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R E V E N U E R E V I E W

Quarterly
Revenue Report
for the
State of
Michigan

Interim APRIL 2001

TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>Feb/Mar FY 1999-</u>	<u>Feb/Mar FY 2000-</u>	<u>Feb/Mar %</u>	<u>YTD %</u>
\$2,930.3 million	\$2,615.5 million	-10.7%	-5.8%

Revenue collections for February/March of fiscal year (FY) 2000-01 were \$314.8 million or 10.7% lower than February/March collections in FY 1999-2000. Revenue for fiscal year-to-date totaled \$7.9 billion—down \$480.5 million or 5.8% from the first five months of FY 1999-2000.

INCOME TAX (NET)

<u>Feb/Mar FY 1999-</u>	<u>Feb/Mar FY 2000-</u>	<u>Feb/Mar %</u>	<u>YTD %</u>
\$716.2 million	\$543.2 million	-24.2%	-11.3%

Income tax revenue consists of three components – withholding, annual payments, and quarterly payments. Withholding payments are based on workers' earnings and make up almost 80% of total income tax collections. Annual and quarterly payments are based on self-employment earnings and other income sources, such as capital gains.

Net income tax collections, which include income tax refunds, for February/March of FY 2000-01 were \$173.0 million or 24.2% lower than year-ago February/March collections. Withholding payments posted a 5.6% decline; quarterly and annual payments were down 9.3%; income tax refunds were up 20.0%. To some degree, the weakness in withholding and quarterly payments reflects the income tax rate reduction from 4.4% to 4.2%. Net income tax collections for fiscal year-to-date totaled \$2.6 billion—down \$326.1 million or 11.3% from the first five months of FY 1999-2000.

SALES AND USE TAXES

<u>Feb/Mar FY 1999-</u>	<u>Feb/Mar FY 2000-</u>	<u>Feb/Mar %</u>	<u>YTD %</u>
\$1,138.7 million	\$1,083.4 million	-4.9%	-3.1%

Sales tax collections are derived from the sale of taxable items such as motor vehicles, furniture, apparel, food consumed at restaurants, and other general merchandise. The Use tax is applied to telephone services, leased motor vehicles, hotels and motels, and gas and electric utilities.

Sales and Use tax collections for February/March of FY 2000-01 were \$55.3 million or 4.9% lower than year-ago February/March. Sales and Use tax collections for fiscal year-to-date totaled \$3.0 billion—down \$94.6 million or 3.1% from the first five months of FY 1999-2000.

SINGLE BUSINESS AND INSURANCE TAXES

<u>Feb/Mar FY 1999-</u>	<u>Feb/Mar FY 2000-</u>	<u>Feb/Mar %</u>	<u>YTD %</u>
\$373.6 million	\$271.6 million	-27.3%	-10.7%

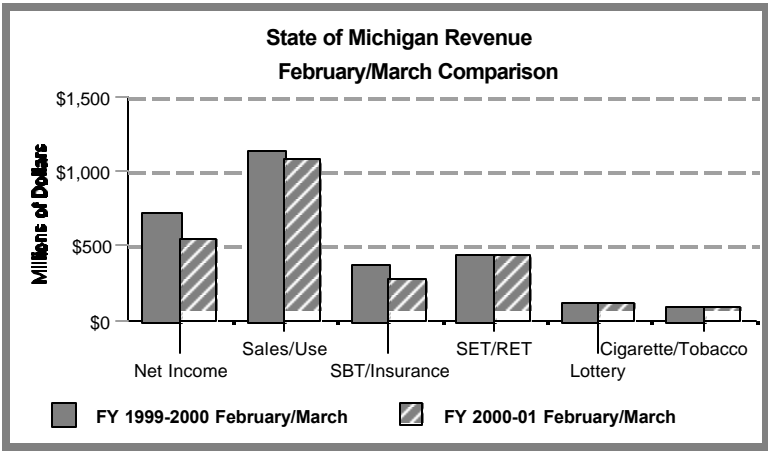
Single Business and Insurance taxes are applied to the value added of business activities. Two key components of the Single Business tax (SBT) base are profits and wages. For February/March of FY 2000-01, Single Business and Insurance tax collections were \$102.0 million or 27.3% below year-ago February/March. Some of the SBT weakness is due to the rate reduction from 2.2% in 1999 to 2.1% in 2000 and 2.0% in 2001. Single Business and Insurance tax collections for fiscal year-to-date totaled \$862.7 million—down \$103.3 million or 10.7% from the first five months of FY 1999-2000.

