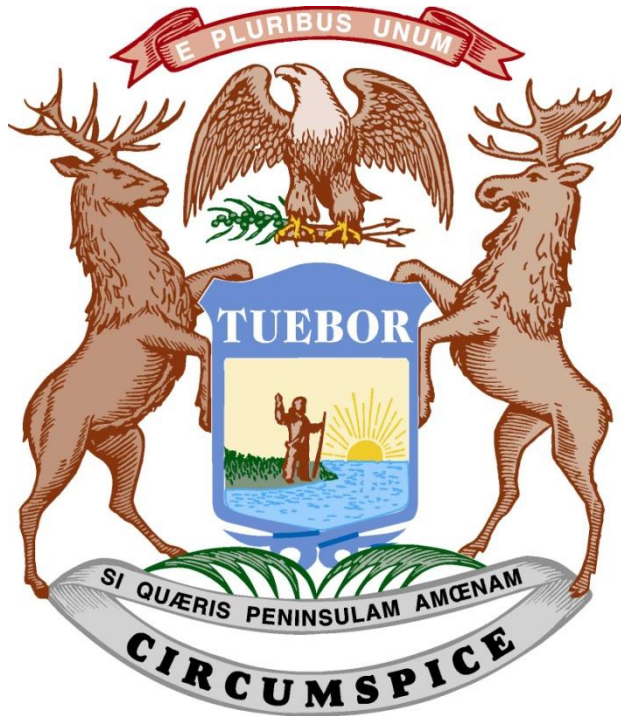


ECONOMIC AND REVENUE FORECASTS

FY 2025 • FY 2026 • FY 2027



CONSENSUS REVENUE ESTIMATING CONFERENCE (CREC)

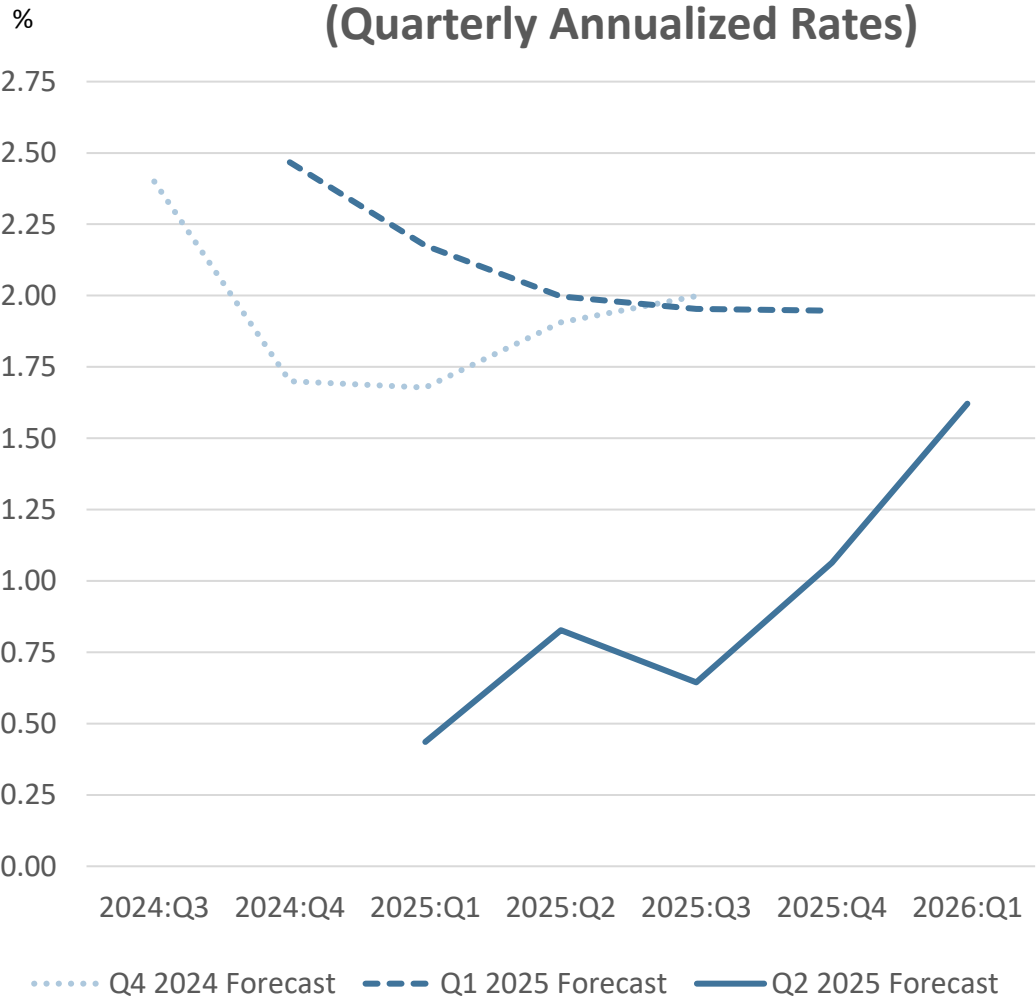
MAY 16, 2025

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

RISKS BEGINNING TO APPEAR

Real Gross Domestic Product Growth
(Quarterly Annualized Rates)



..... Q4 2024 Forecast - - - Q1 2025 Forecast — Q2 2025 Forecast

Source: The Wall Street Journal Survey of Economists, 04/14/2025.

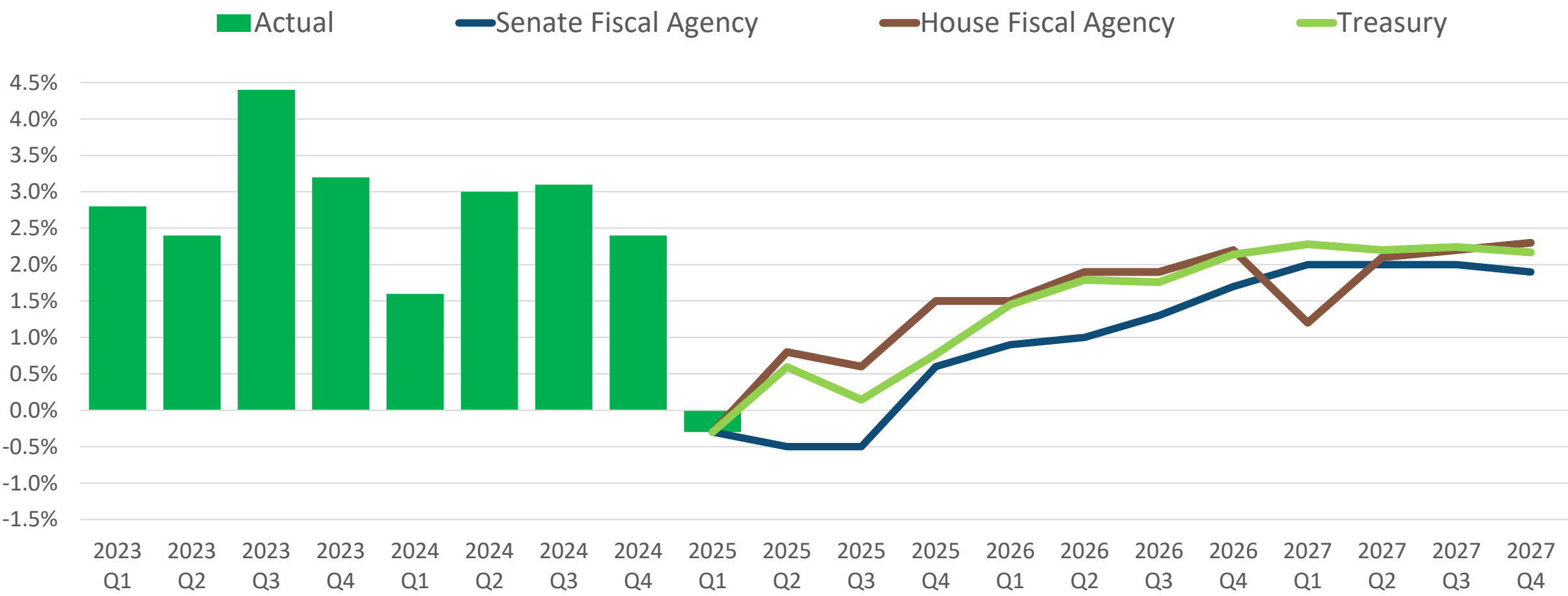
Probability the U.S. is in a Recession in the
Next 12 Months
April 2025



