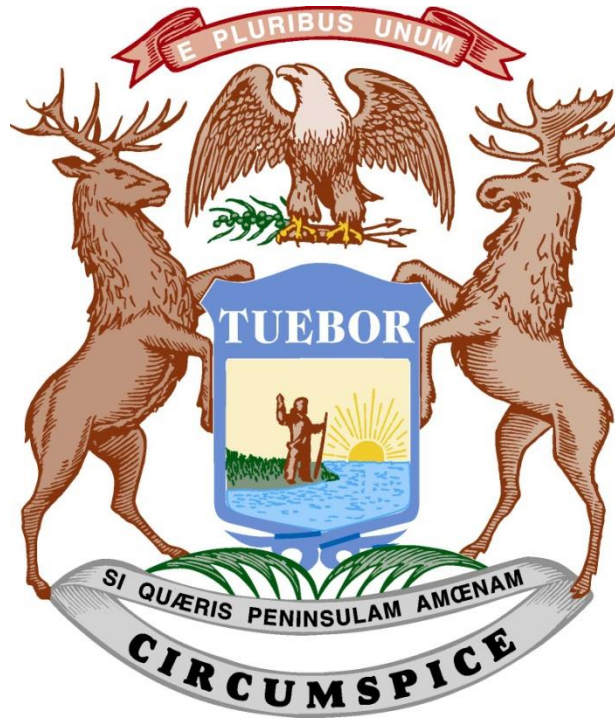


# Economic and Revenue Forecasts

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



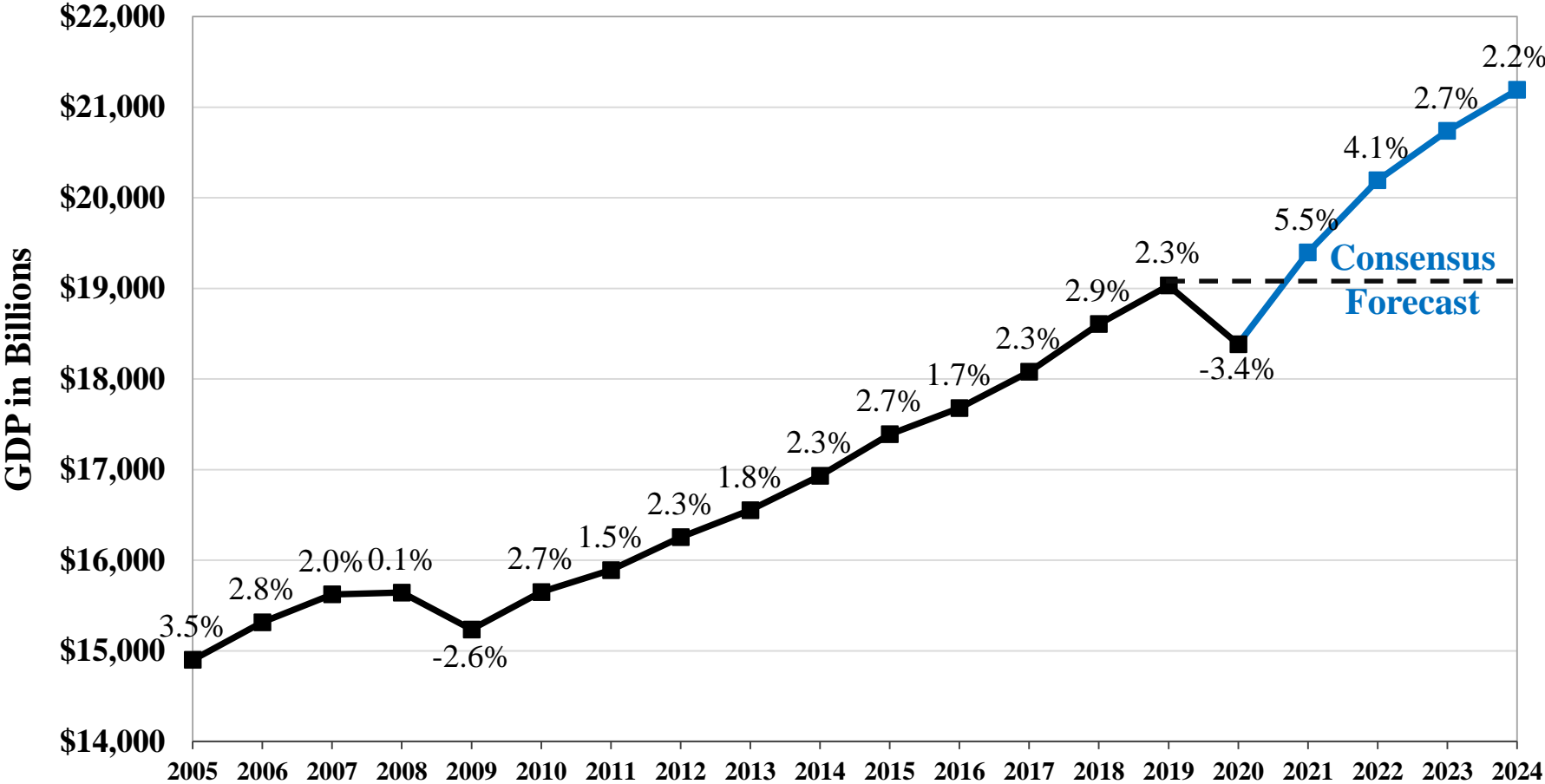
**Consensus Revenue Estimating Conference  
January 14, 2022**

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# **CONSENSUS ECONOMIC FORECAST**

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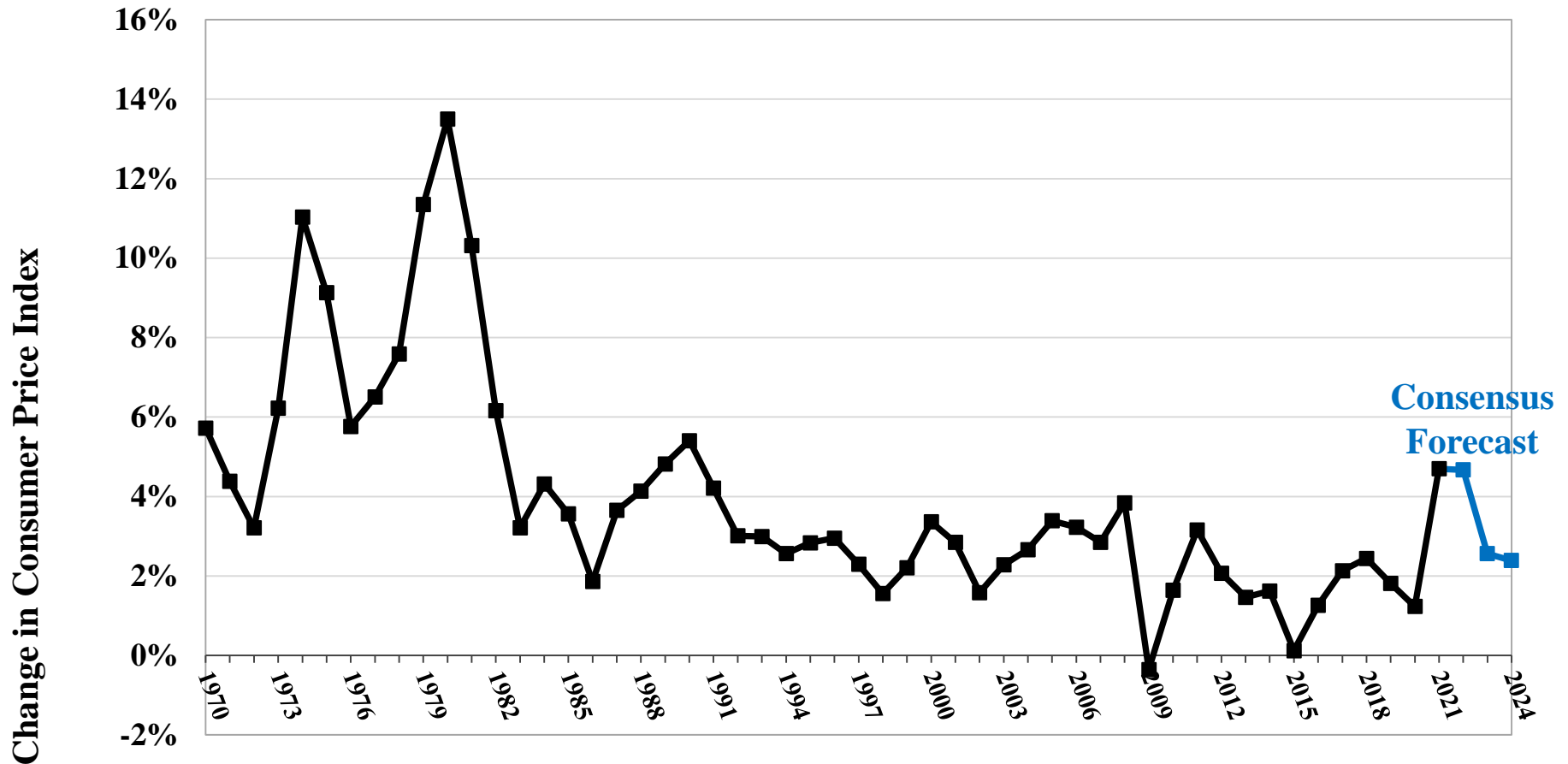
# Consensus Real GDP Forecast



