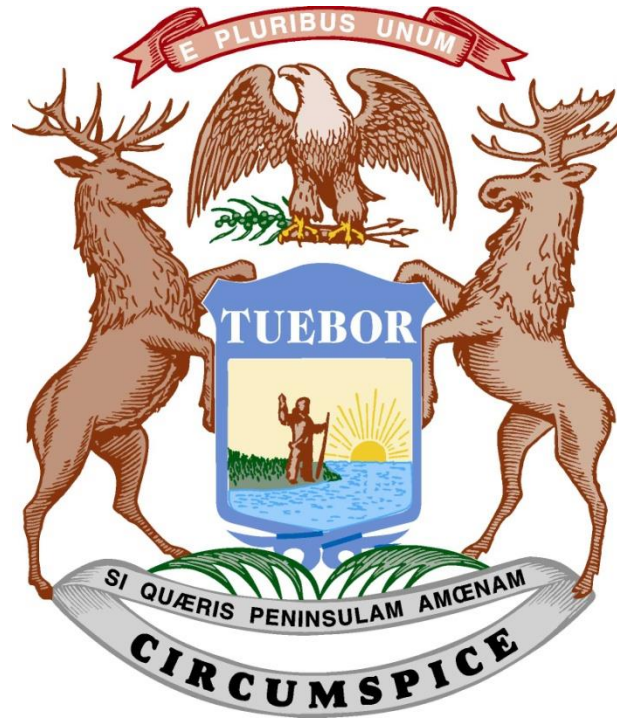


# Economic and Revenue Forecasts

---

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



**Consensus Revenue Estimating Conference  
January 14, 2022**

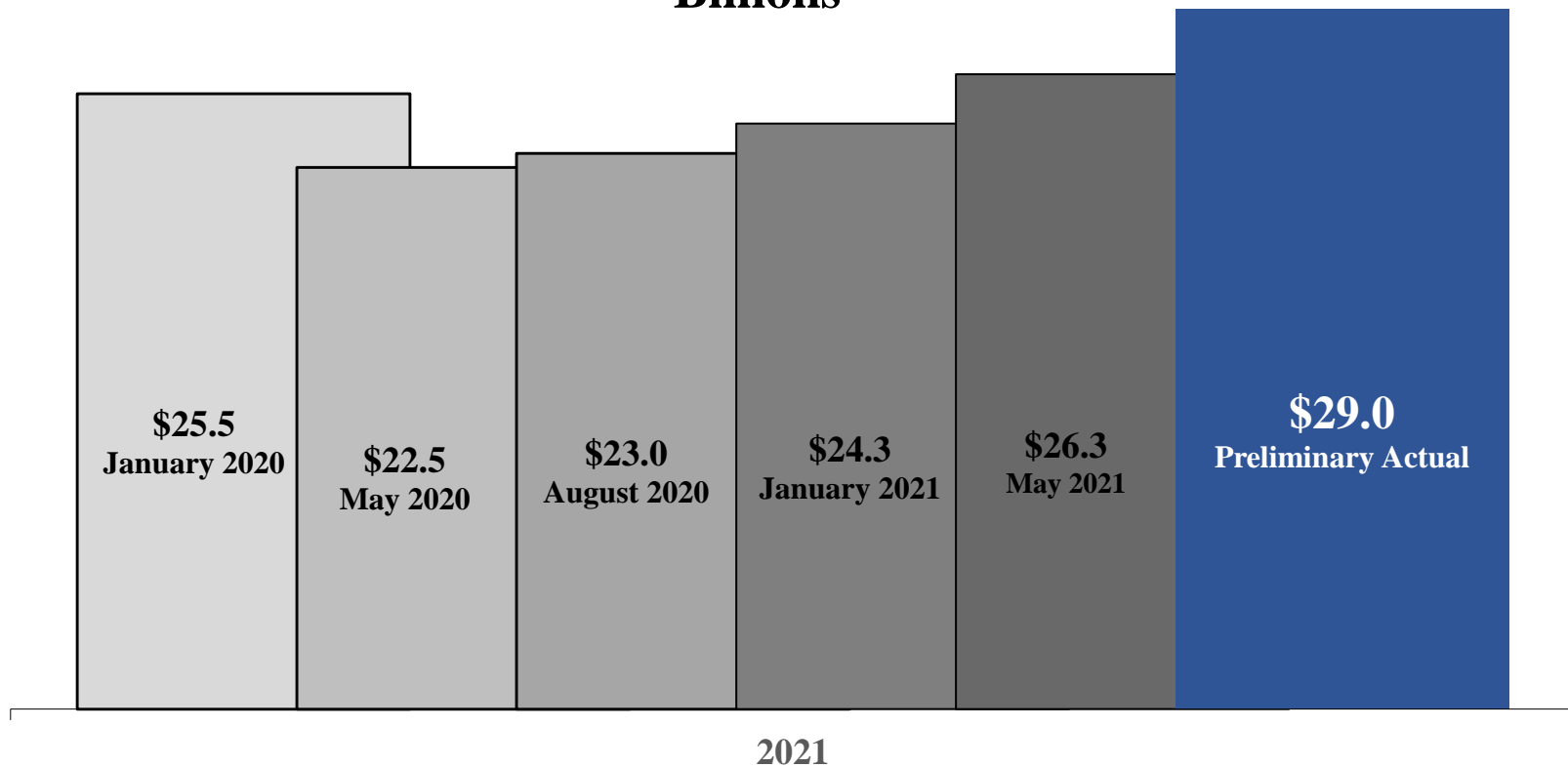
# Outline

---

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

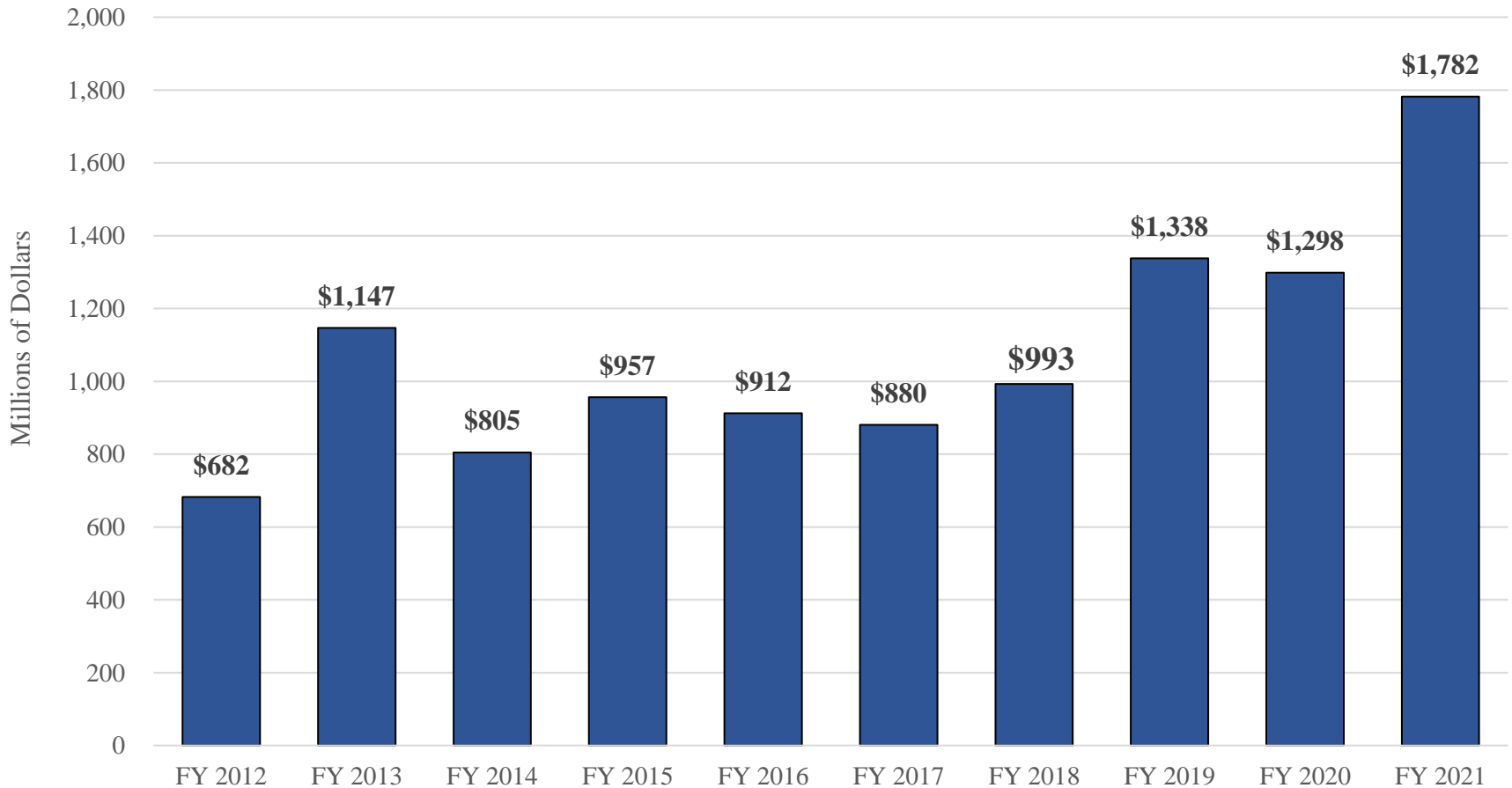