Note: Average of economists' answers. Gaps indicate question not asked

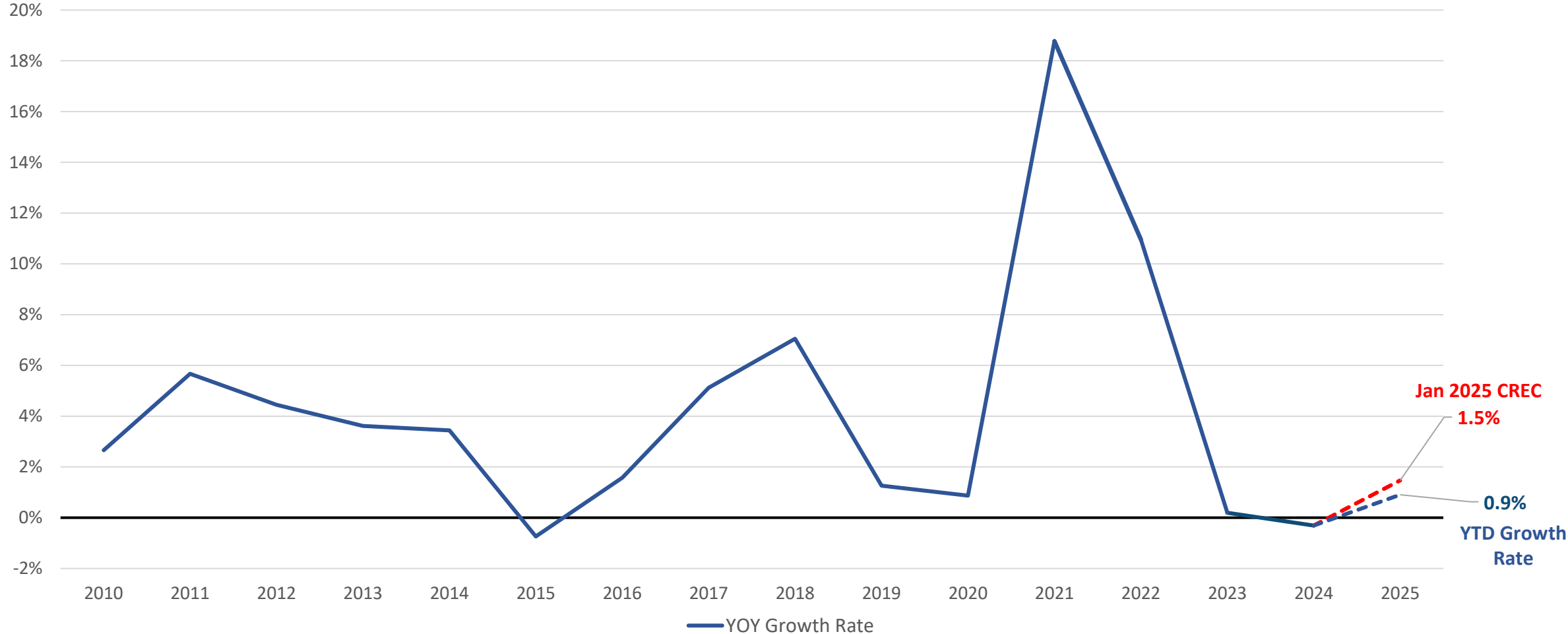
U.S. REAL GROSS DOMESTIC PRODUCT (GDP)

Quarterly Real GDP



SALES AND USE TAX GROWTH RATE

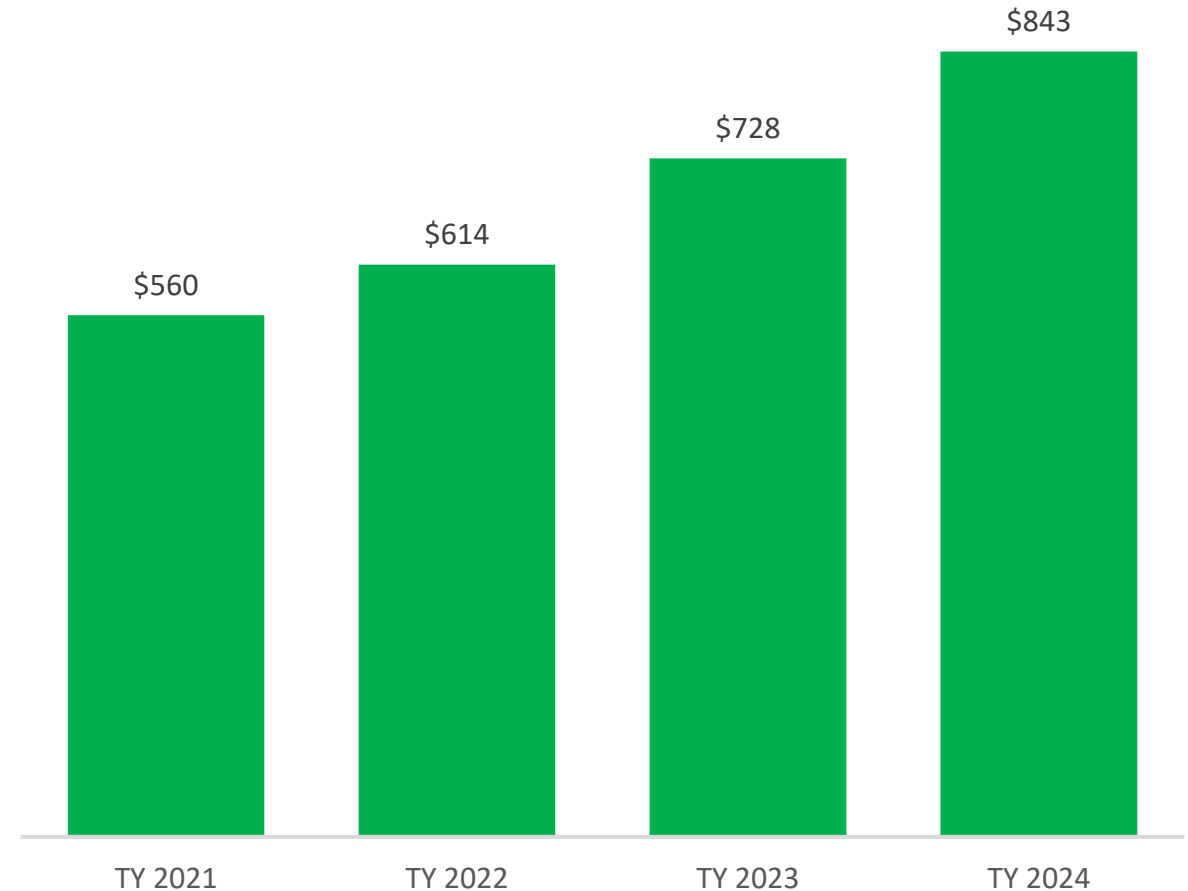
Sales and Use Tax
Fiscal Year-Over-Year Growth Rate