Labels: Percent Change from Prior Year

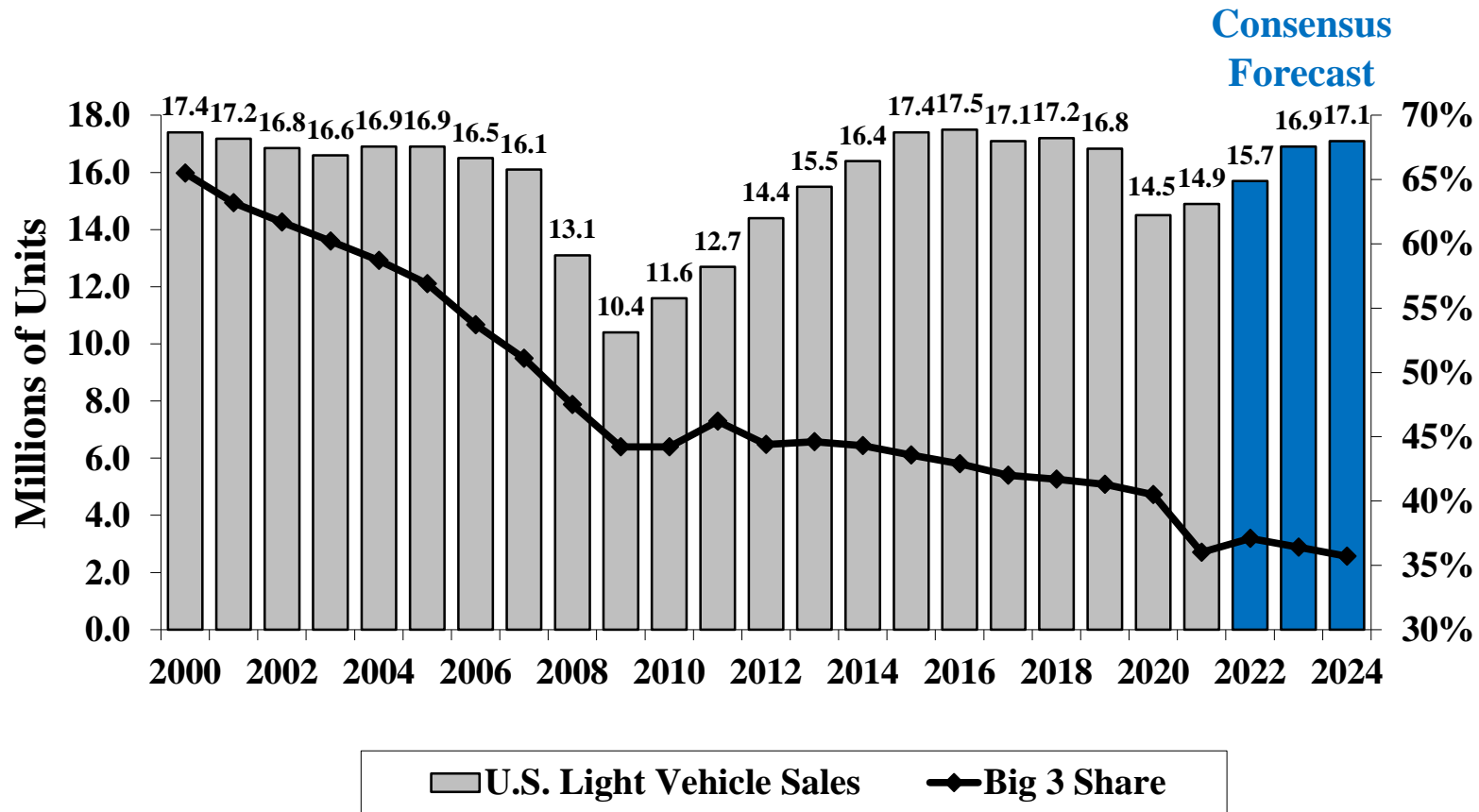
Source: U.S. Bureau of Economic Analysis.

# U.S. Inflation Forecast



Source: U.S. Bureau of Labor Statistics

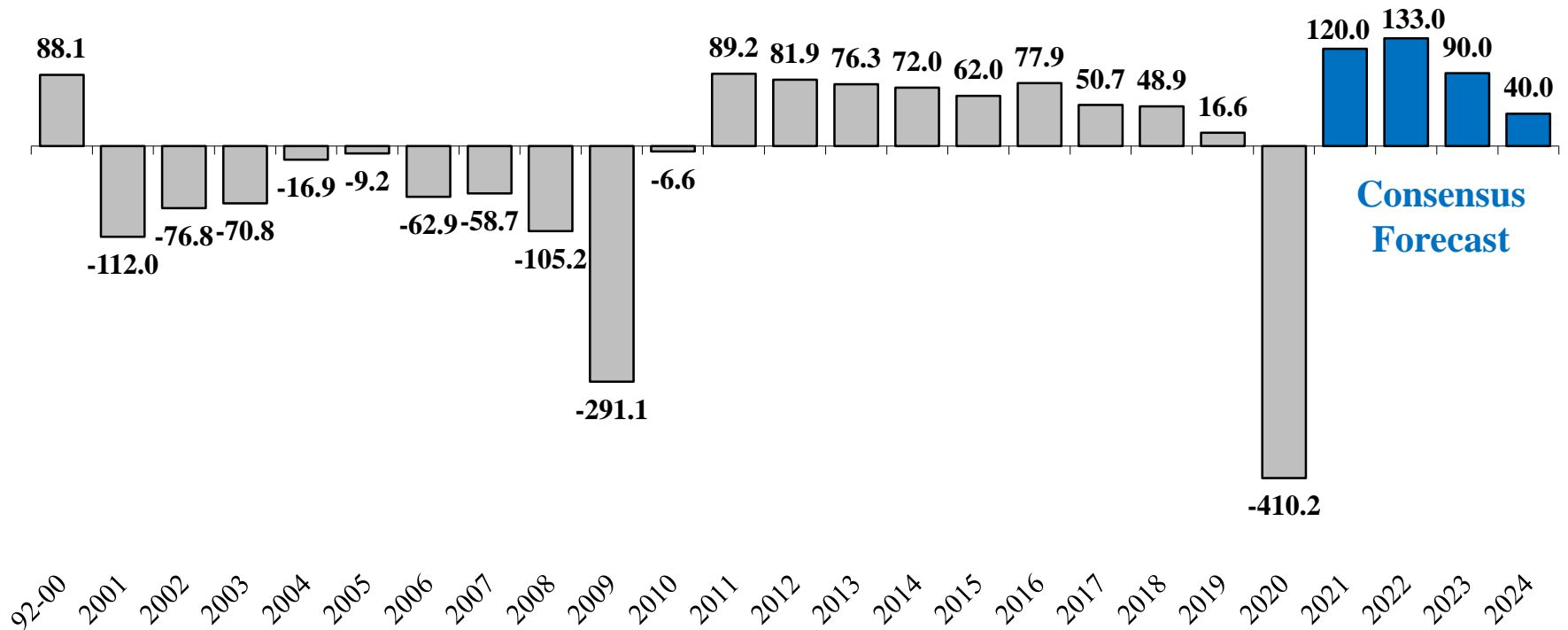
# Light Vehicle Sales Forecast



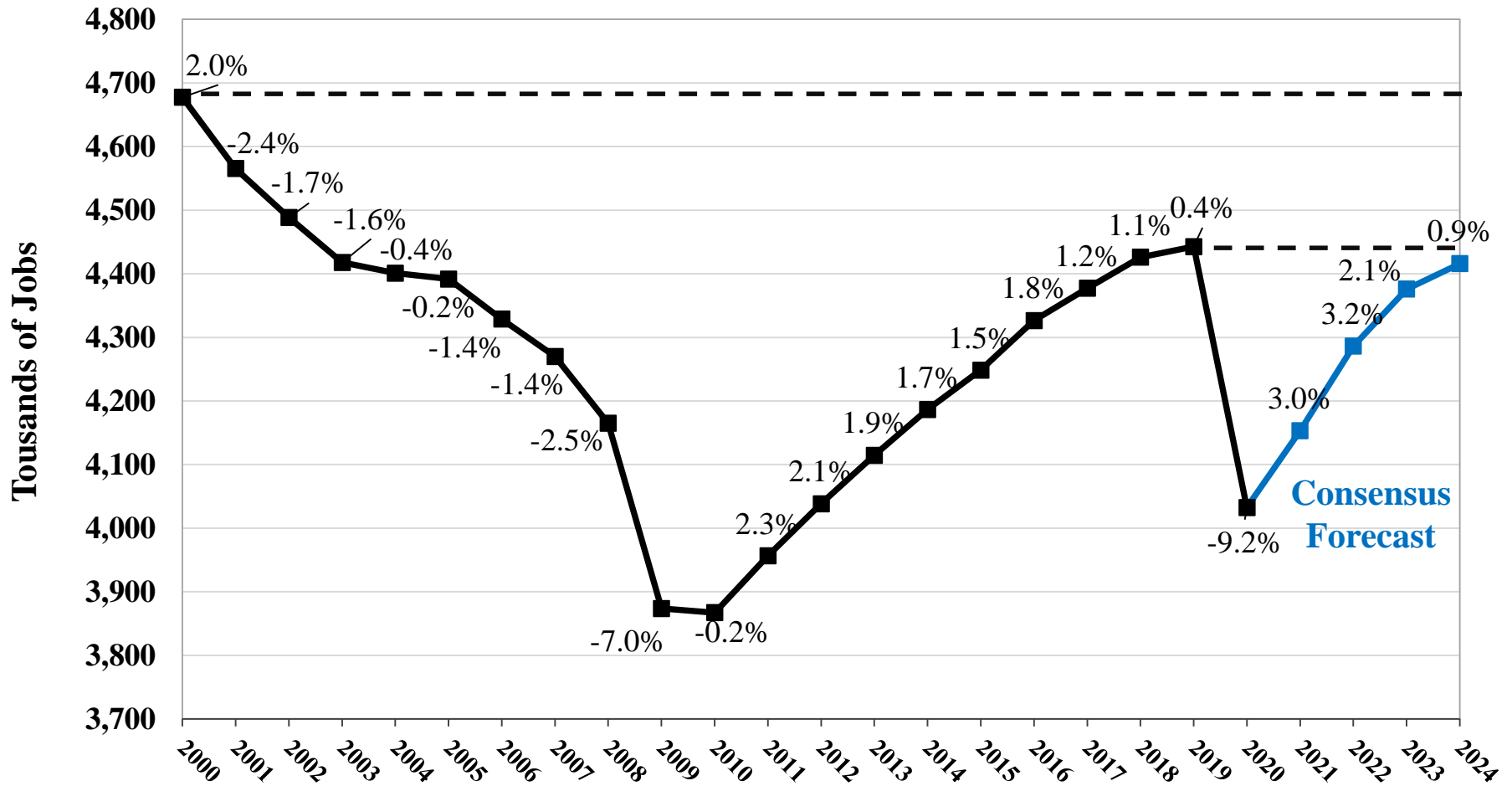
Source: Automotive News.