# Preliminary FY 2021 Revenue Totals

## GF-GP and SAF Combined Fiscal Year 2021 Billions



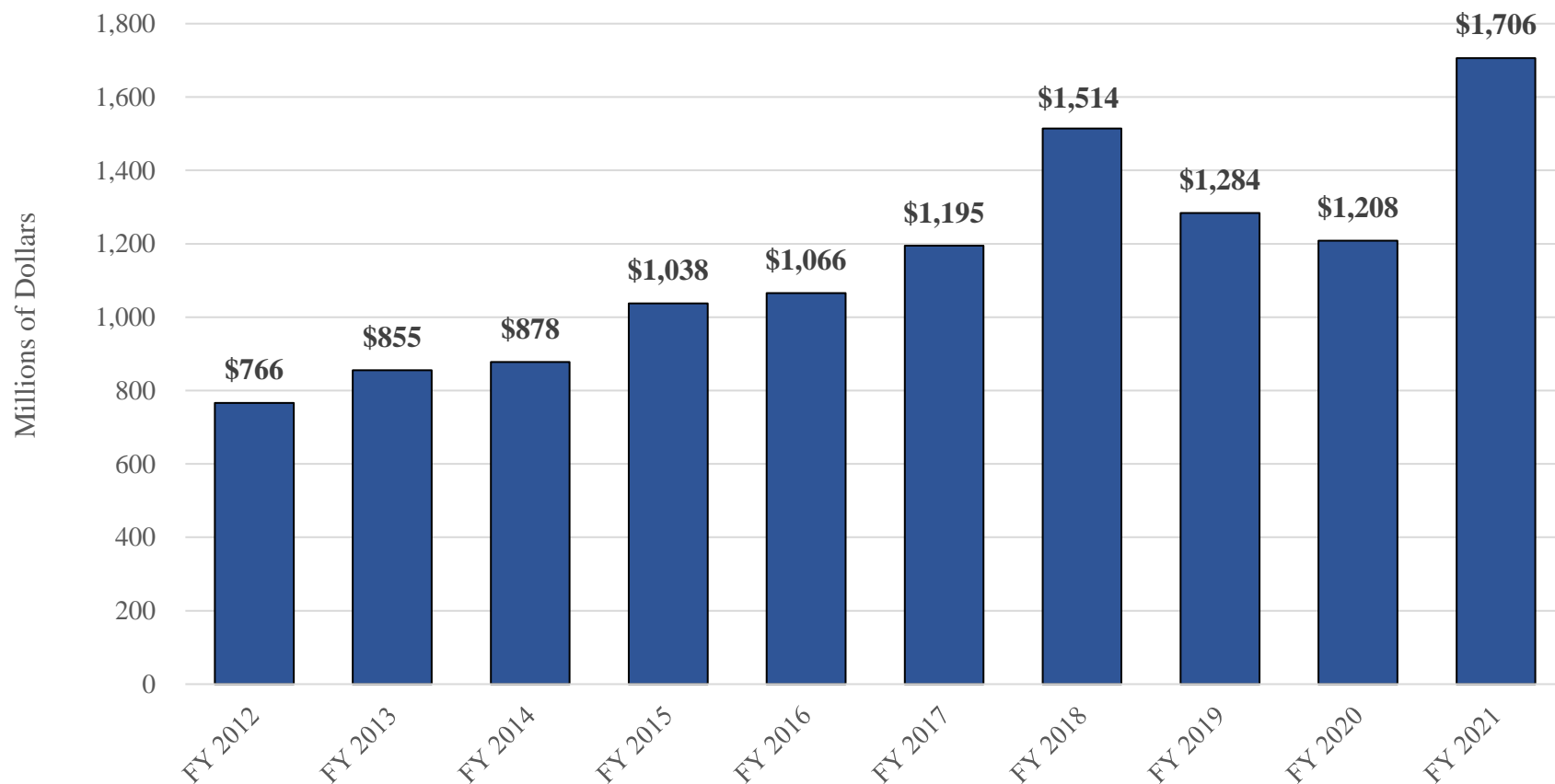
# Income Tax Annuals Surprised in 2021

## Individual Income Tax: Annual Payments FY 2012 – 2020; FY 2021 Preliminary



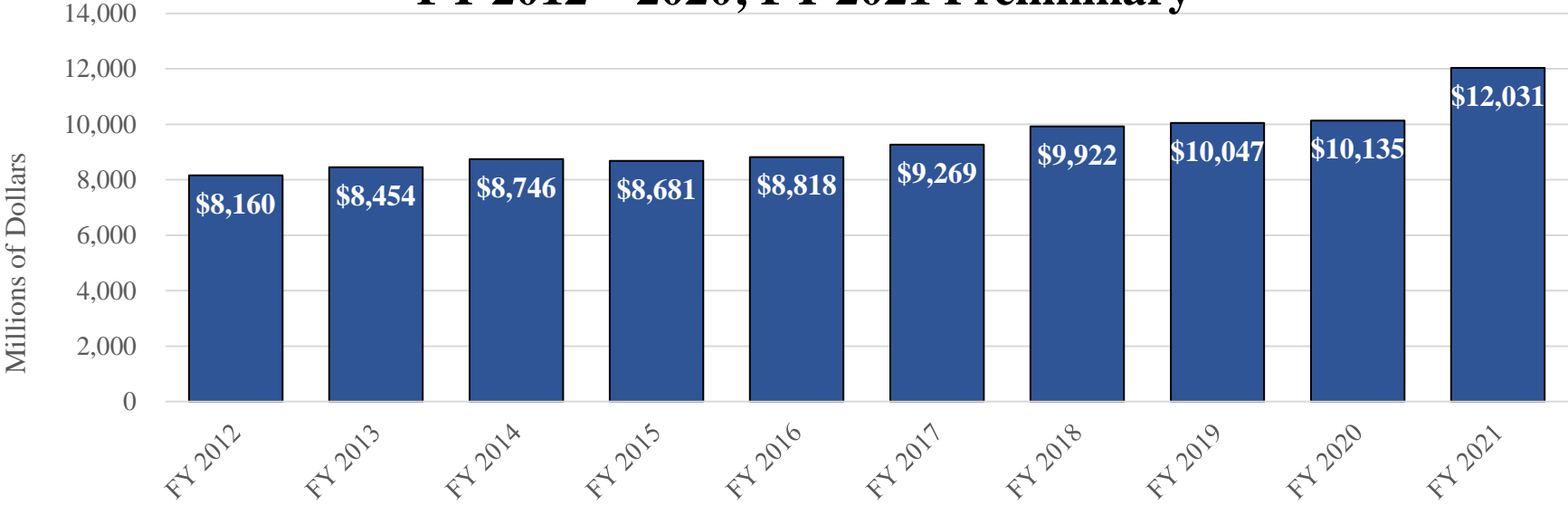
# Strong Quarterly Payment Collections

## Individual Income Tax: Quarterly Payments FY 2012 – 2020; FY 2021 Preliminary

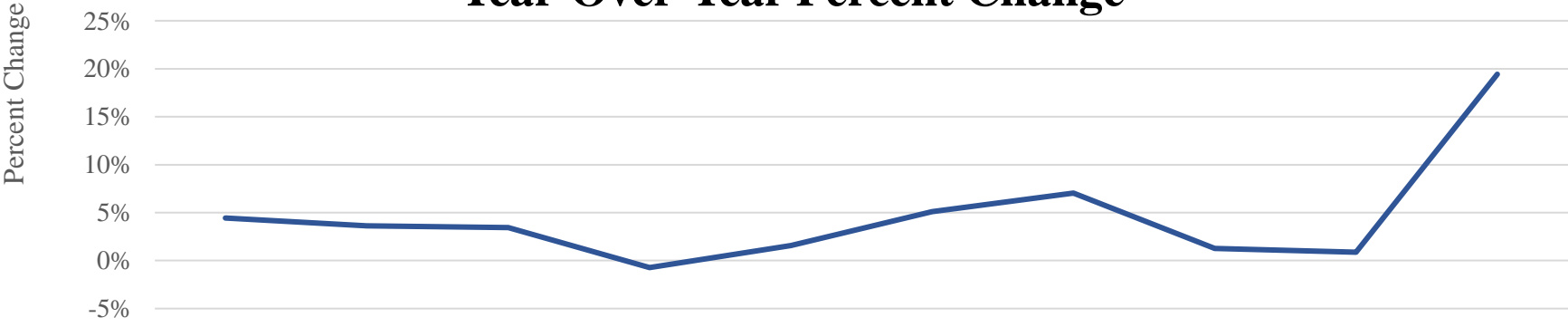