INDIVIDUAL INCOME TAX RETURNS

- As designed, the May CREC is after Individual Income Tax returns are due on April 15
- April 2025 Updates
 - Homestead Property Tax Credit: \$70 million higher
 - EITC credits: \$50 million higher
 - Higher refunds for retirees that benefited from retirement tax changes: \$120 million
 - Faster processing: \$100 million
 - Stronger than expected annual payments: \$100 million

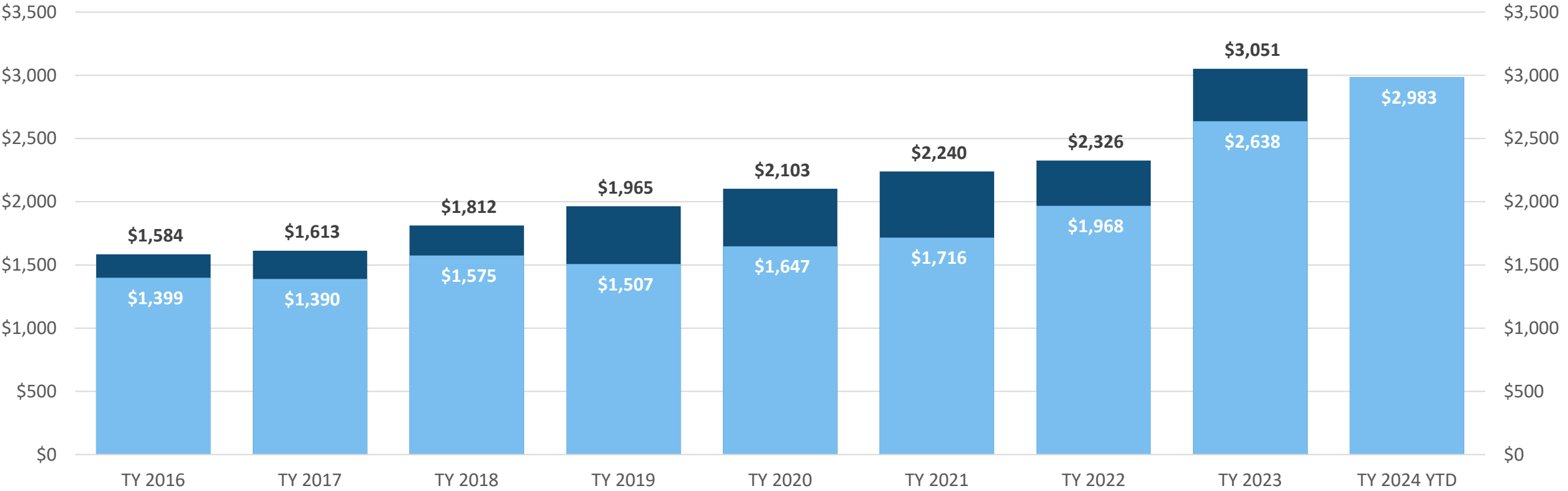
IIT Average Refund by Tax Year
Processing through May 15 each year



INDIVIDUAL INCOME TAX REFUNDS

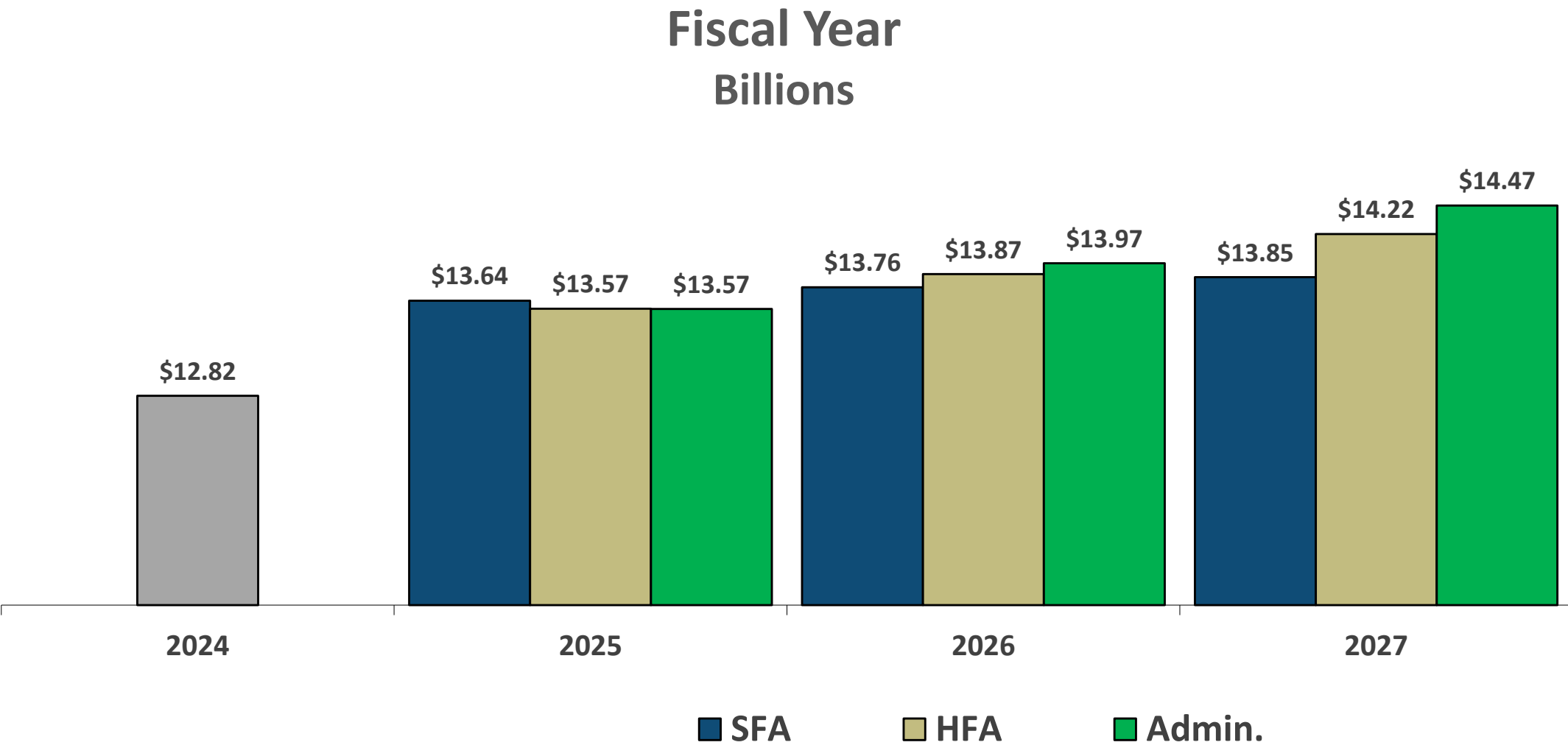
Income Tax Refunds Paid
(millions)

■ Total Income Tax Refunds Paid for Tax Year ■ Income Tax Refunds Paid Through May 15