# Michigan Job Gains Expected Through 2024

## Change in Michigan Wage and Salary Employment Thousands



# Michigan Payroll Employment



Labels: Percent Change from Prior Year

Source: U.S. Bureau of Labor Statistics.

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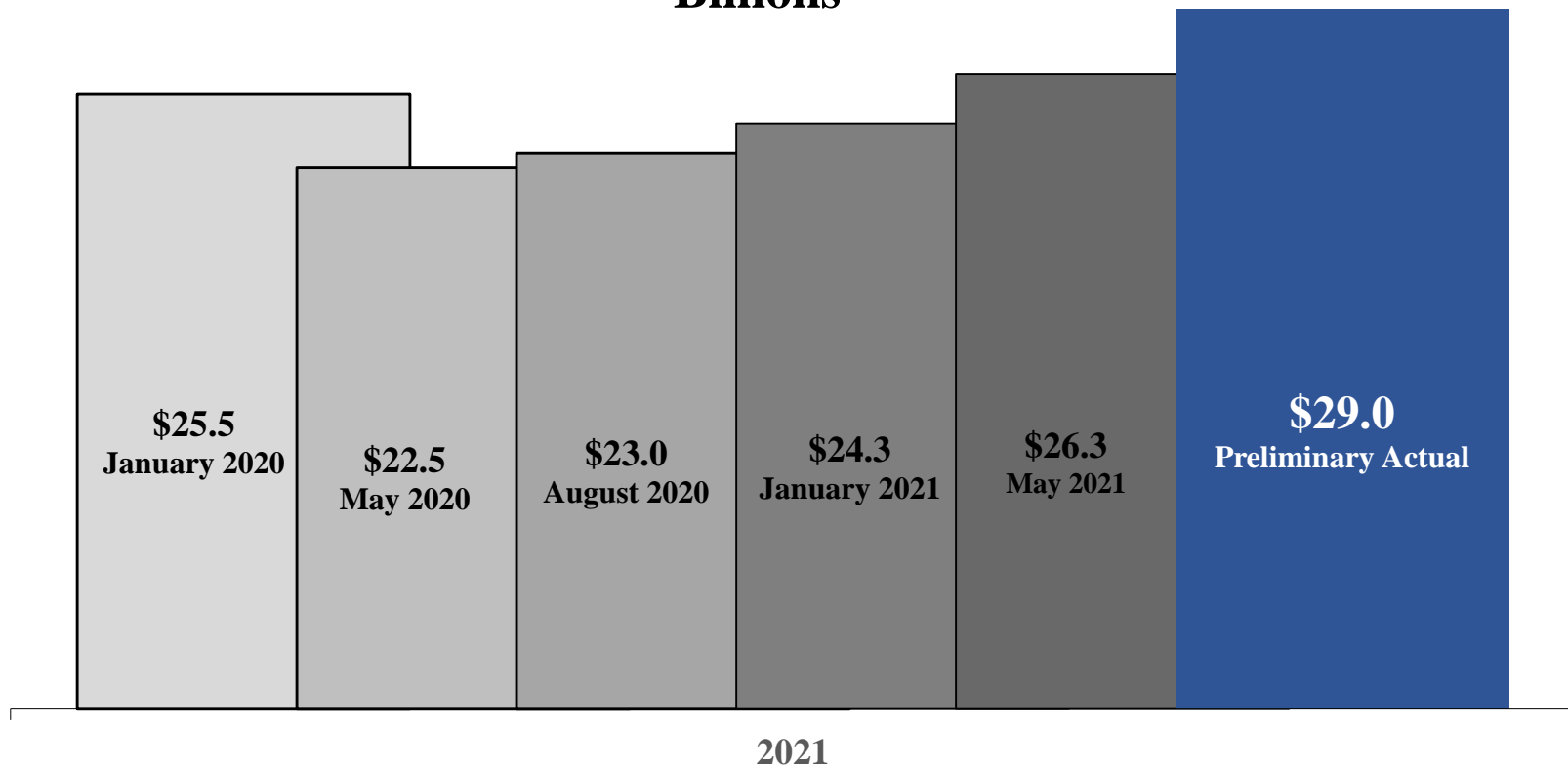
# **FY 2020-21 REVENUE REVISIONS**

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# Preliminary FY 2021 Revenue Totals

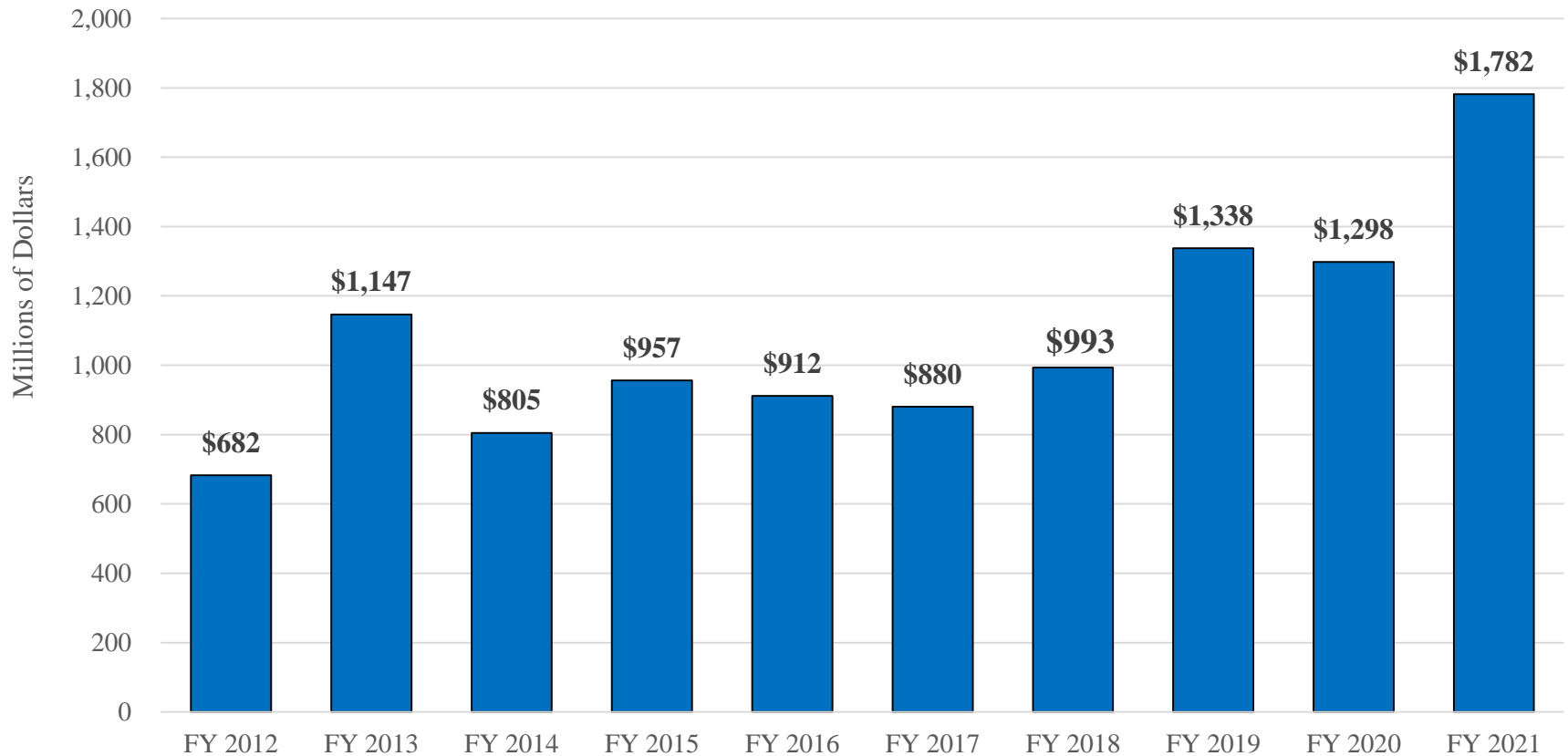
## GF-GP and SAF Combined Fiscal Year 2021 Billions