# Consumption Taxes Reach Records

## Sales and Use Tax Payments FY 2012 – 2020; FY 2021 Preliminary

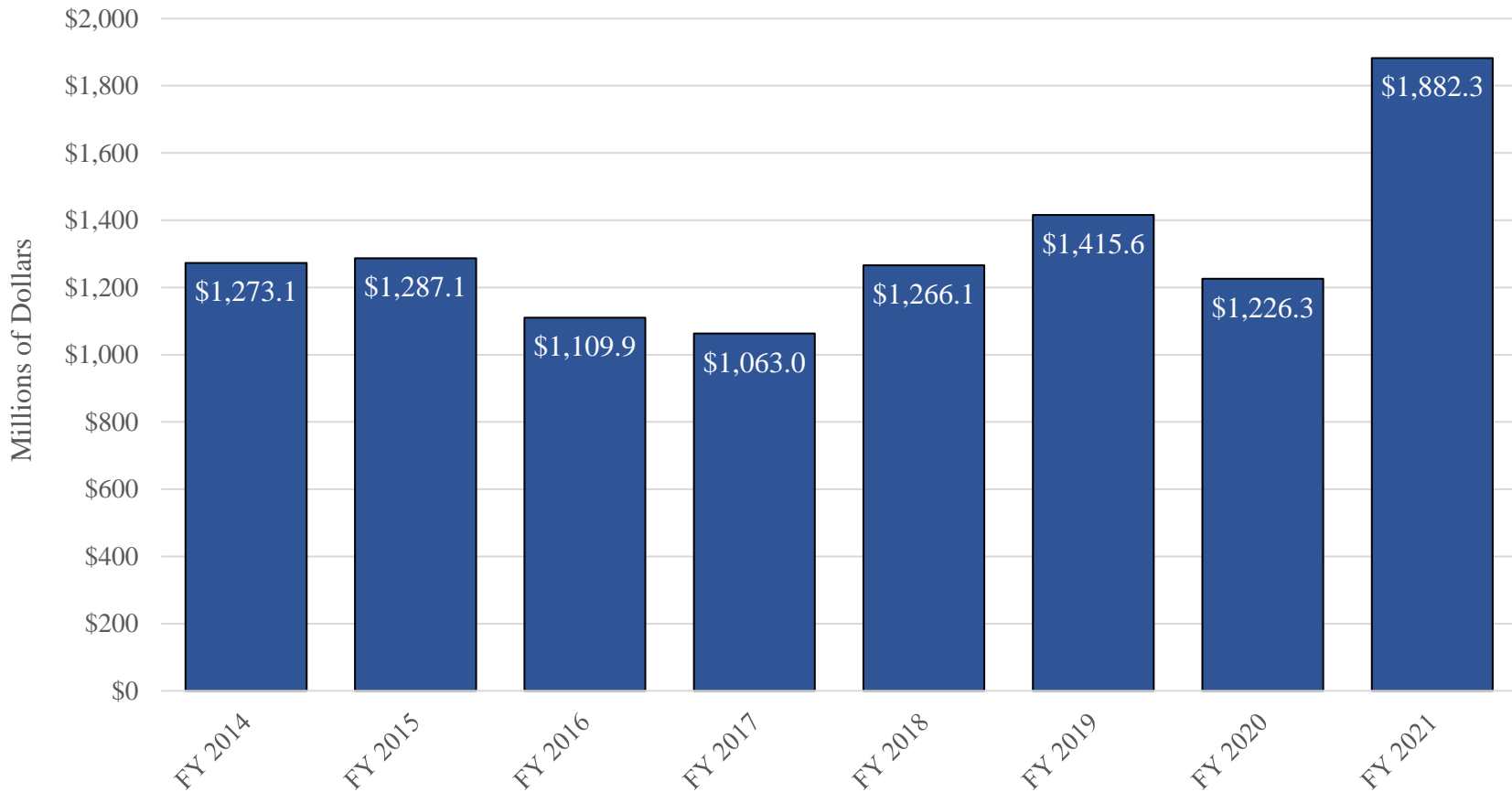


## Year-Over-Year Percent Change



# Increased Business Tax Payments

## CIT and MBT Quarterly and Annual Payments FY 2014 – 2020; FY 2021 Preliminary



---

# FORECAST OF MAJOR TAXES

---



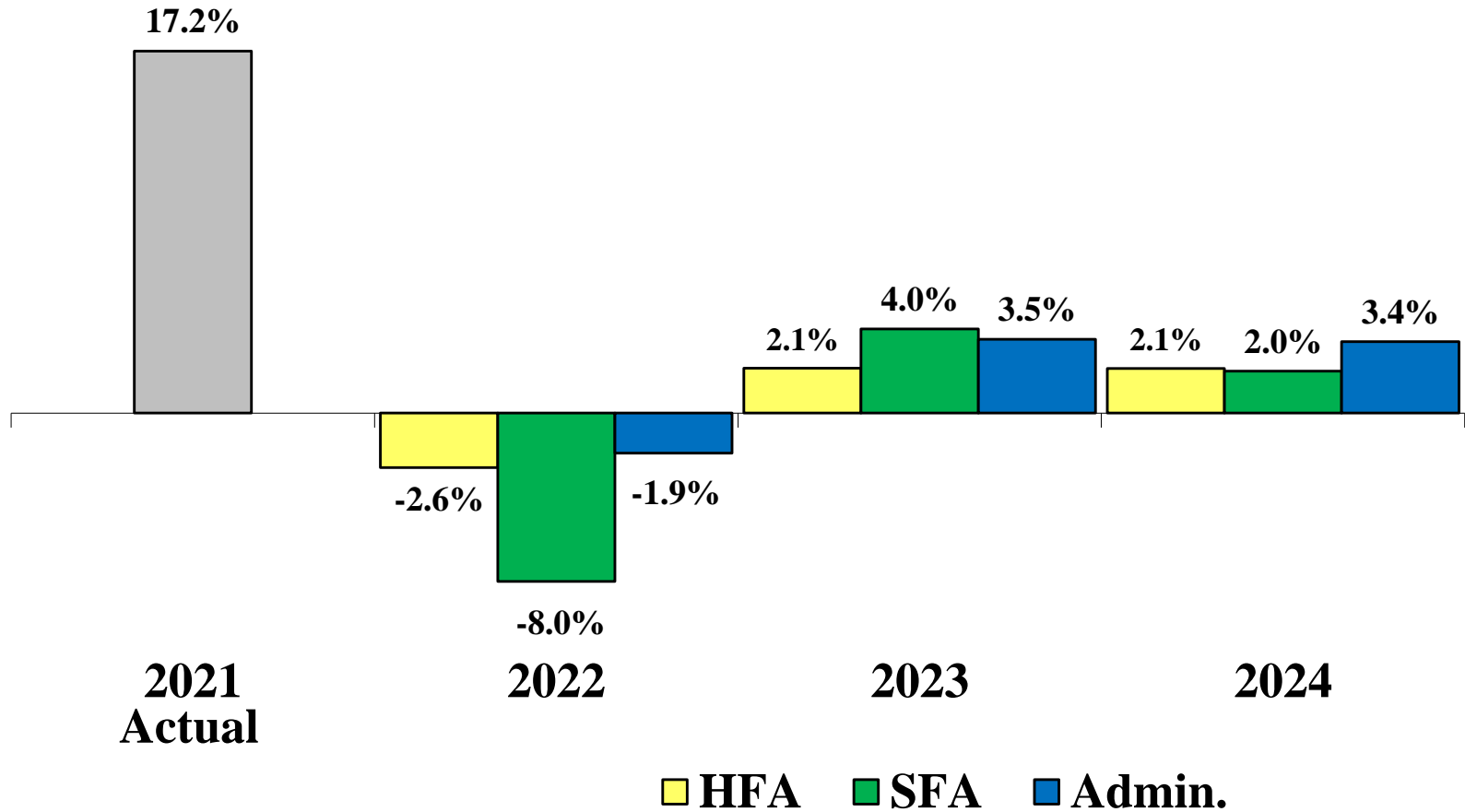
# Revenue Outlook

---