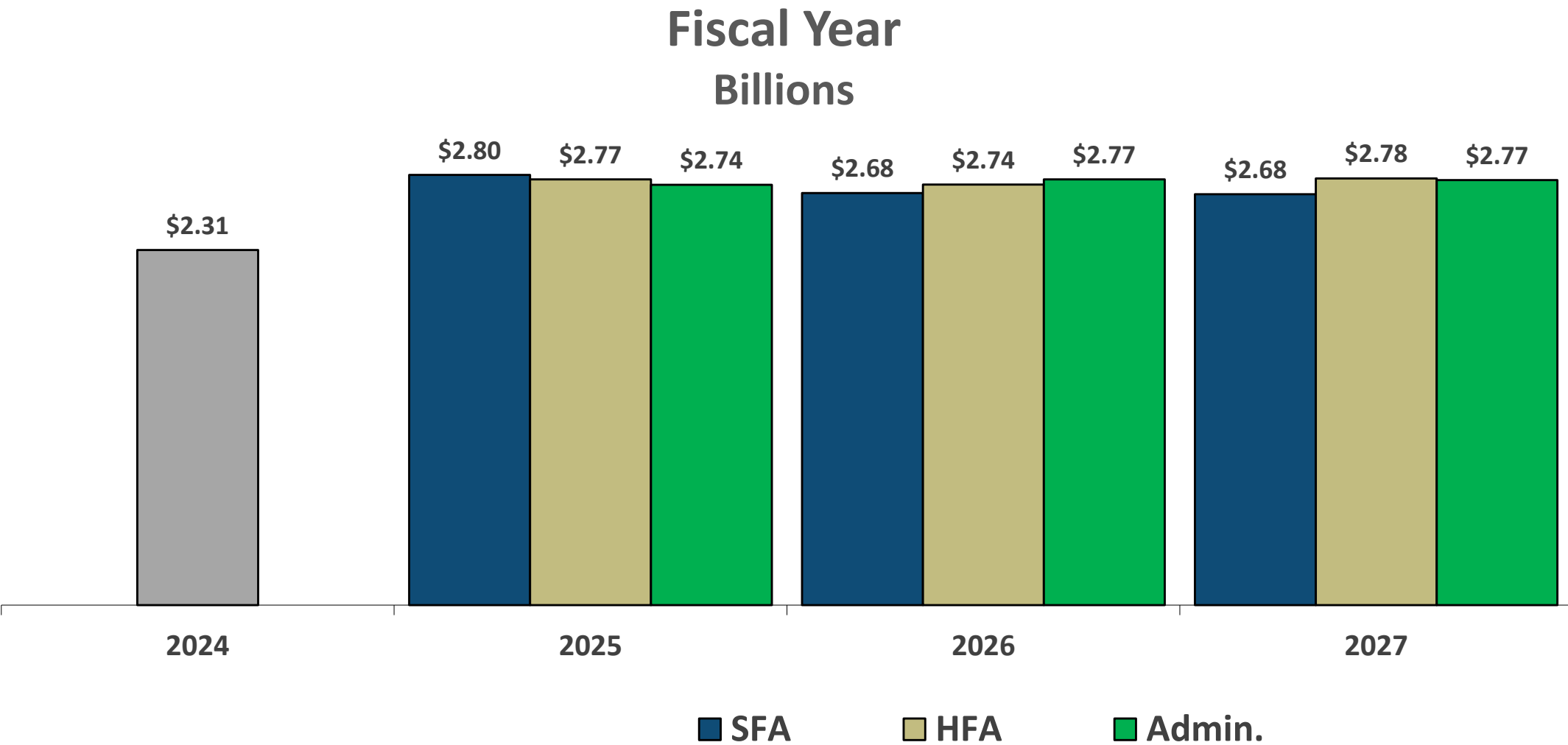


FORECAST OF MAJOR TAXES

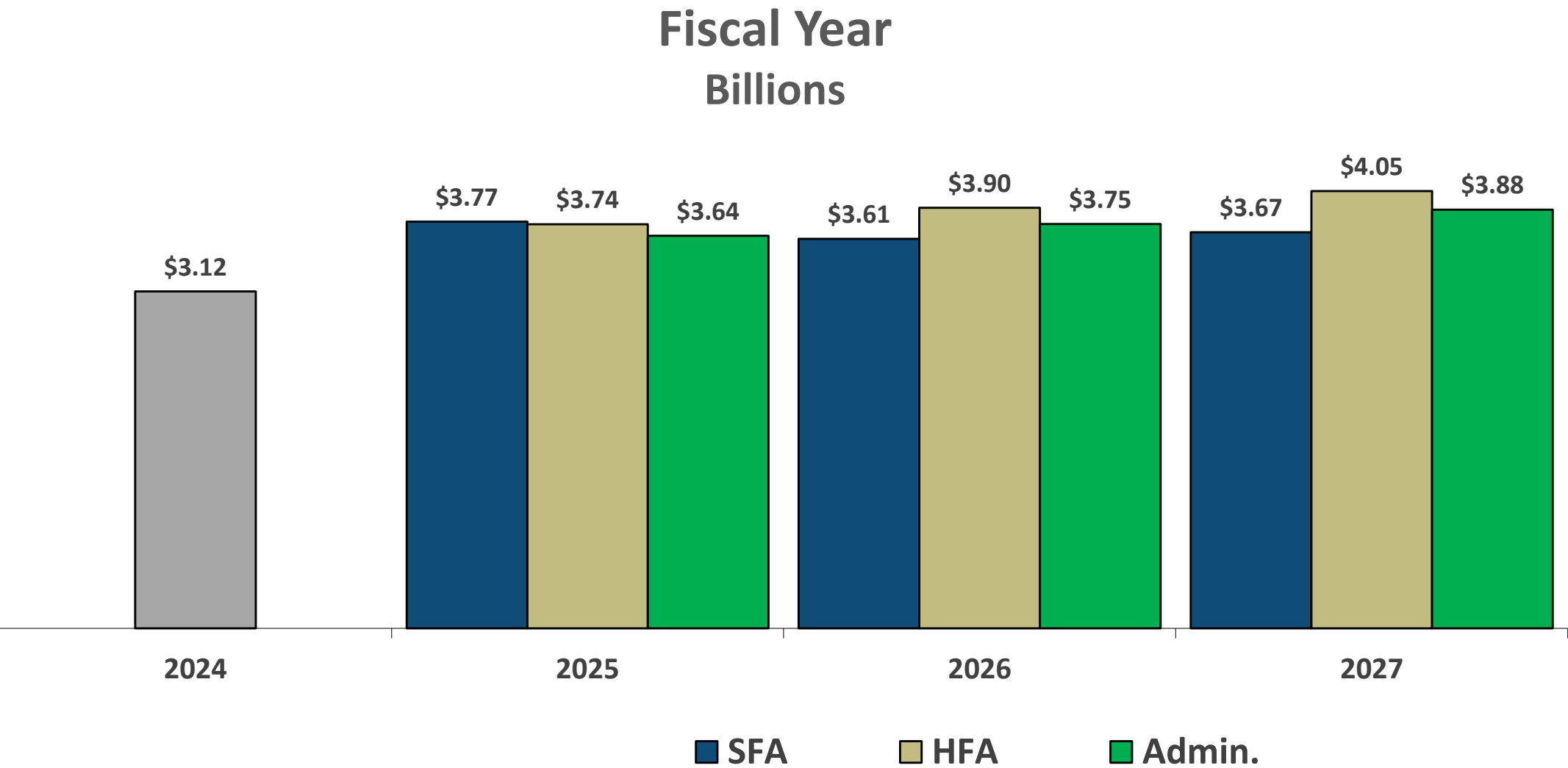
