

Section II. Revenue

JANUARY TO APRIL CONSENSUS

The General Fund (GF) budget outlook for FY 24 and FY 25 saw overall positive gains of \$191 million for FY 24 and \$207.2 million for FY 25 from the January 2023 Consensus Revenue report to April.

Positive trends in collections in the sales and use tax and certain businesses taxes, including the corporation and insurance companies taxes, resulted in significant gains in those respective taxes. Downgrades in estimates and finals (E&F) tax were offset by a corresponding adjustment to the Volatility Cap Transfer and a positive adjustment to the pass-through entity tax, which minimized the impact to the General Fund.

Table 2.1 GF FY 24 – FY 25 Consensus Updates
In Millions of Dollars

Revenue Source	FY 24	FY 25
Income Tax		
<i>Estimates/Finals</i>	(504.0)	(539.1)
<i>Pass-through Entity</i>	54.0	45.2
<i>Volatility Cap</i>	446.5	486.2
Subtotal Income Tax	(3.5)	(7.7)
Sales and Use	36.4	37.3
Business Taxes	121.0	125.2
All Other Revenue (net)	37.1	52.4
TOTAL	191.0	207.2

FY 24 – FY 25 REVENUE POLICIES

PA 23-204, the FY 24 and FY 25 Budget, includes revenue-related policies which decrease total General Fund revenue by \$285.5 million in FY 24 and \$320.2 in FY 25. The highlights are listed below. For further details on revenue policies, see **Section IV. Major Policy Changes** and **Part III. Revenue**.

Reduce Marginal Income Tax Rates

The budget lowers state income tax liabilities by reducing the lowest two marginal income tax rates, specifically the 3% marginal rate to 2% and the 5% rate to 4.5%, starting January 1, 2024.

The budget also enacts other income tax policies such as eliminating the pension & annuities/Individual Retirement Account (IRA) exemption “cliff,” and increasing the rate of the earned income tax credit (EITC).

Table 2.2 Summary of GF Policy Changes
In Millions of Dollars

Major Policies	FY 24	FY 25
Reduce marginal tax rates	(166.8)	(370.4)
Transfer funding to MRSF	(115.8)	(104.9)
Other Income Policies	(49.5)	(54.2)
All Other Policies	46.6	209.3
TOTAL	(285.5)	(320.2)

Transfer Funding to the Municipal Revenue Sharing Fund

The budget transfers funds totaling \$115.8 million in FY 24 and \$104.9 million in FY 25 from the GF to the Municipal Revenue Sharing Fund (MRSF) to support various municipal grant programs. For further details on MRSF appropriations, see **Part V. Municipal Aid**.

It should also be noted that the budget permanently redirects the 0.5 percentage point sales tax diversion from the Municipal Revenue Sharing Account to the MRSF.