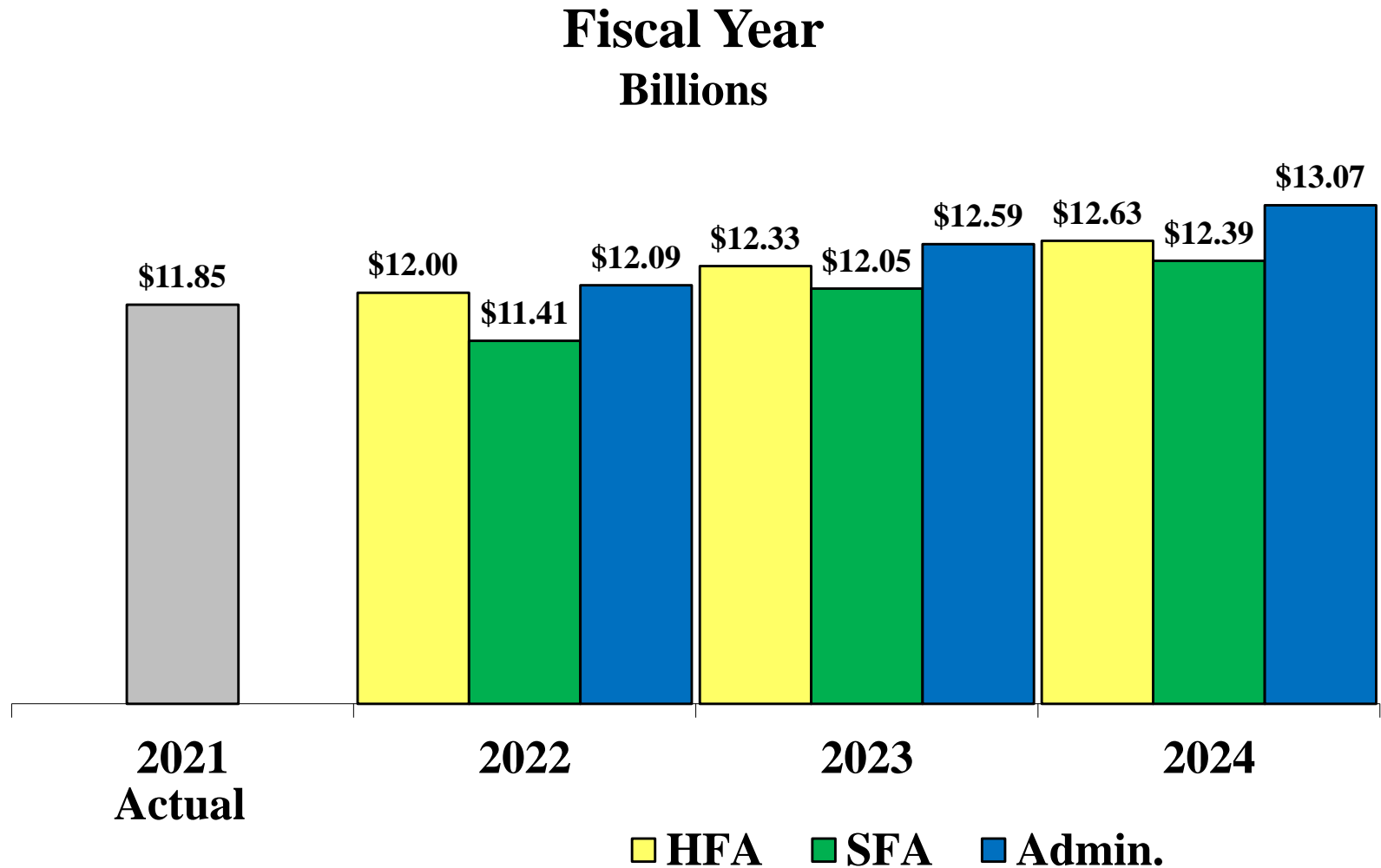
- CREC estimates always assume current Federal and State law
  - Flow-Through Entity Tax (FTE) retroactive for tax year 2021
  - Impact of stimulus funds waning after 2021
- State revenues illustrate the continuing disconnect between collections and economic activity
- Outlook expects a gradual return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