Income Tax Withholding



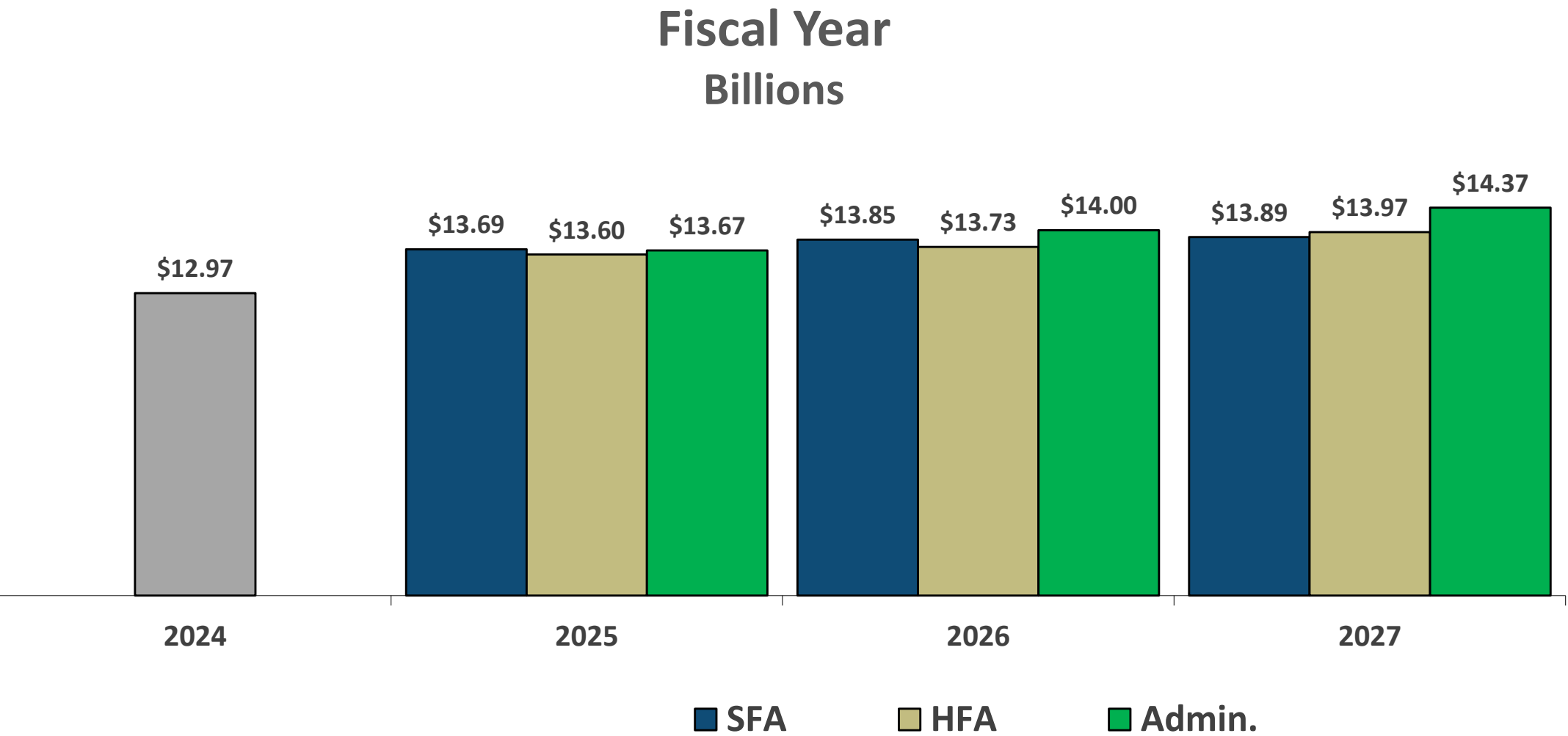
Income Tax Quarterly and Annual Payments



