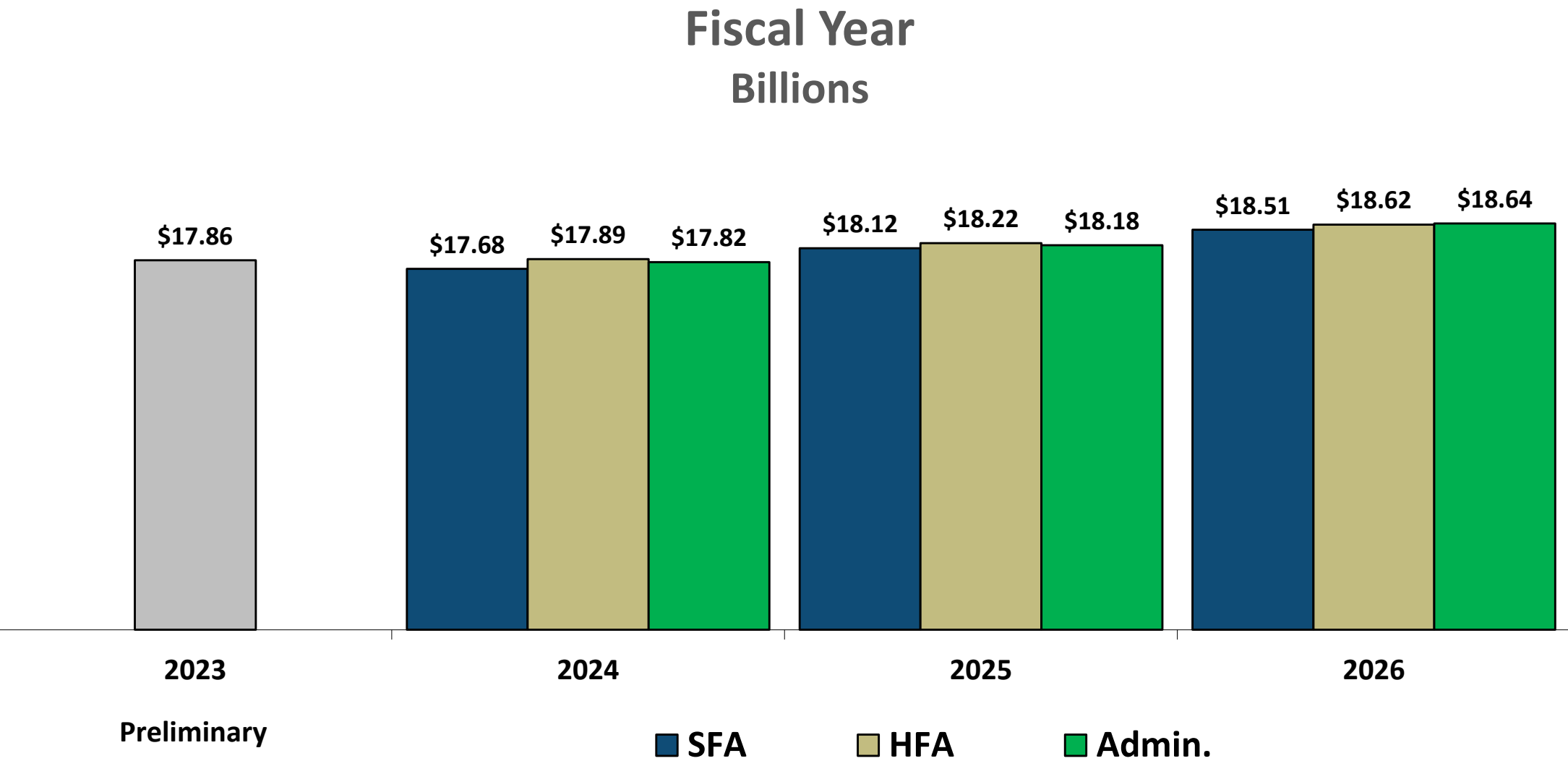


FORECAST OF GF-GP AND SCHOOL AID FUND

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	\$14,105.3	\$13,719.9	\$13,948.4	\$14,546.4	\$14,132.8	\$14,077.1	\$15,033.1	\$14,769.1	\$14,861.2
School Aid Fund	\$17,677.1	\$17,885.3	\$17,820.5	\$18,117.7	\$18,224.5	\$18,179.4	\$18,509.7	\$18,620.4	\$18,642.0

Difference from January 2024 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	\$507.9	\$122.5	\$351.0	\$246.0	\$110.5	\$65.6	\$325.5	\$61.5	\$153.5
School Aid Fund	(\$269.8)	(\$61.6)	(\$126.5)	(\$189.3)	(\$82.5)	(\$127.5)	(\$196.3)	(\$85.6)	(\$63.9)
Combined	\$238.1	\$60.9	\$224.5	\$334.9	\$28.1	(\$72.7)	\$129.2	(\$24.1)	\$89.6

Budget Stabilization Fund

Both pay-ins and pay-outs require an appropriation

The agency estimates calculate:

Pay-ins

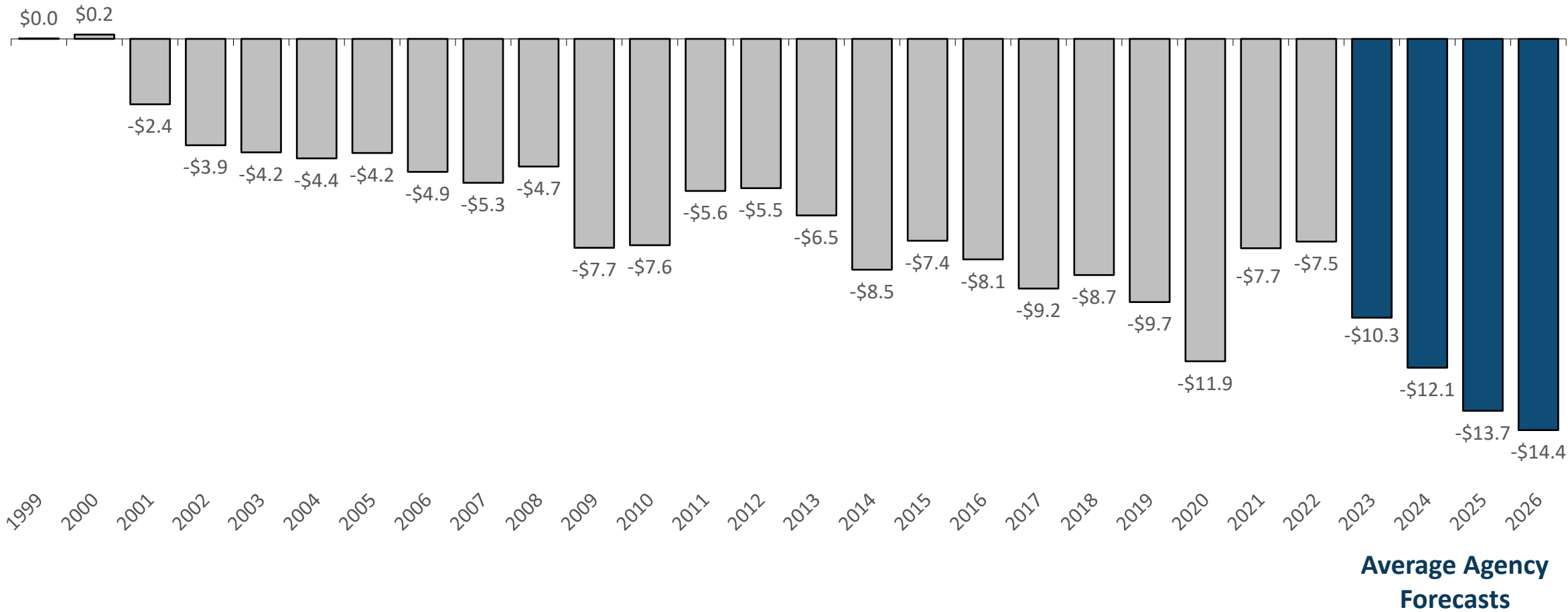
- No pay-ins during FY 2024 & FY 2025
- FY 2026 estimated to be between \$0 and \$34 million

Pay-outs

- No pay-outs during FY 2024 through FY 2026

Constitutional Revenue Limit Calculation

Amount Under/Over the Constitutional Revenue Limit Billions

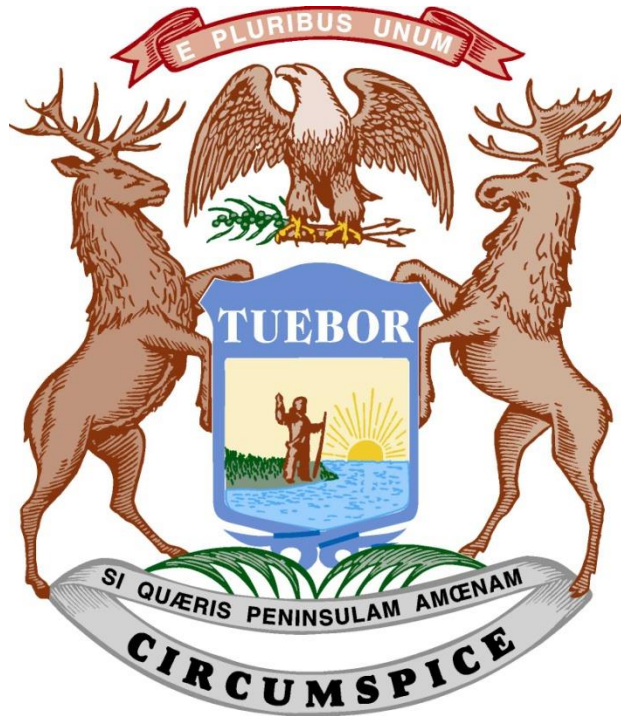


MICHIGAN TAX REVENUE FORECAST RISKS

- Individual Income Tax Extension returns
 - Potential surprises in refunds and payments
- 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
- Transformational Brownfield and Good Jobs for Michigan incentive uncertainty
 - Incentives total over \$1 billion
 - Nearly all impacts are outside the forecast horizon

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