# Baseline Income Tax Growth

## Fiscal Year Growth

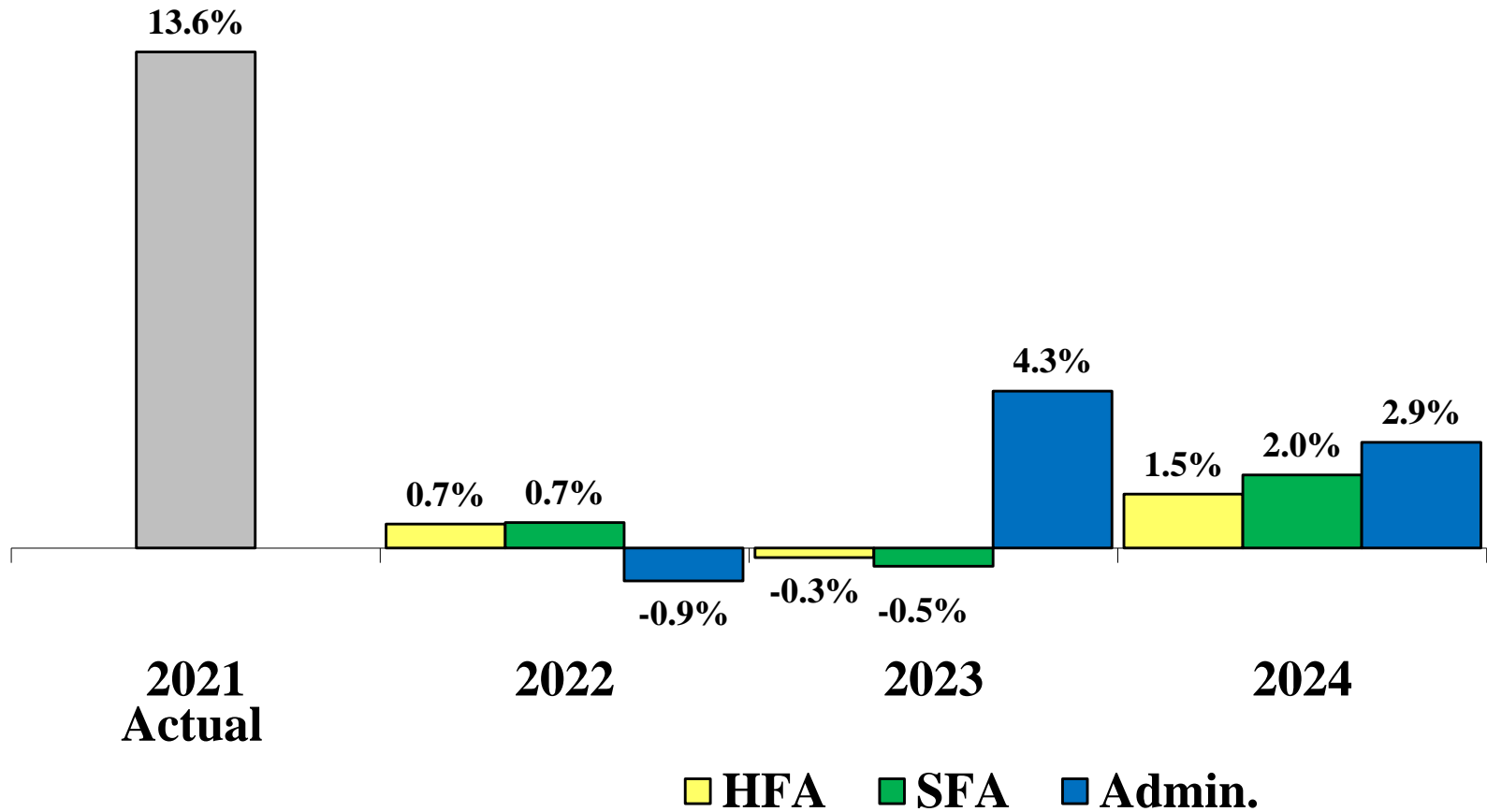


# Net Income Tax Revenue Estimates



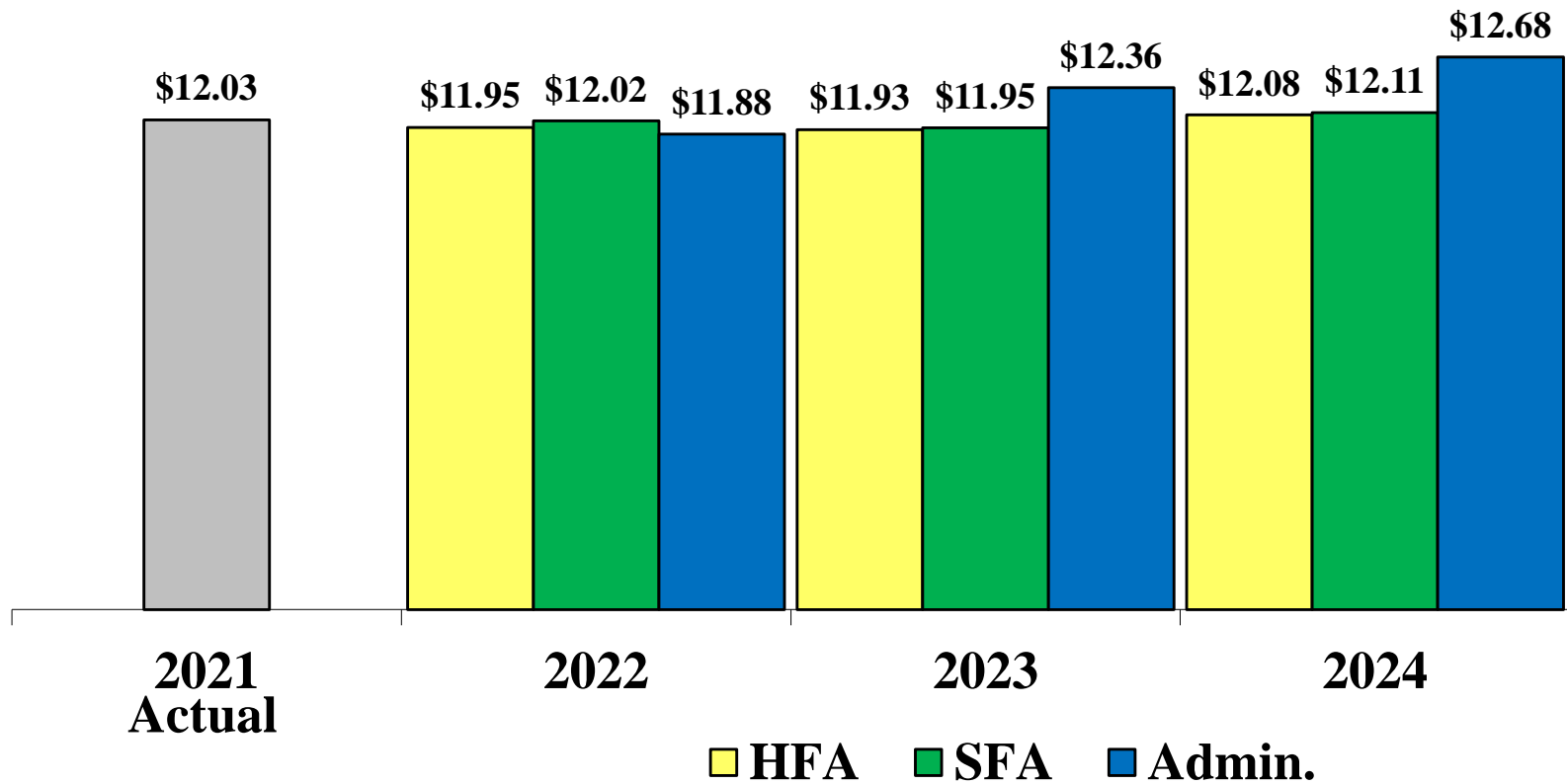
# Baseline Sales Tax Growth

## Fiscal Year Growth



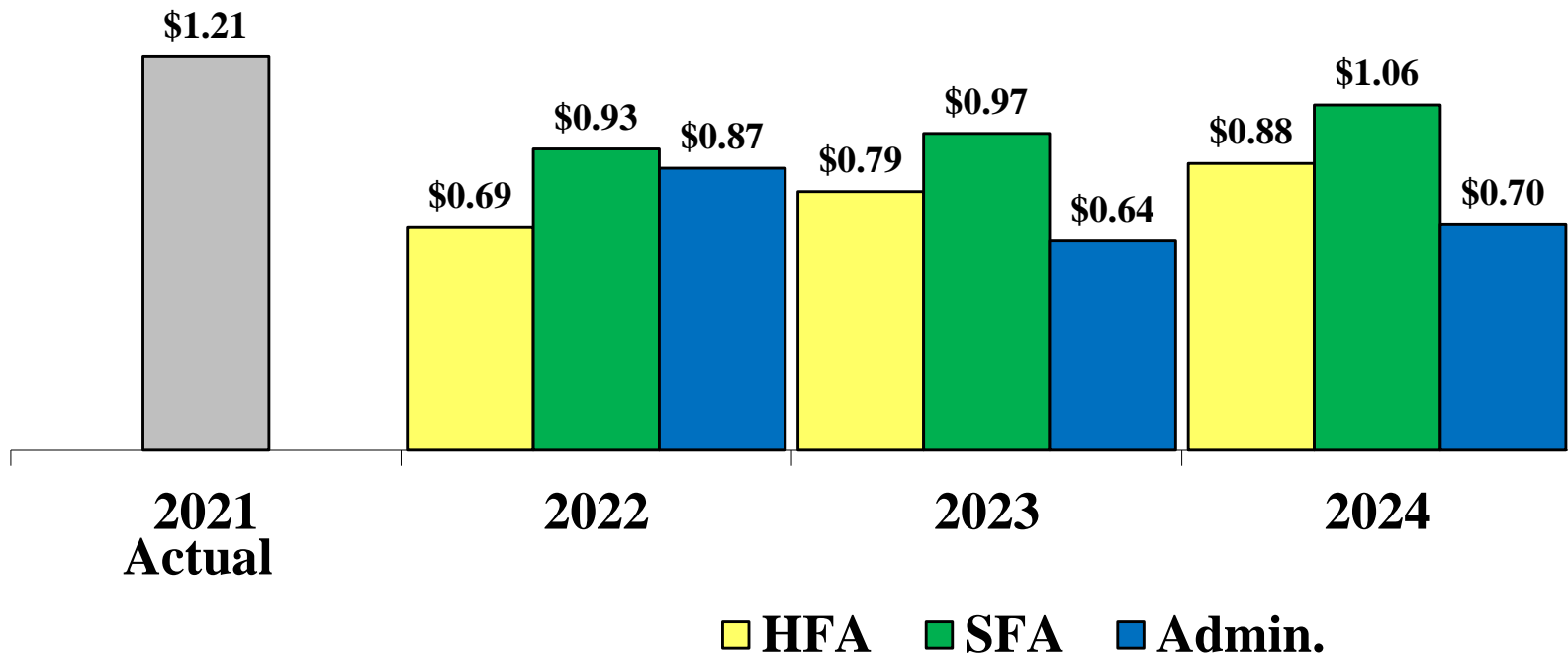
# Net Sales and Use Tax Revenue Estimates