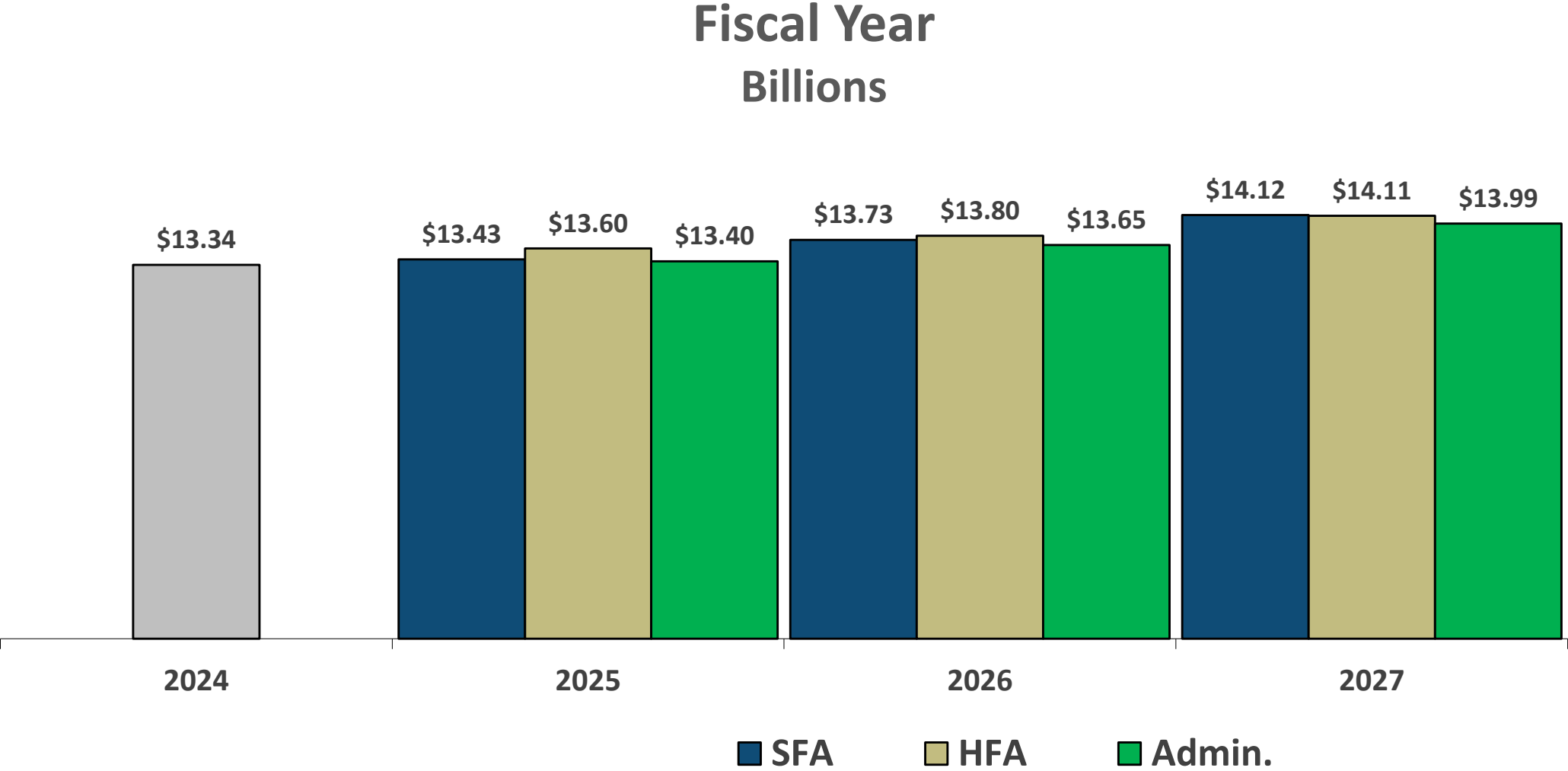
Income Tax Refunds



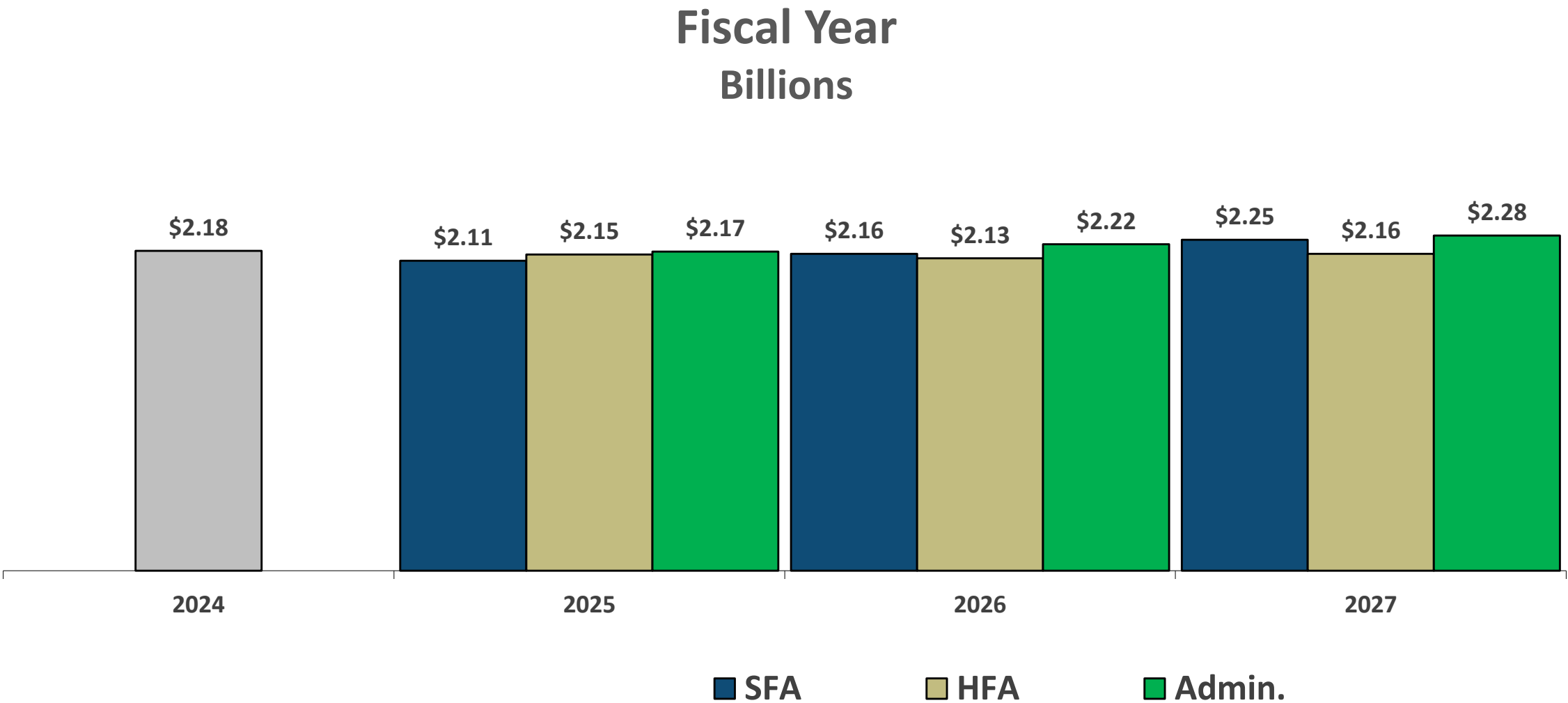
Net Individual Income Tax (IIT) Revenue Estimates



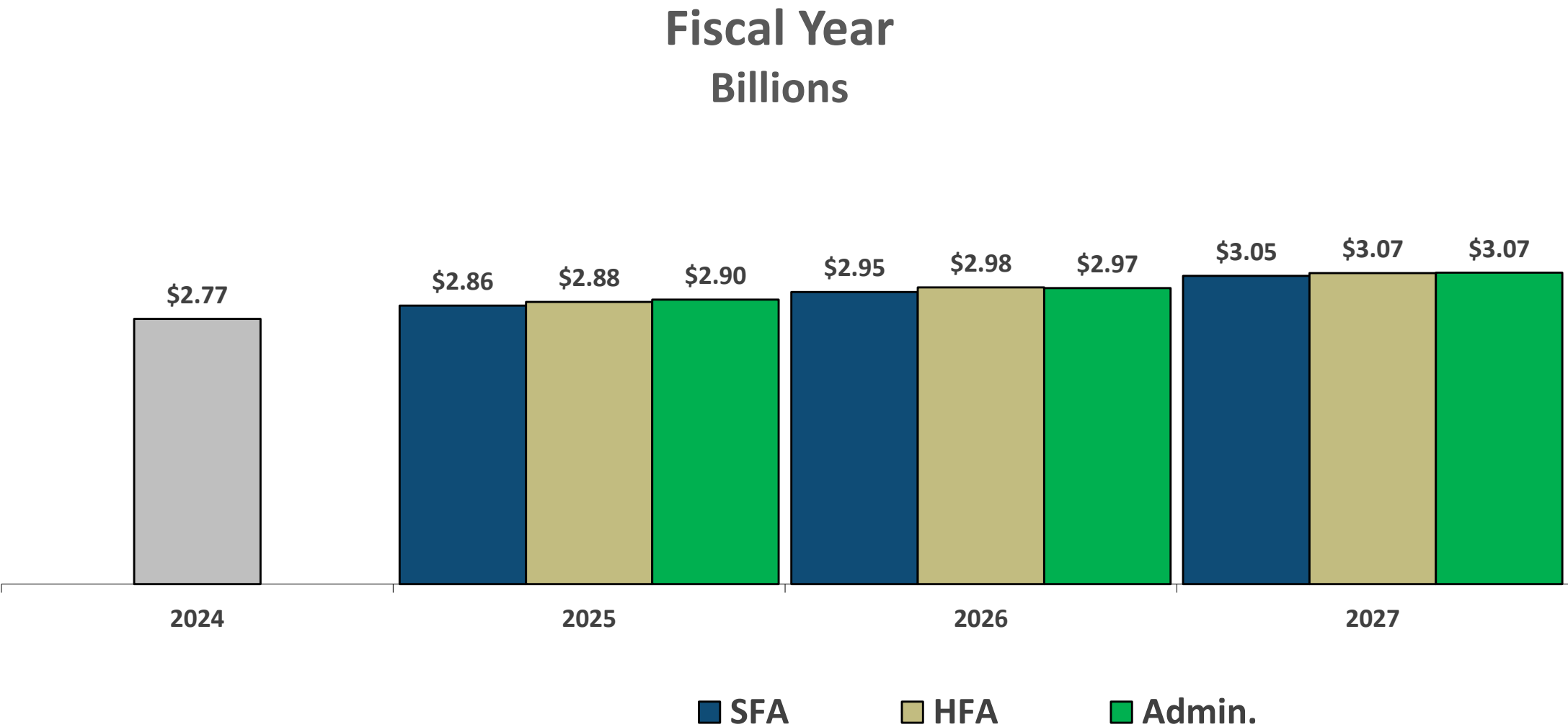
Net Sales and Use Taxes Revenue Estimates