# Income Tax Annuals Surprised in 2021

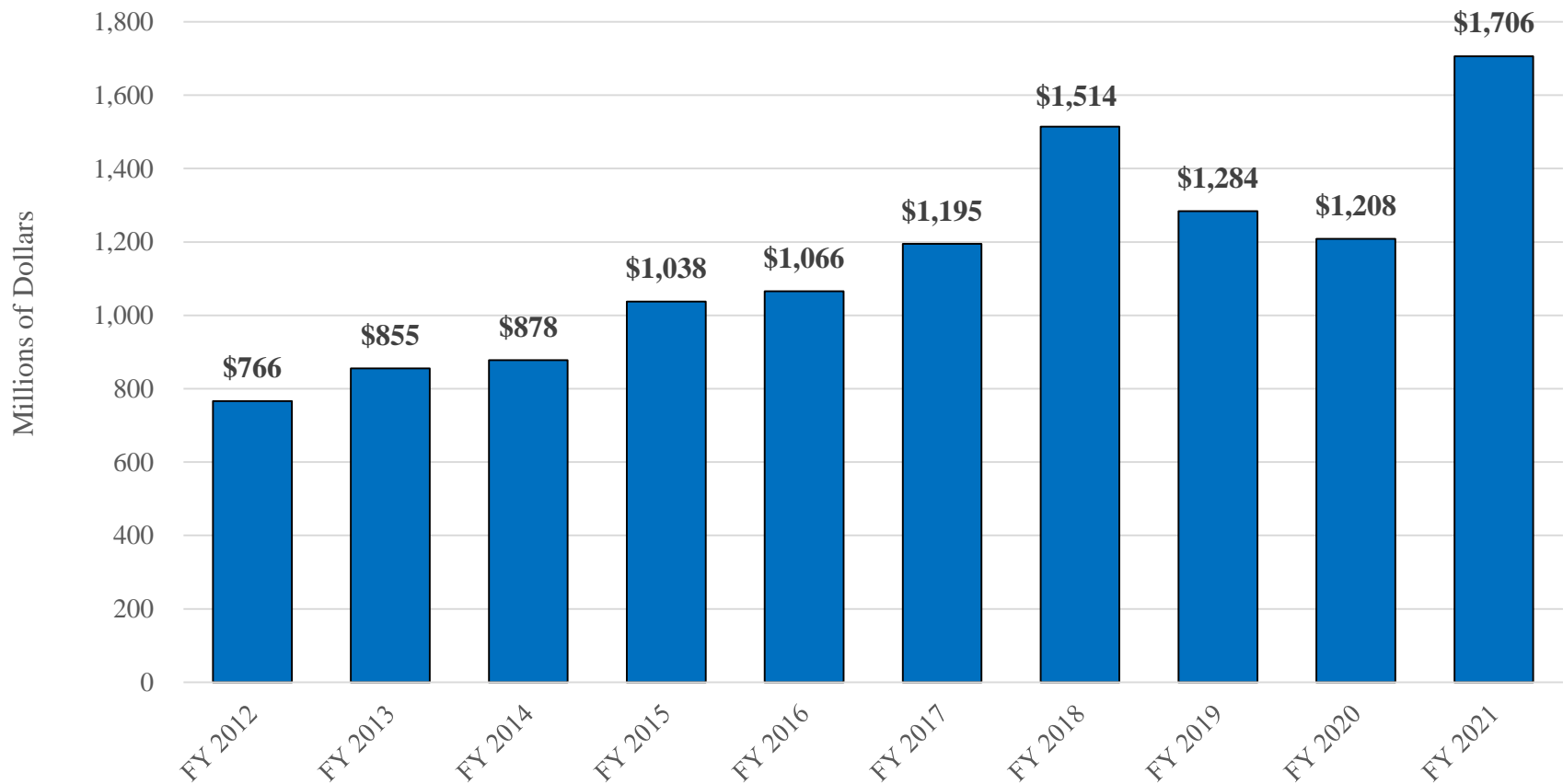
## Individual Income Tax: Annual Payment Collections