OTHER REVENUE

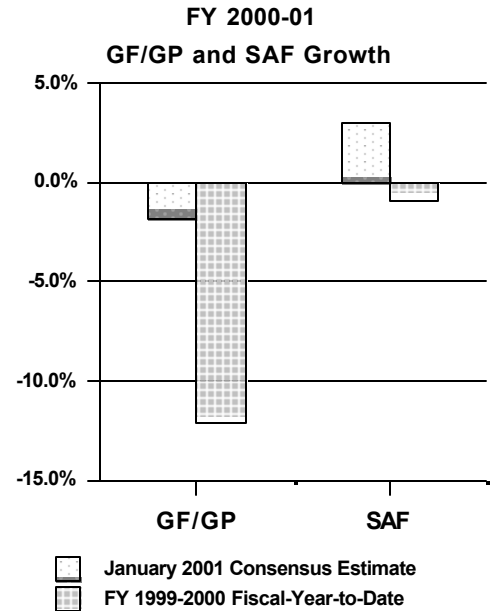
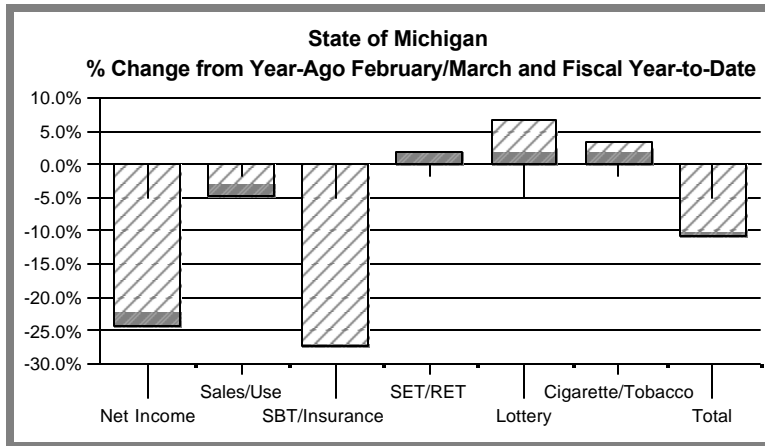
<u>Feb/Mar FY 1999-</u>	<u>Feb/Mar FY 2000-</u>	<u>Feb/Mar %</u>	<u>YTD</u>
\$701.8 million	\$717.3 million	2.2%	3.1%

Other revenue—which includes primarily the State Education Tax (SET), the Real Estate Transfer (RET) tax, the Cigarette/Tobacco tax, and revenue from the Lottery—for February/March of FY 2000-01 was up \$15.5 million or 2.2% from February/March of FY 1999-2000. Other revenue for fiscal year-to-date totaled \$1.4 billion—up \$43.5 million or 3.1% from the first five months of FY 1999-2000.

**State of Michigan Revenue
February/March Comparison**



Weaker revenue growth reflects considerably slower economic activity in the winter months. February/March revenues were down 10.8%.



Revenue Quarterly Review: February/March FY 2000-01 (Millions of Dollars)						
Revenue	Percent Change From Year-Ago		FY 2000-01 Year-to-Date	Change From Previous Fiscal Year-to-Date		FY 2000-01 Consensus Forecast Growth
	FY 2000-01 February/March	February/March		Dollar	Percent	
Annual Income Tax	\$57.1	-9.1%	\$78.2	(\$5.4)	-6.5%	-1.9%
Quarterly Income Tax	14.1	-10.2%	300.8	(25.3)	-7.7%	-3.6%
Withholding	1,081.0	-5.6%	2,875.6	(163.9)	-5.4%	1.4%
..... Subtotal	1,152.2	-5.8%	3,254.6	(194.6)	-5.6%	0.6%
Income Tax Refunds	609.0	20.0%	696.6	131.5	23.3%	1.9%
..... Net Income Tax	543.2	-24.2%	2,558.1	(326.1)	-11.3%	0.4%
Sales Tax	903.4	-2.4%	2,525.6	(39.6)	-1.5%	3.3%
Use Tax	180.0	-15.6%	480.0	(54.9)	-10.3%	3.5%
..... Subtotal	1,083.4	-4.9%	3,005.5	(94.6)	-3.1%	3.3%
Single Business Tax	240.3	-28.8%	790.1	(93.4)	-10.6%	-3.3%
Insurance Tax	31.3	-13.1%	72.6	(9.9)	-12.0%	3.2%
..... Subtotal	271.6	-27.3%	862.7	(103.3)	-10.7%	-2.8%
Inheritance/Estate Tax	22.6	4.6%	65.7	(3.9)	-5.6%	7.1%
Cigarette/Tobacco Tax	92.7	3.5%	239.7	(0.2)	-0.1%	-2.2%
Lottery	115.8	6.8%	307.2	10.1	3.4%	-1.5%
Industrial/CommFacility Taxes	42.5	-8.6%	68.3	(24.3)	-26.2%	1.0%
Real Estate Transfer (RET) Tax	40.7	31.3%	105.7	10.9	11.5%	-0.8%
State Education Tax (SET)	403.0	-0.4%	661.1	50.9	8.3%	4.1%
..... Subtotal	717.3	2.2%	1,447.7	43.5	3.1%	1.4%
TOTAL	\$2,615.5	-10.7%	\$7,873.9	(\$480.5)	-5.8%	1.3%

NOTE: Consensus revenue figures are adjusted to reflect enacted tax changes. All revenue, except for Lottery, is on an accrual basis and begins with November collections.