Net Corporate Income Tax (CIT) Revenue Estimates

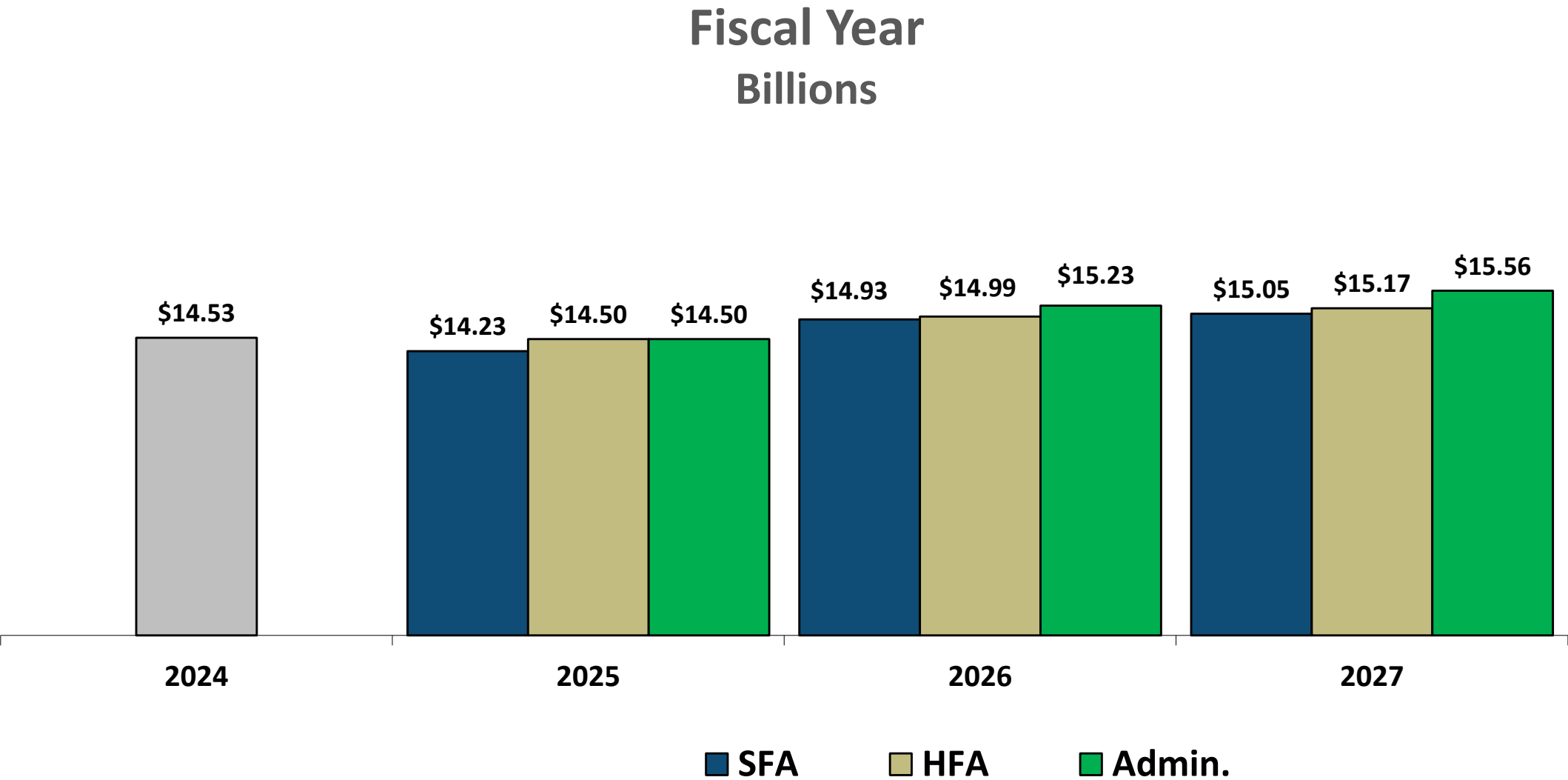


Net State Education Tax (SET) Revenue Estimates

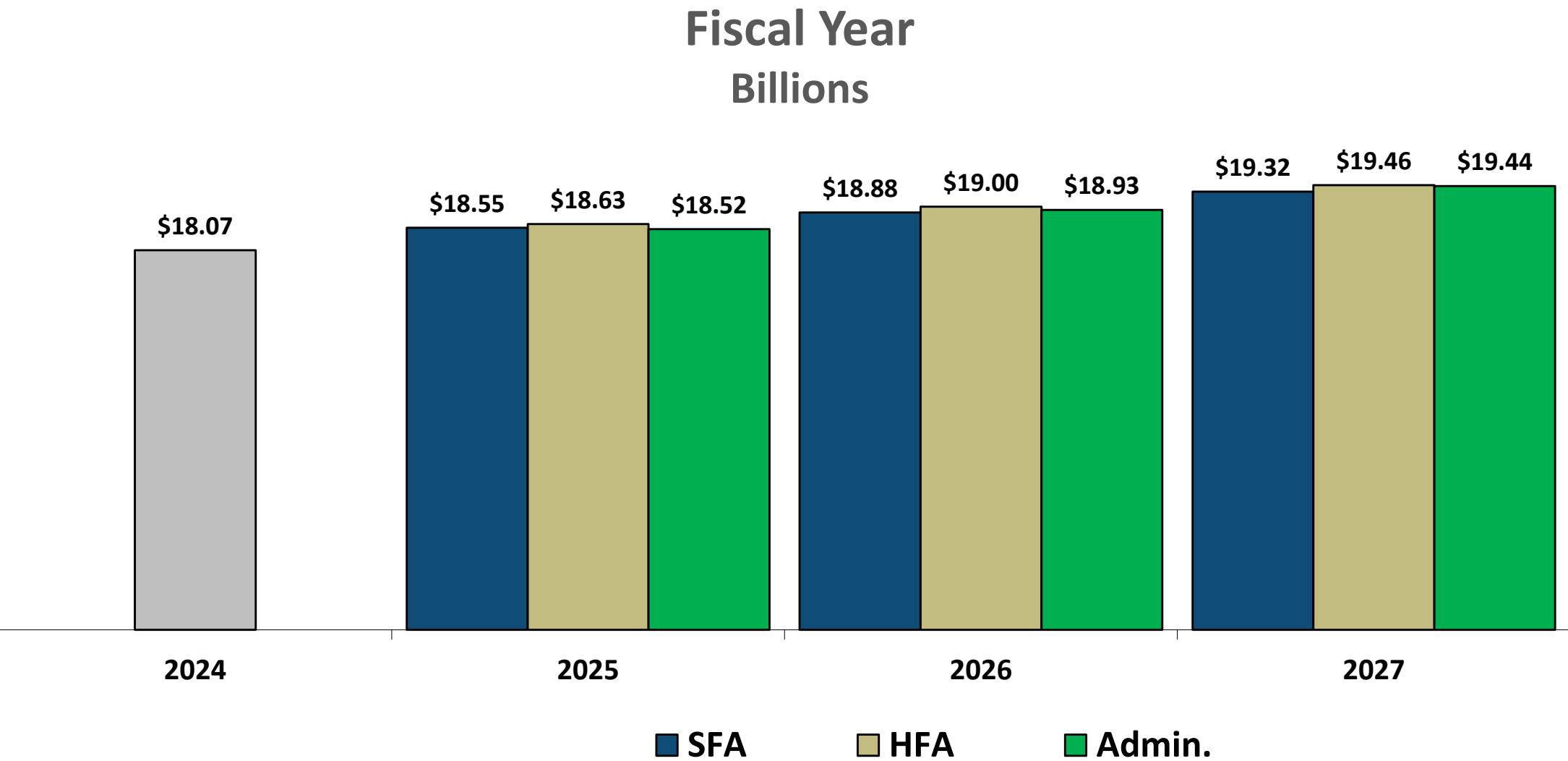


FORECAST OF GF-GP AND SCHOOL AID FUND

GF-GP Net Revenue Estimates



School Aid Fund Net Revenue Estimates



Revenue Forecast Comparison

Total Revenue (Values in Millions)									
	FY 2025			FY 2026			FY 2027		
	<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	\$14,231.6	\$14,501.0	\$14,497.7	\$14,931.6	\$14,990.6	\$15,229.1	\$15,054.5	\$15,174.5	\$15,557.0
School Aid Fund	\$18,550.3	\$18,631.9	\$18,522.1	\$18,876.4	\$19,002.8	\$18,934.1	\$19,318.5	\$19,456.8	\$19,436.7

Difference from January 2025 Consensus Estimates									
	FY 2025			FY 2026			FY 2027		
	<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	(\$483.9)	(\$214.5)	(\$217.8)	(\$546.1)	(\$487.1)	(\$248.6)	(\$689.0)	(\$569.0)	(\$186.5)
School Aid Fund	\$90.7	\$172.3	\$62.5	(\$15.1)	\$111.3	\$42.6	(\$36.0)	\$102.3	\$82.2