FY 2012 – 2020; FY 2021 Preliminary



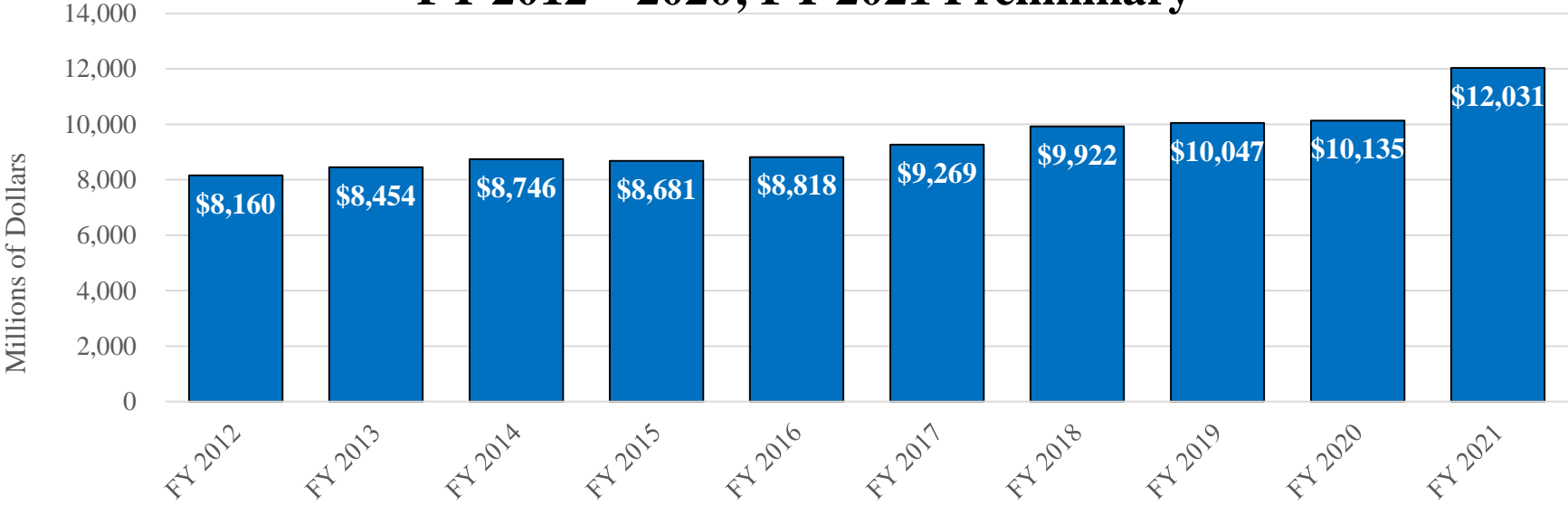
# Strong Quarterly Payment Collections

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

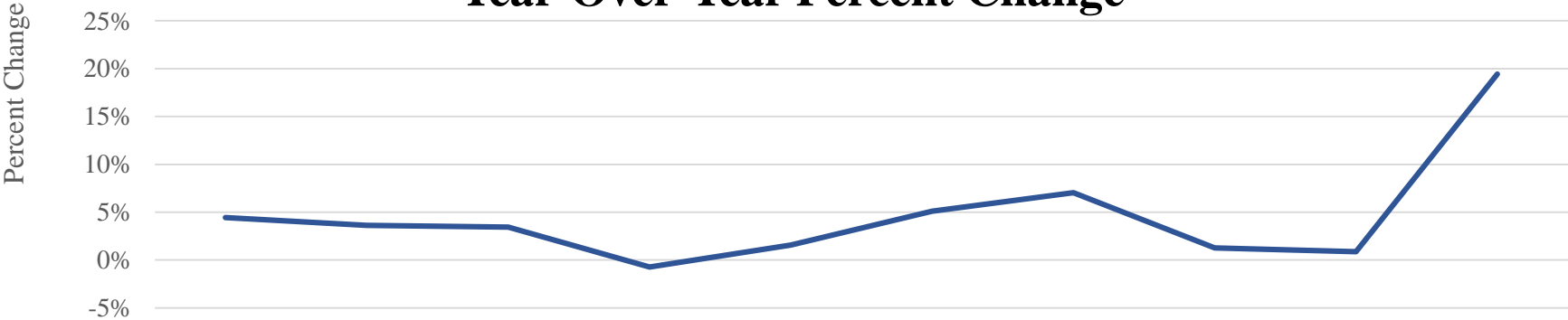


# Consumption Taxes Reach Records

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

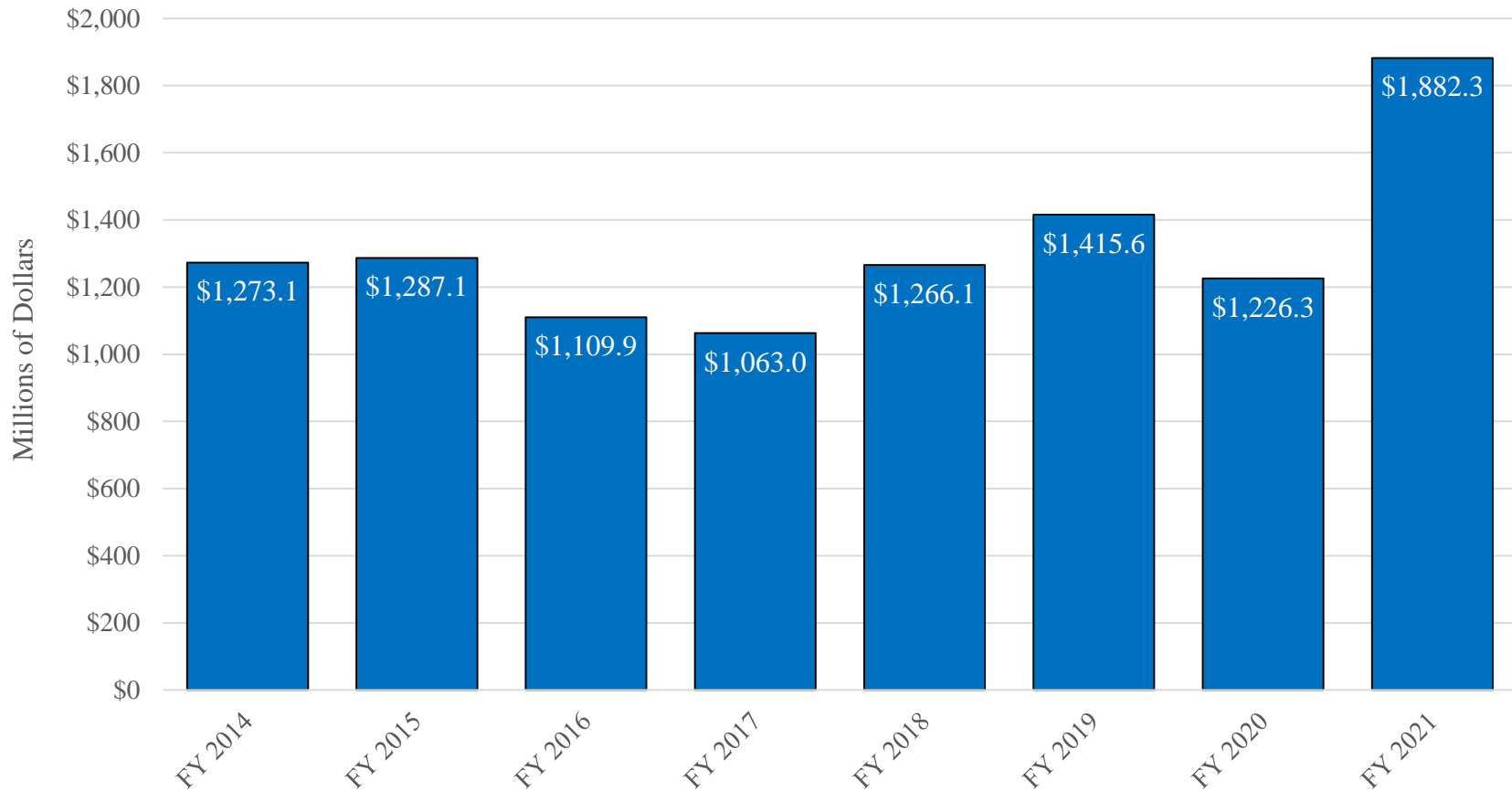