Fiscal Year  
Billions



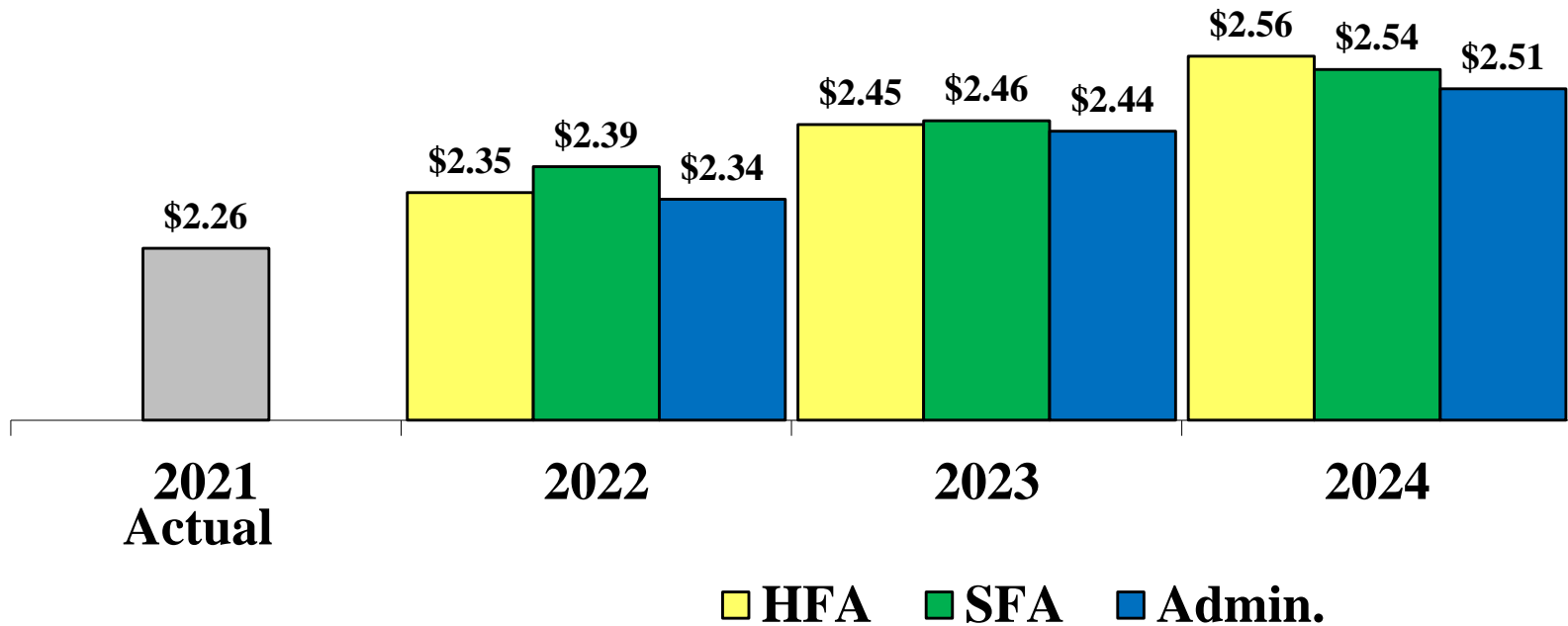
# Net CIT/MBT Revenue Estimates

**Fiscal Year**  
**Billions**



# Net SET Revenue Estimates

**Fiscal Year**  
**Billions**



---

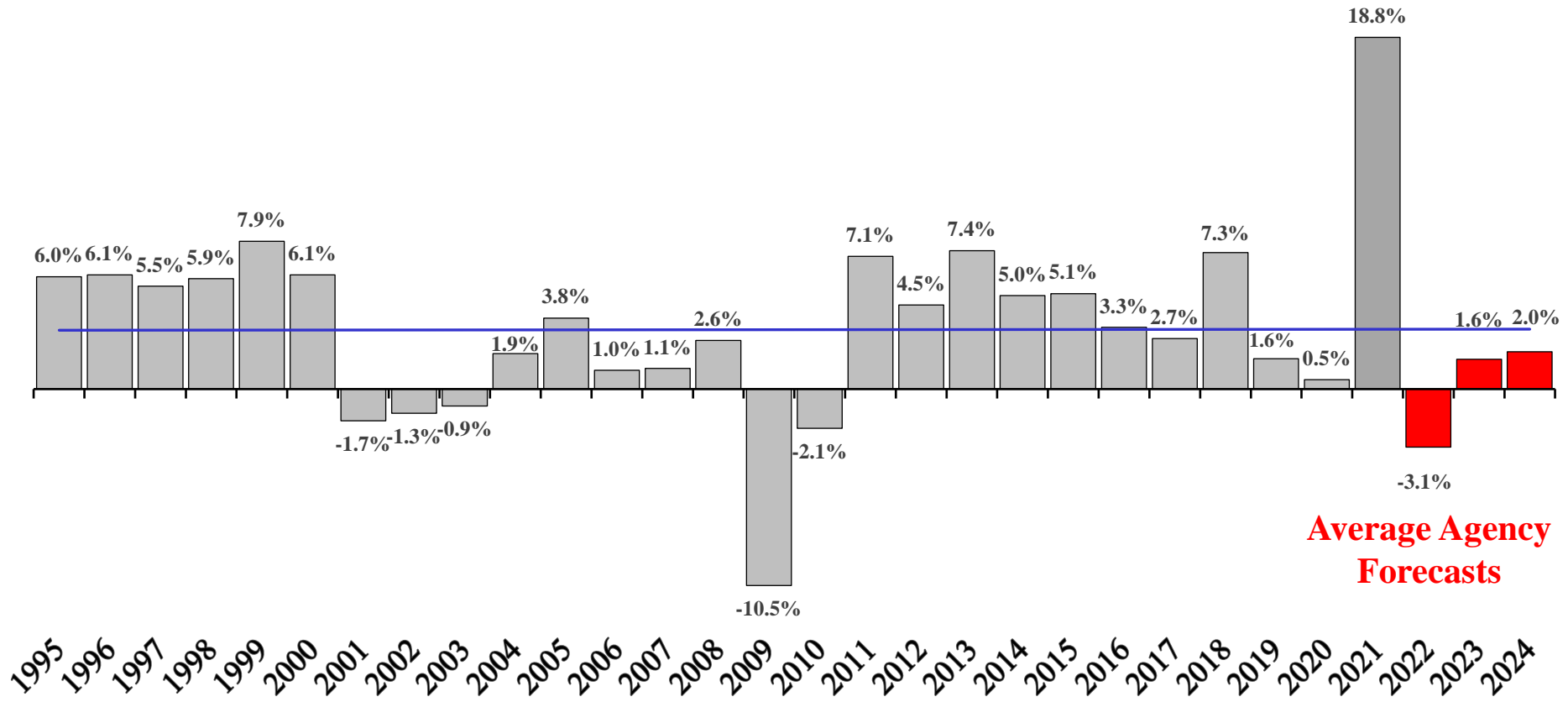
# **FORECAST OF GF-GP AND SCHOOL AID FUND**