Combined	(\$393.2)	(\$42.2)	(\$155.3)	(\$561.2)	(\$375.8)	(\$206.0)	(\$725.0)	(\$466.7)	(\$104.3)

Budget Stabilization Fund

Both pay-ins and pay-outs require an appropriation

The agency estimates calculate:

Pay-ins

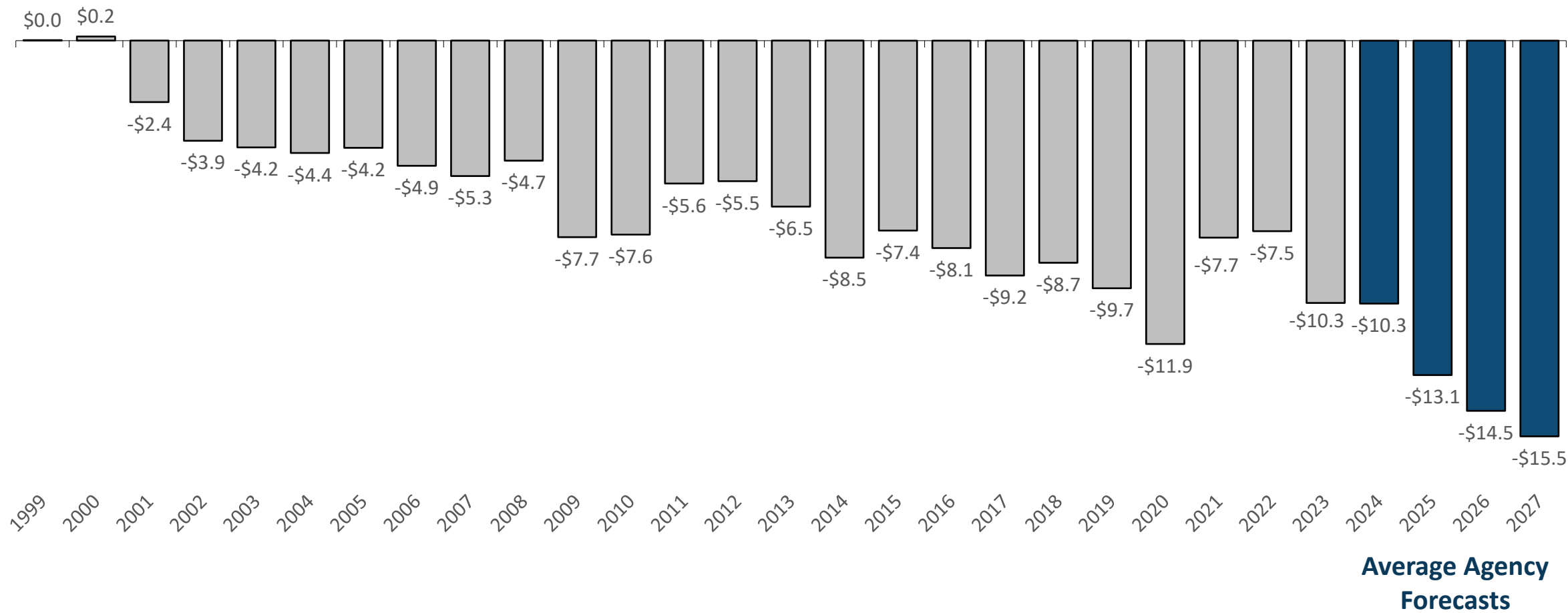
- No pay-ins during FY 2025 through FY 2027

Pay-outs

- No pay-outs during FY 2025 and FY 2027
- Pay-out of up to \$538.5 million during FY 2026

Constitutional Revenue Limit Calculation

Amount Under/Over the Constitutional Revenue Limit Billions

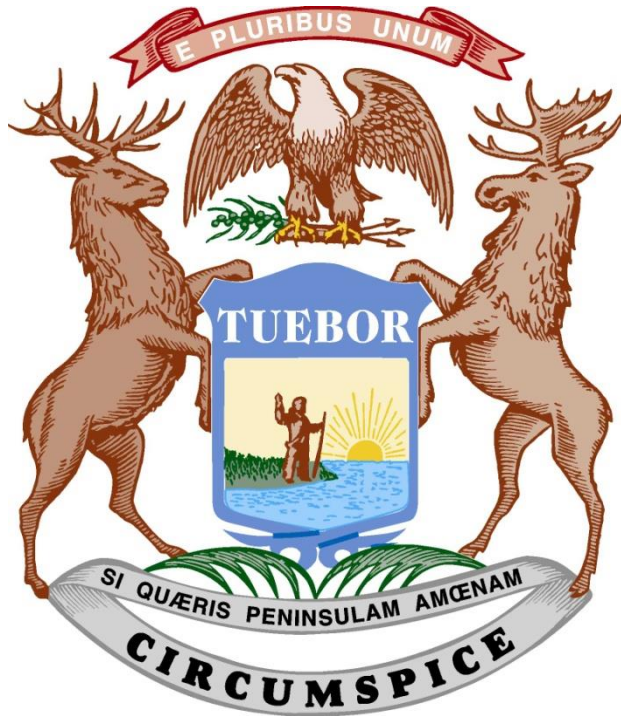


MICHIGAN TAX REVENUE FORECAST RISKS

- Federal Policy Changes: Trade, Tariffs, and Tax Reforms may impact the forecast
 - Trade and Tariffs: Present uncertainty to the Michigan outlook
 - Tax Reforms: Many provisions in the Tax Cuts and Jobs Act sunset beginning in 2026
 - Some federal changes may impact the Michigan tax base
- Potential changes to the revenue accrual process and standards
- 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 2025 • FY 2026 • FY 2027



CONSENSUS REVENUE ESTIMATING CONFERENCE

MAY 16, 2025