## Year-Over-Year Percent Change



# Increased Business Tax Payments

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

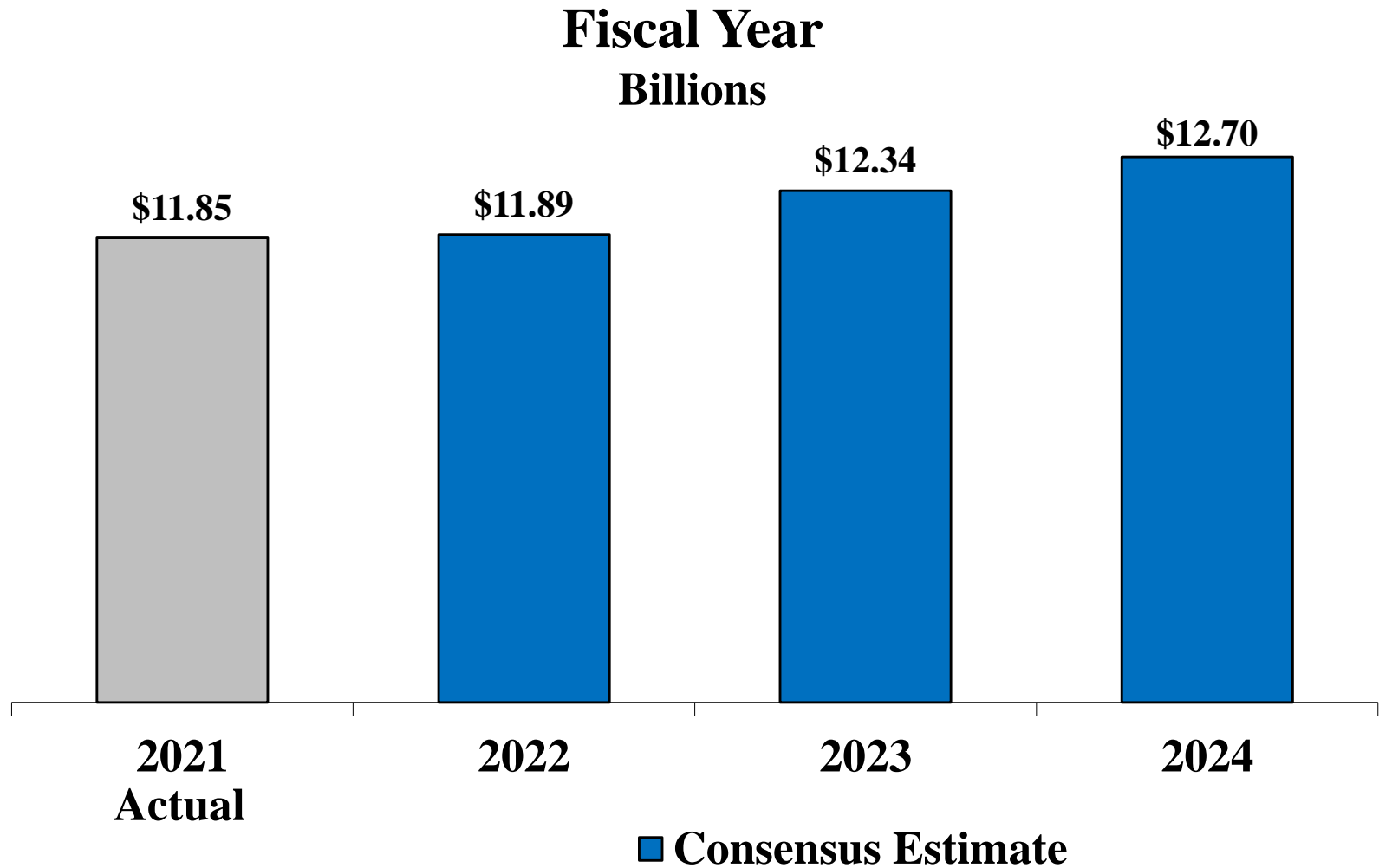


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# FORECAST OF MAJOR TAXES

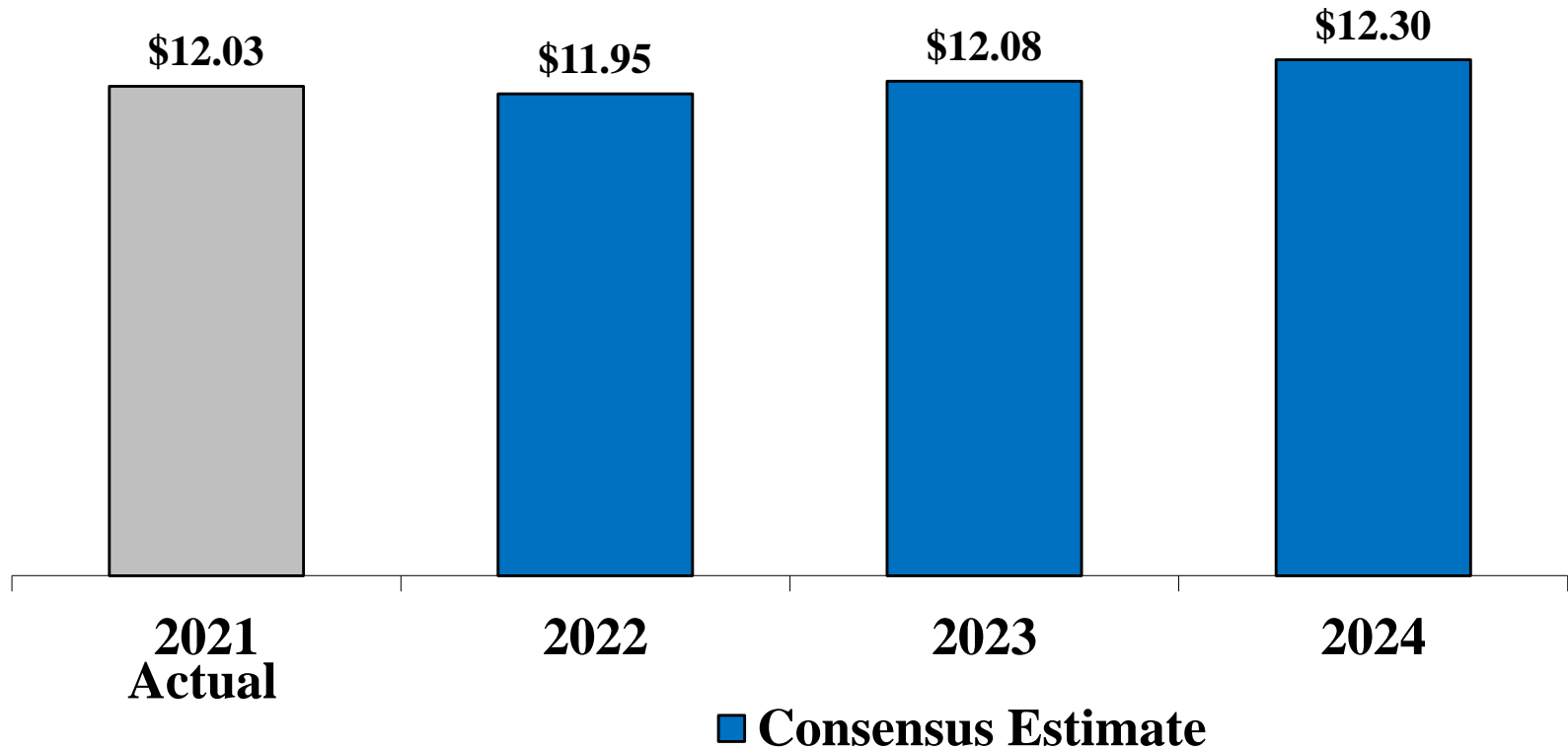
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# Net Income Tax Revenue Estimates