---



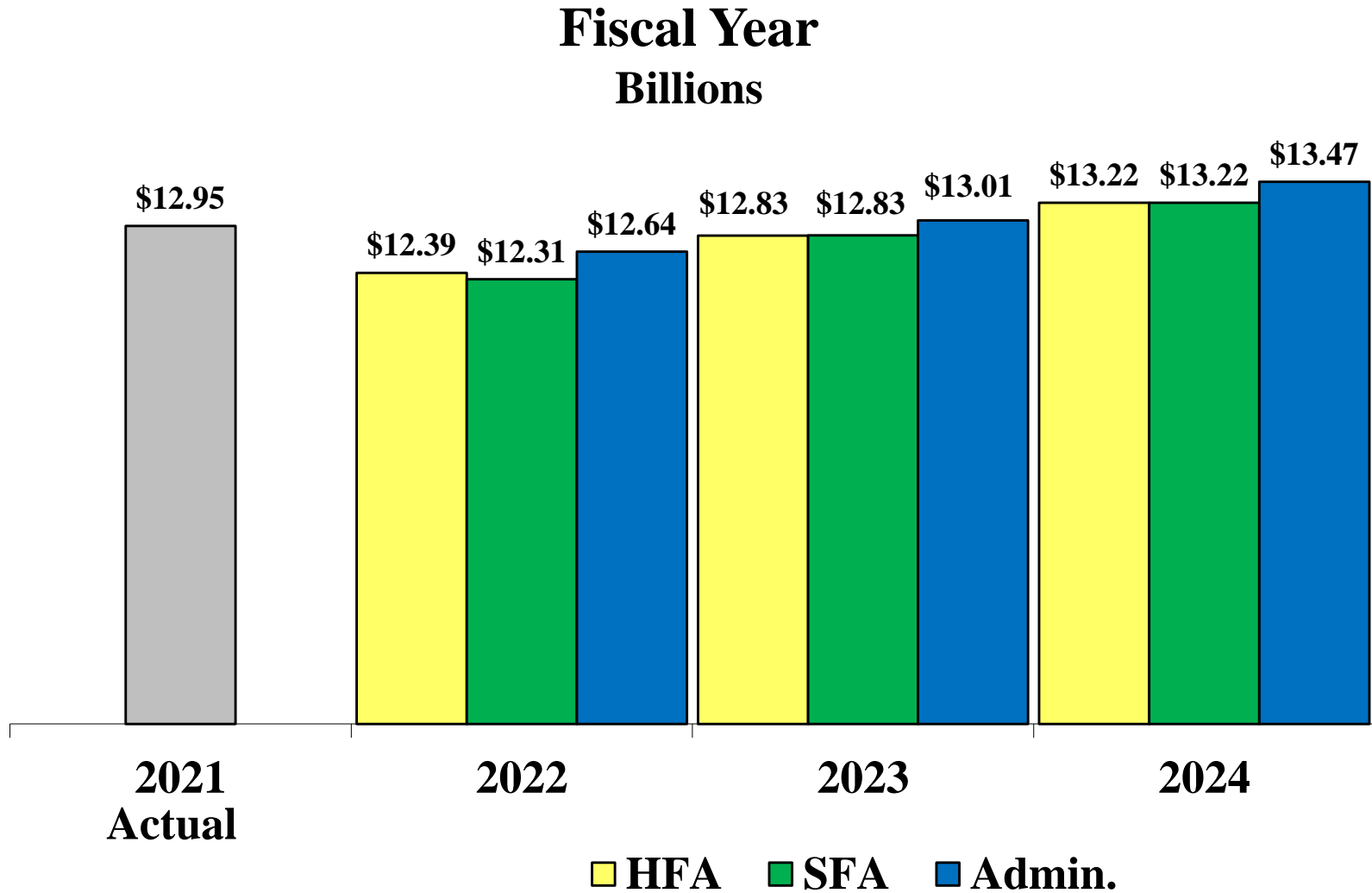
# GF-GP and School Aid Revenue

## Baseline Growth Rates Before Tax Changes



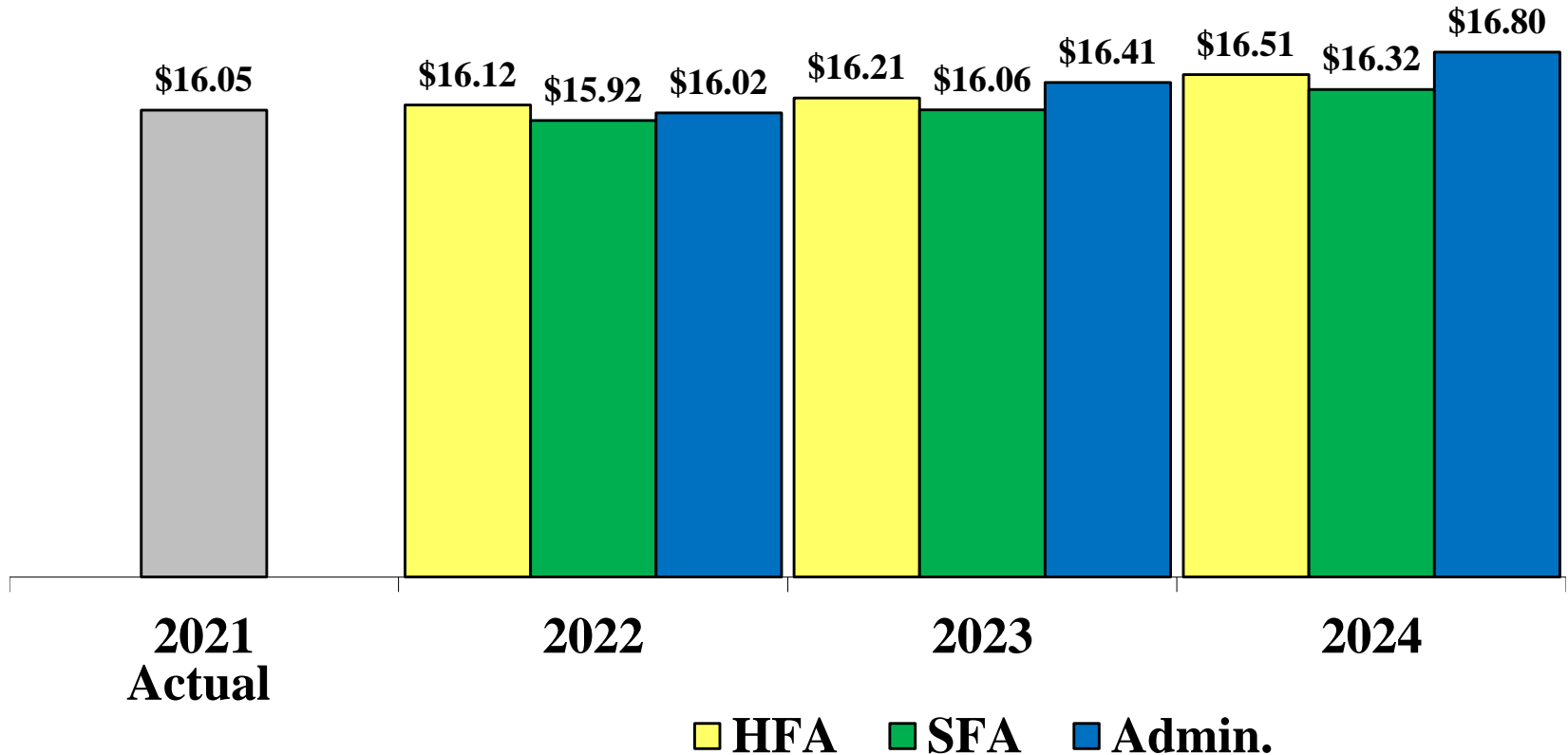
**Average Agency  
Forecasts**

# GF-GP Net Revenue Estimates



# School Aid Fund Net Revenue Estimates

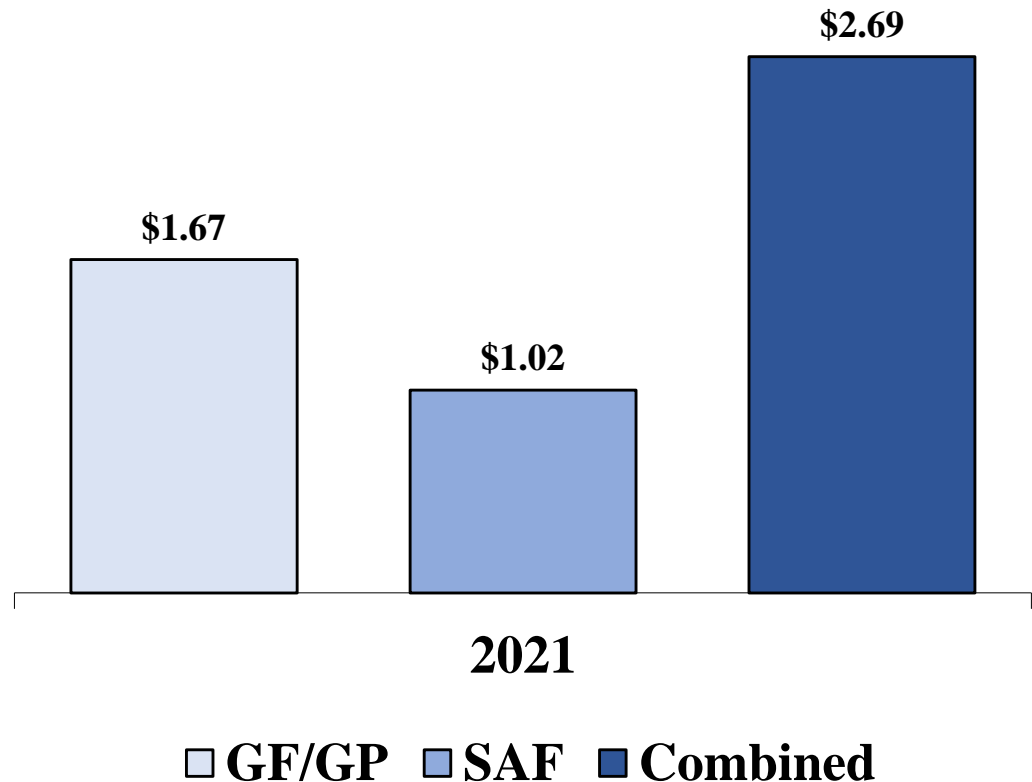
Fiscal Year  
Billions



# 2021 Revenue Above May Consensus

## Fiscal Year Billions

Total Revenue (Values in Millions)	
	FY 2021
GF-GP	\$12,950.7
School Aid Fund	<u>\$16,050.3</u>
Total	\$29,001.0



