Section II. Revenue

JANUARY TO APRIL CONSENSUS

The General Fund (GF) budget outlook for FY 26 and FY 27 decreased by $156.2 million and $164.2 million respectively from the January 2025 Consensus report to the April report.

Table 2.1 GF Consensus Updates
In Millions of Dollars

Revenue Source	FY 26	FY 27
Income Tax	50.5	44.1
Sales Tax	(127.4)	(128.9)
Corporation Tax	(107.0)	(110.2)
All Other	27.7	30.8
TOTAL	**(156.2)**	**(164.2)**

The April Consensus lowered the FY 26 growth rate assumption for **sales tax** due to various economic uncertainties such as supply issues and eroding consumer sentiment. The growth rate for sales tax is projected to rebound in FY 27. **Corporation tax** revenue projections are also revised downward to reflect a softening in collections in March/April 2025. Partially offsetting these negative adjustments is an upward adjustment to the withholding portion of the personal income tax as collections continued to perform above expectations.

Net positive gains from estimates & finals and the pass-through entity tax combined benefit the Budget Reserve Fund as they are transferred to that fund under the Volatility Cap.

FY 26 – FY 27 REVENUE POLICIES

PA 25-168, the FY 26 and FY 27 Budget, includes revenue-related policies which increase total General Fund revenue by $562.5 million in FY 26 and $1,473.8 million in FY 27. The highlights are listed below. For further details on revenue policies see **Section IV Major Policy Changes** and **Part III Revenue**.

Table 2.2 Summary of GF Policy Changes
In Millions of Dollars

Major Policies	FY 26	FY 27
Adjust Volatility Cap Threshold	600.0	632.2
Hospital Tax Rebase & Match on Hospital Supplemental Payments	-	468.8
Corporation Tax Changes	189.4	171.5
All Other	(226.9)	201.3
TOTAL	**562.5**	**1,473.8**

Adjust The Volatility Cap

The budget raises the volatility cap to provide additional General Fund revenue: $150 million in FY 25; and $600 million in FY 26. Allowable projected growth (at a rate of 5.4%) from FY 26 to FY 27 increases the amount to $632.2 million.

Rebase Hospital Tax & Match on Hospital Supplemental Payments

The budget includes the following hospital related revenue changes.

- Increase by $375 million the total amount of hospital tax due to the state beginning in FY 27 and "rebase" to the applicable federal fiscal year.
- Increase Medicaid supplemental payments to hospitals by $140 million for FY 27, yielding an increase of $93.8 million in federal grants revenue in FY 27.

Corporation Tax Changes

The budget makes various policy changes to the corporation tax including (1) extending the 10% corporate surcharge for three income years; (2) eliminating the combined unitary reporting cap; and (3) eliminating the provision that allows certain corporations to claim 100% Net Operating Loss.