# Net Sales and Use Tax Revenue Estimates

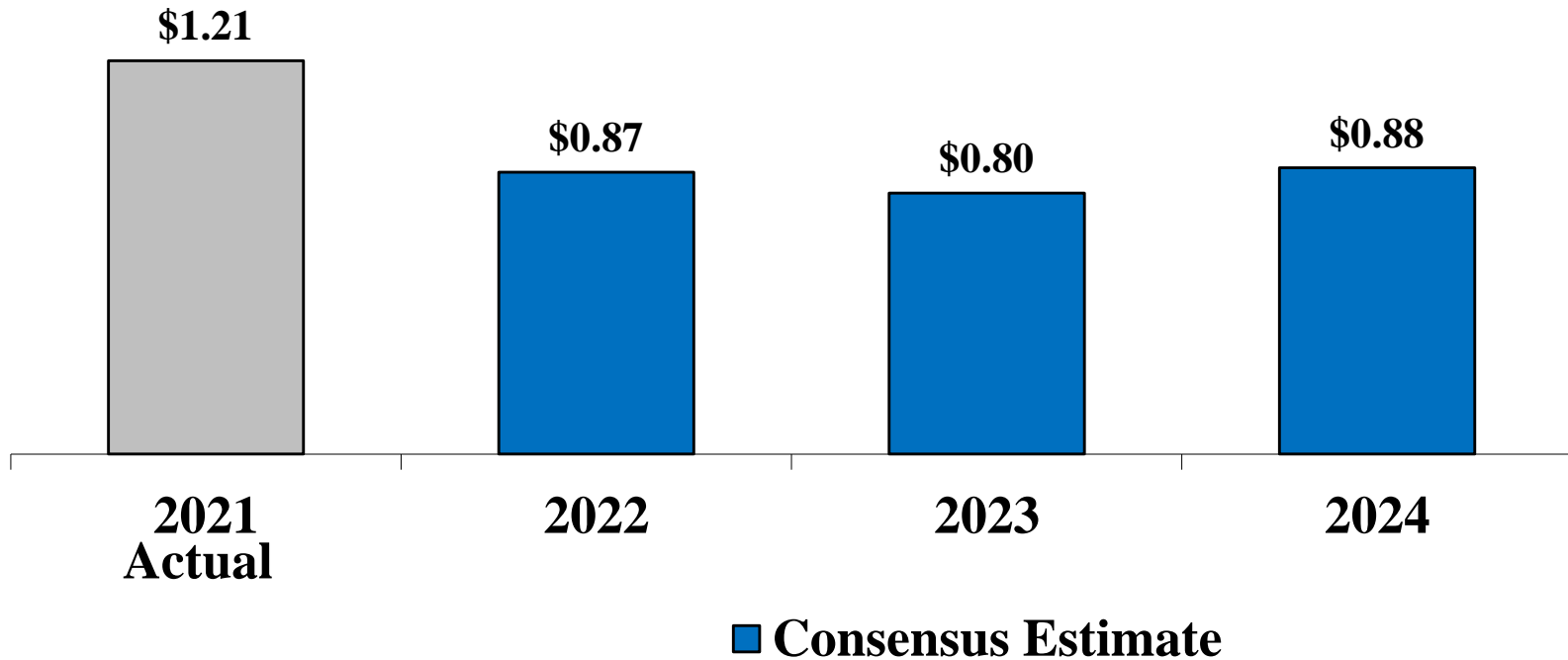
**Fiscal Year**  
**Billions**





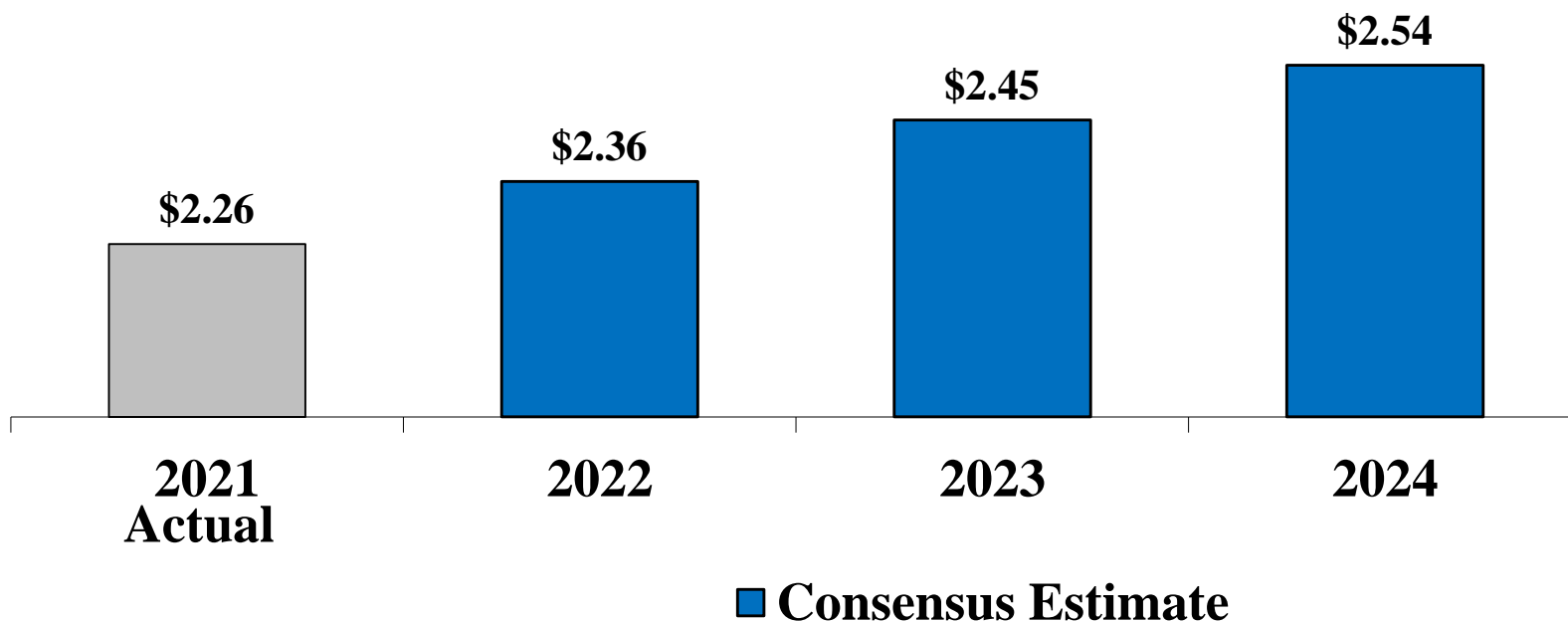
# Net CIT/MBT Revenue Estimates

**Fiscal Year**  
**Billions**



# Net SET Revenue Estimates

**Fiscal Year**  
**Billions**



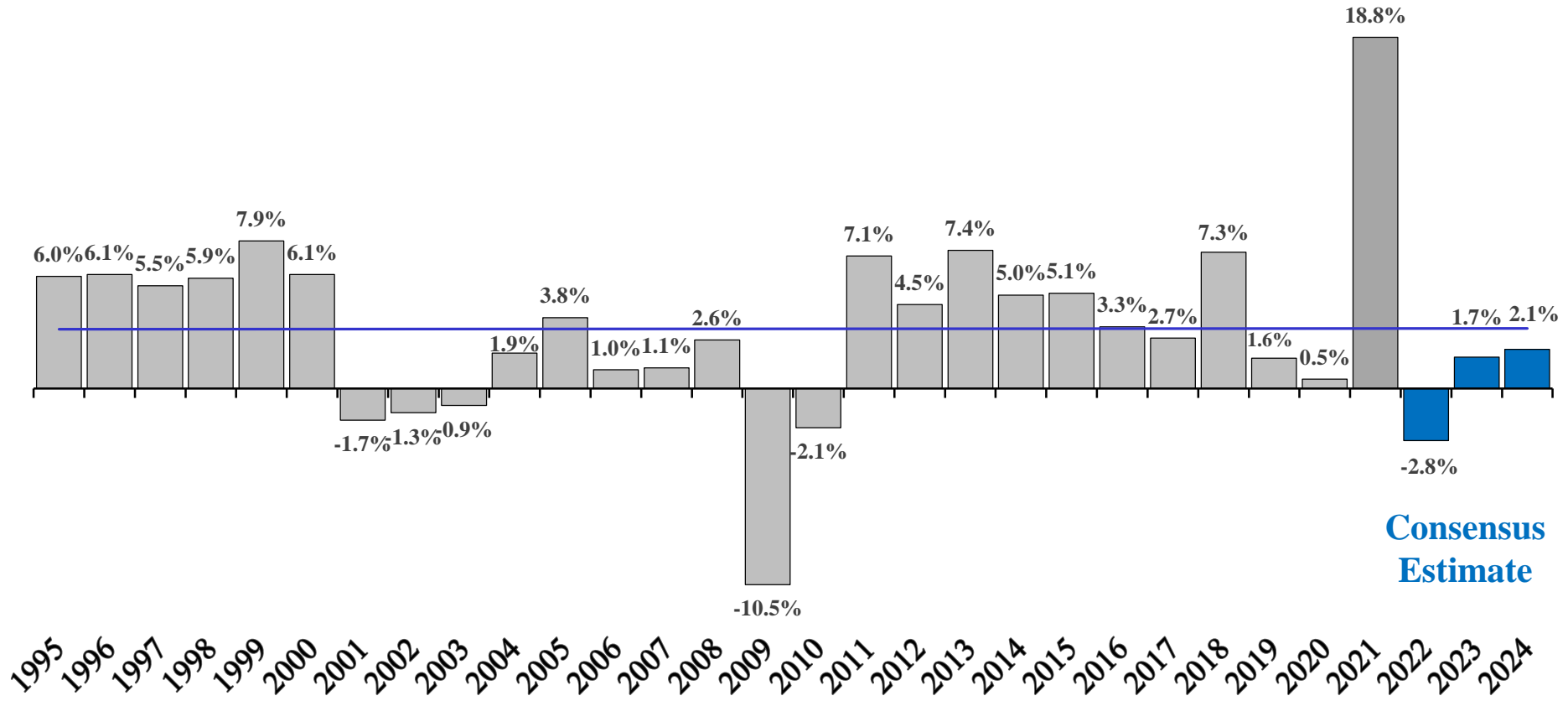
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# **FORECAST OF GF-GP AND SCHOOL AID FUND**

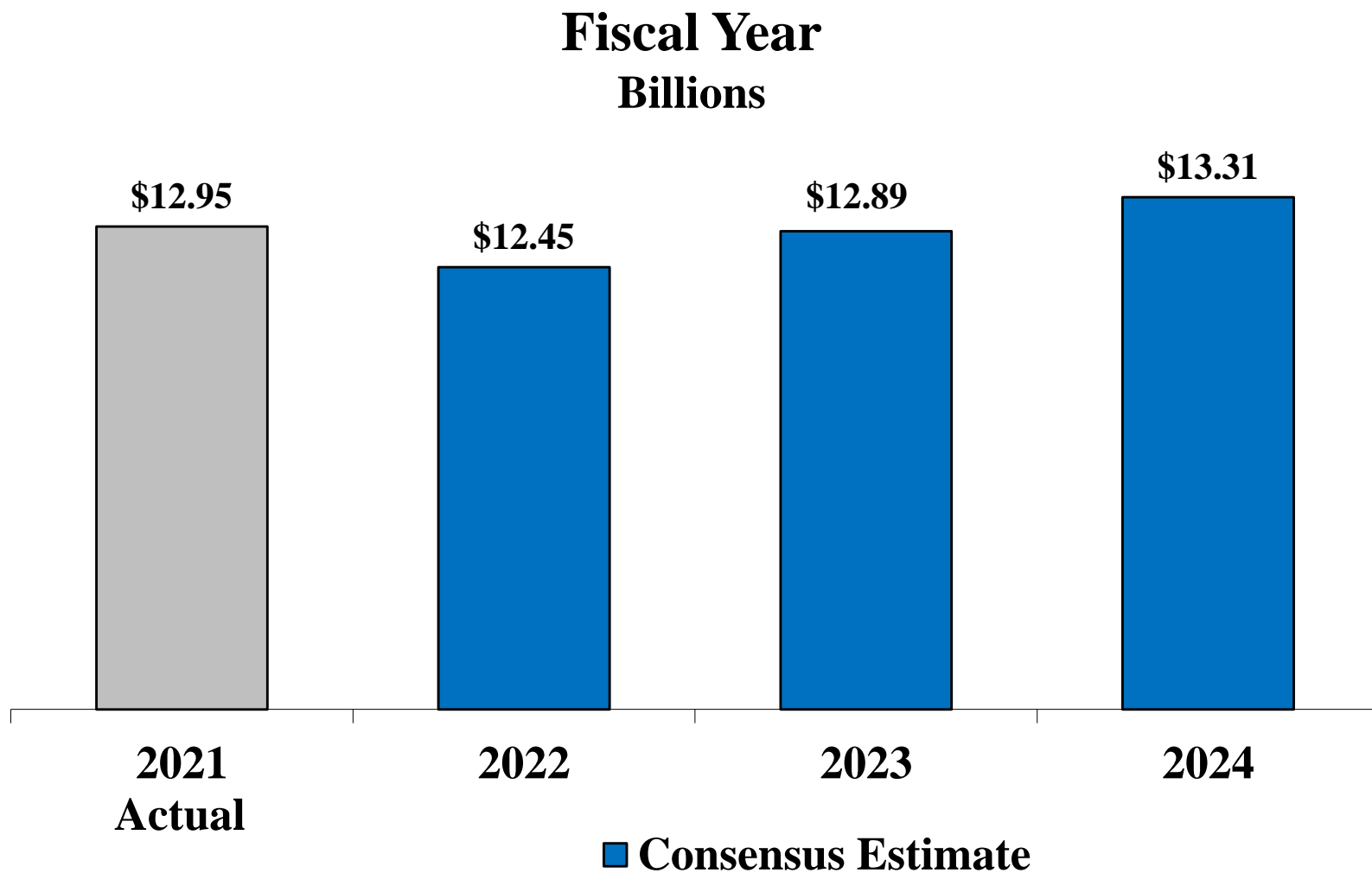
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# GF-GP and School Aid Revenue