# 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	\$12,386.4	\$12,308.2	\$12,637.7	\$12,831.7	\$12,832.5	\$13,011.1	\$13,222.2	\$13,222.5	\$13,471.9
School Aid Fund	\$16,117.6	\$15,917.2	\$16,015.2	\$16,210.9	\$16,055.1	\$16,411.1	\$16,511.5	\$16,320.7	\$16,803.5

<b>Difference from May Consensus Estimates</b>						
	<b>FY 2022</b>			<b>FY 2023</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	\$713.3	\$635.1	\$964.6	\$561.3	\$561.8	\$7,403.0
School Aid Fund	\$986.6	\$786.2	\$884.2	\$783.0	\$627.5	\$983.6
<b>Combined</b>	<b>\$1,699.9</b>	<b>\$1,421.3</b>	<b>\$1,848.8</b>	<b>\$1,344.2</b>	<b>\$1,189.3</b>	<b>\$1,723.9</b>

# Income Tax Rate under MCL 206.51(1)

---

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

---

Both pay-ins and pay-outs require an appropriation

The agency estimates calculate:

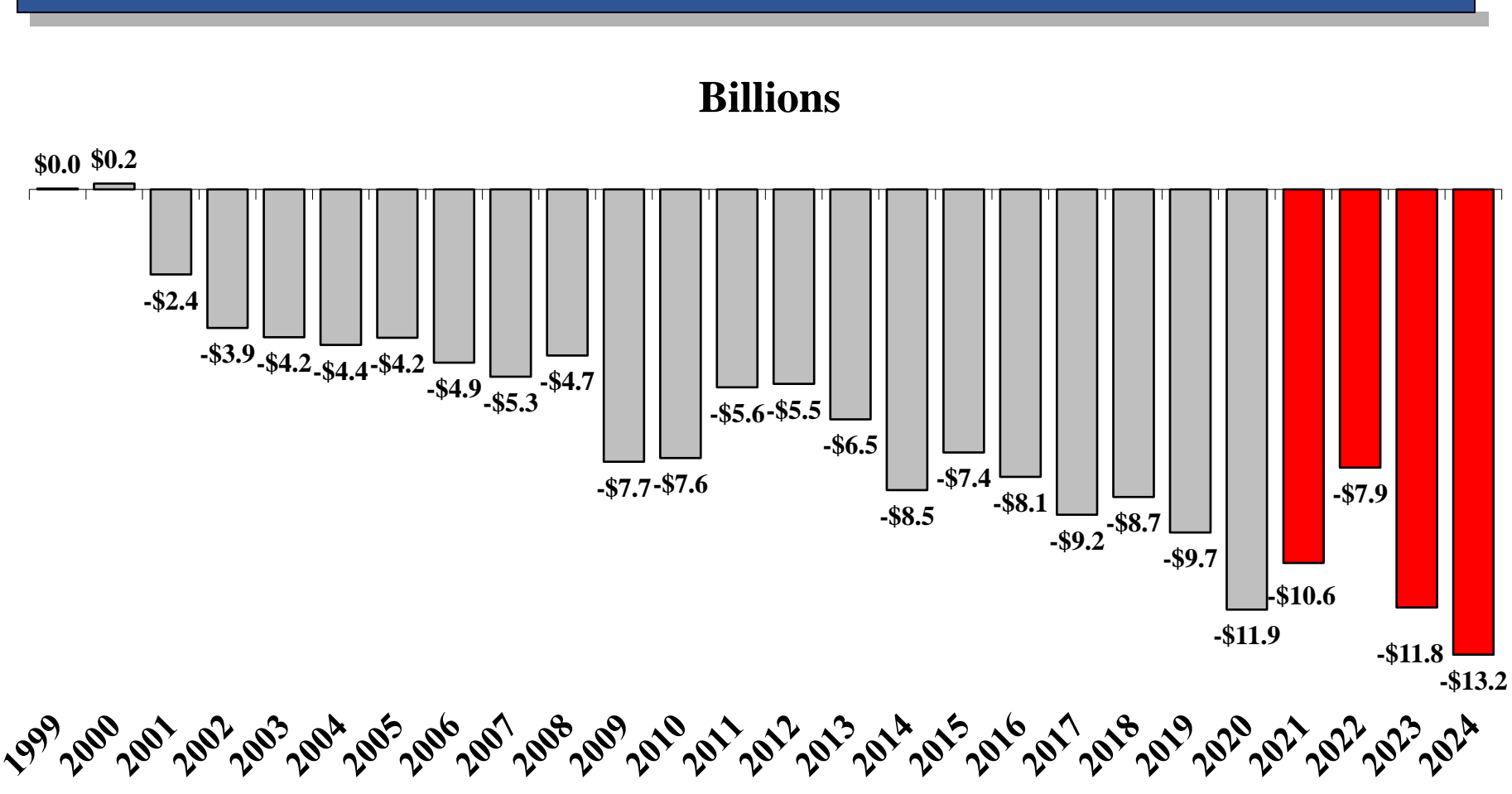
## *Pay-ins*

- Pay-in between \$32.4 and \$77.8 million in FY 2022
- Pay-in between \$0 and \$44.6 million in FY 2023
- Pay-in between \$77.0 and \$154.0 million in FY 2024

## *Pay-outs*

- No BSF pay-outs during FY 2022, FY 2023 & FY 2024

# Constitutional Revenue Limit Calculation



**Average Agency Forecasts**



# Forecast Risks

---

## Economy

- Uncertainty from the path of the pandemic remains the largest risk
- The transition from expansionary fiscal policy to “normal” fiscal policy
- Labor force participation may remain low as employees are slow to return to work

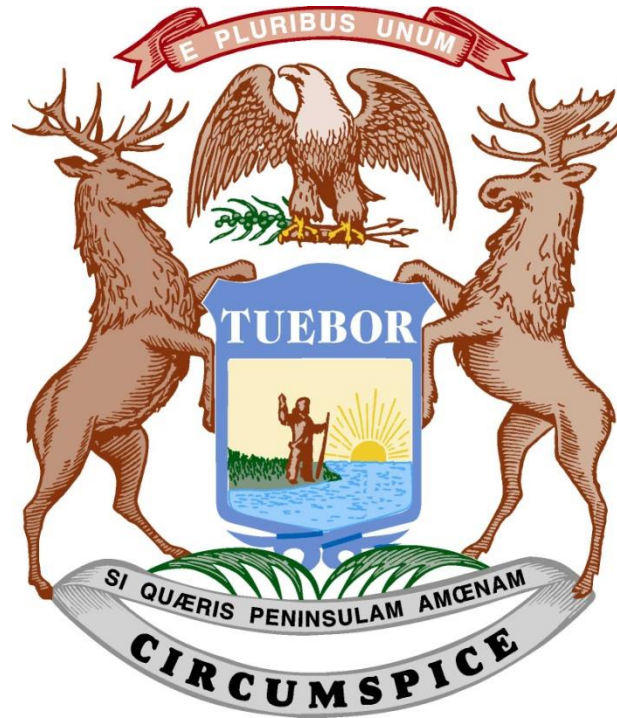
## Michigan Tax Revenue

- Large increases in FY 2021 taxable consumer spending creates uncertainty about FY 2022, FY 2023, and FY 2024
- Pent-up demand for goods and services is expected to be high, but shortages of raw materials, industry labor shortages, and incomes not supported by stimulus funds may constrain currently predicted growth

# Economic and Revenue Forecasts

---

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



**Consensus Revenue Estimating Conference  
January 14, 2022**