## Baseline Growth Rates Before Tax Changes

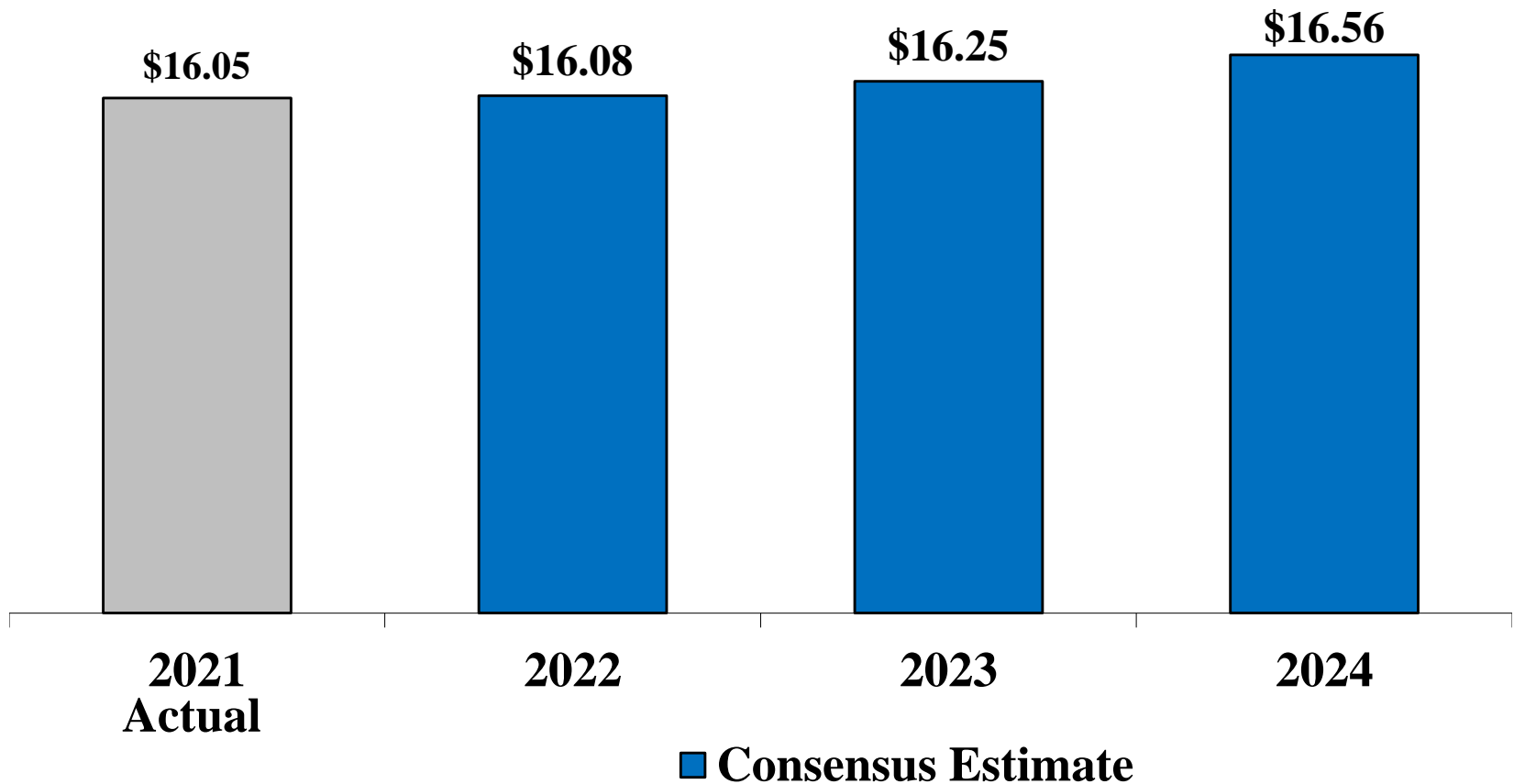


# GF-GP Net Revenue Estimates



# School Aid Fund Net Revenue Estimates

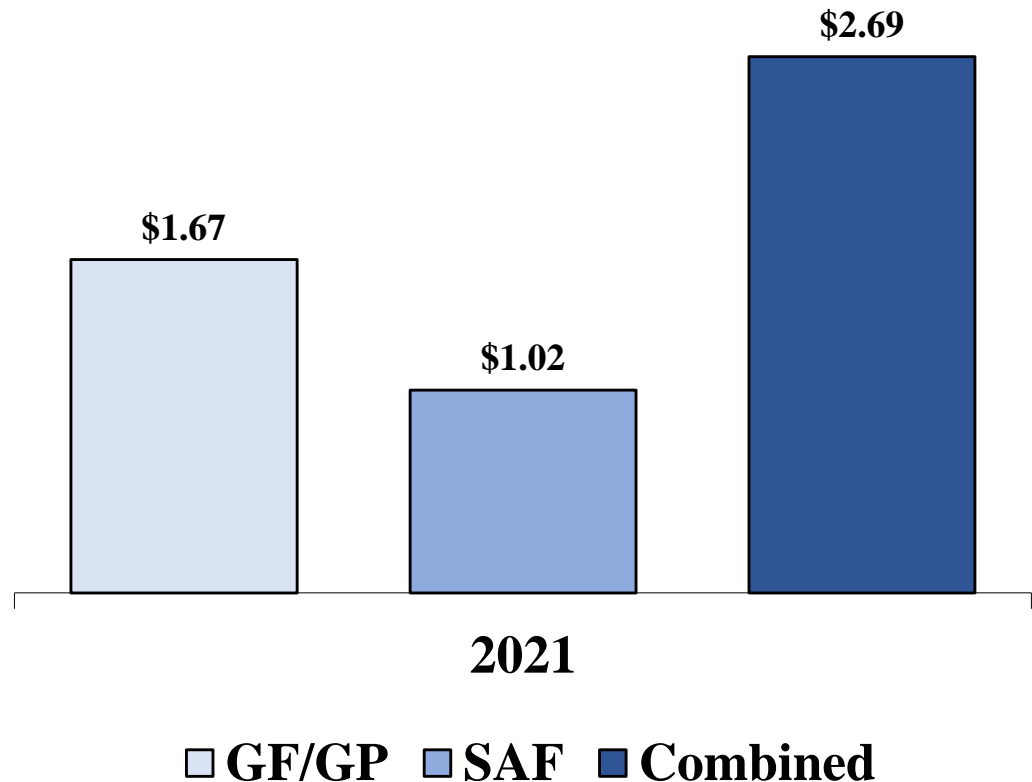
Fiscal Year  
Billions



# 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



# Income Tax Rate under MCL 206.51(1)

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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 consensus forecast, rate cuts are not expected for the forecast horizon



# Budget Stabilization Fund

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Both pay-ins and pay-outs require an appropriation

The Consensus Estimates calculate:

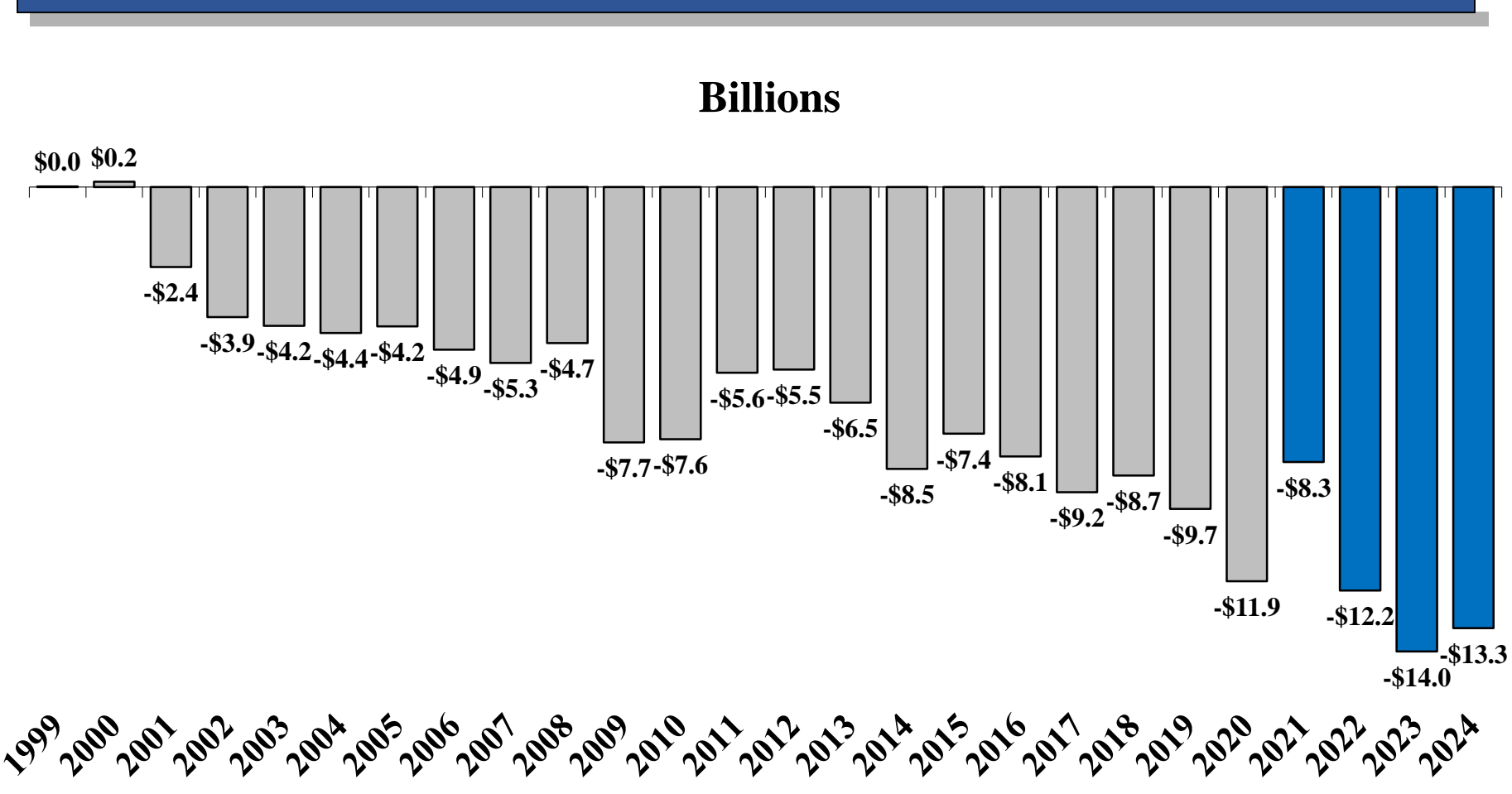
## *Pay-ins*

- Pay-in of \$51.8 million in FY 2022
- No pay-in in FY 2023
- Pay-in of \$148.3 million in FY 2024

## *Pay-outs*

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

# Constitutional Revenue Limit Calculation



**Consensus  
Estimates**

# Forecast Risks

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## 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

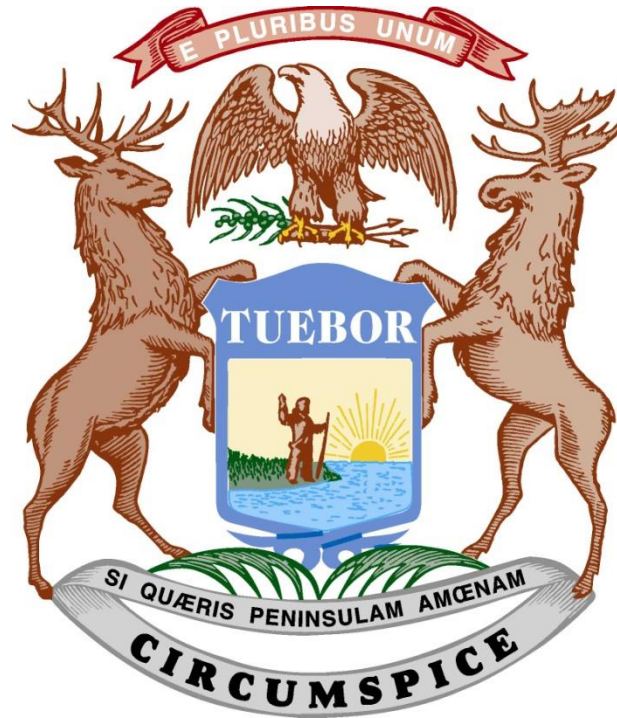
## Michigan Tax Revenue

- 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

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



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