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REVENUE REVIEW

Quarterly
Revenue Report
for the
State of Michigan

AUGUST 2007

House Fiscal Agency
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TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>3rd Qtr FY 2005-06</u>	<u>3rd Qtr FY 2006-07</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$5,113.4 million	\$4,846.2 million	-5.2%	-0.6%

Total revenue collection for third quarter (May–July) fiscal year (FY) 2006-07 was lower than third quarter FY 2005-06 total revenue collection by \$267.2 million or 5.2%. Fiscal year-to-date (FYTD), total revenue collection was down \$81.7 million or 0.6%.

INCOME TAX (NET)

<u>3rd Qtr FY 2005-06</u>	<u>3rd Qtr FY 2006-07</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$1,629.4 million	\$1,619.3 million	-0.6%	3.2%

Income tax revenue consists of three components— withholding, annual payments, and quarterly payments. Withholding payments are based on workers' earnings and make up almost 85% of gross income tax collection. Annual and quarterly payments are based on self-employment earnings and other income sources, such as capital gains.

Net income tax collection (which includes income tax refunds) for third quarter FY 2006-07 was lower than third quarter FY 2005-06 collection by \$10.1 million or 0.6%. Withholding payments were up 1.5%, quarterly and annual payments were down 13.7% (due to timing factors), and refunds were down 0.7%. Net income tax collection FYTD was \$4.7 billion—up \$144.3 million or 3.2% from a year ago.

SALES AND USE TAXES

<u>3rd Qtr FY 2005-06</u>	<u>3rd Qtr FY 2006-07</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$2,150.2 million	\$2,034.6 million	-5.4%	-1.7%

Sales tax collection is 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, gas and electric utilities, and remote sales.

Sales and use tax collections for third quarter FY 2006-07 were lower than the year-ago quarter by \$115.6 million or 5.4%. Sales tax due to motor vehicle sales decreased 1.0%; all other sales tax collection was down 5.3% in third quarter FY 2006-07 relative to the year-ago third quarter. Sales and use tax collections FYTD were down \$100.4 million or 1.7% from a year ago.

SINGLE BUSINESS AND INSURANCE TAXES

<u>3rd Qtr FY 2005-06</u>	<u>3rd Qtr FY 2006-07</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$652.9 million	\$532.9 million	-18.4%	-6.4%

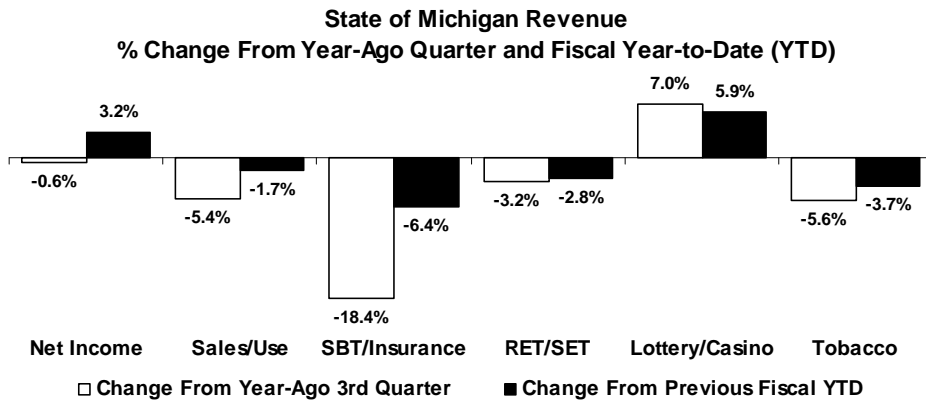
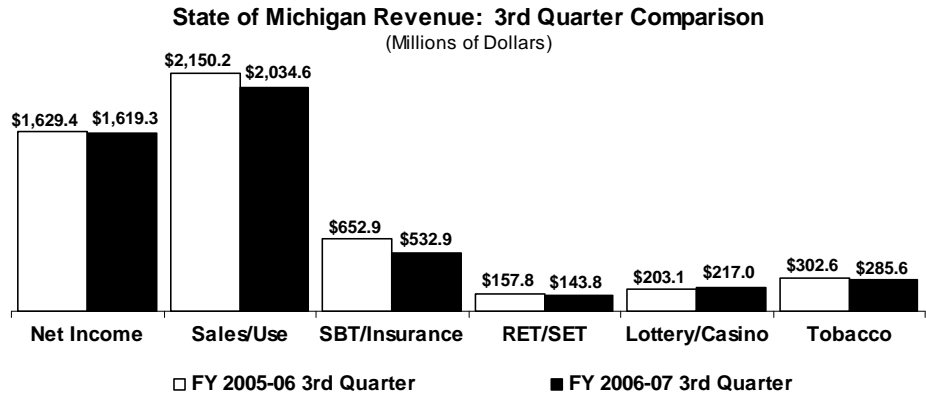
Single business tax is applied to the value added of business activities; insurance tax is based on insurance premiums. For third quarter FY 2006-07, single business and insurance tax collections were below the year-ago third quarter by \$120.0 million or 18.4%. Single business tax collection FYTD was \$1.5 billion—down \$105.4 million or 6.4% from a year ago.

OTHER REVENUE

<u>3rd Qtr FY 2005-06</u>	<u>3rd Qtr FY 2006-07</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$680.9 million	\$659.5 million	-3.1%	-0.9%

Other revenue collection—which includes primarily the state education tax (SET), real estate transfer (RET) tax, tobacco tax, and lottery revenue—for third quarter FY 2006-07 was down \$21.4 million or 3.1% from the third quarter of FY 2005-06. Other revenue collection FYTD was \$2.3 billion—down \$20.3 million or 0.9% from a year ago.

**Fiscal year-to-date,
GF/GP revenue
is up \$30 million,
and SAF revenue
is down \$10 million
from target estimates.**



Revenue Quarterly Review: 3rd Quarter (May-July) FY 2006-07
(Millions of Dollars)

	FY 2006-07 3rd Quarter	Change From Year-Ago 3rd Quarter	FY 2006-07 Year-to-Date	Change From Previous Fiscal Year-to-Date	FY 2006-07 May Consensus Forecast Growth
Annual Income Tax	\$43.3	-55.9%	\$678.5	\$29.7 4.6%	4.7%
Quarterly Income Tax	181.4	11.8%	578.5	34.2 6.3%	3.4%
Withholding	1,610.1	1.5%	5,022.0	137.6 2.8%	2.0%
Subtotal	1,834.8	-0.6%	6,279.1	201.6 3.3%	2.4%
Income Tax Refunds	215.5	-0.7%	1,621.5	57.3 3.7%	4.6%
Net Income Tax	1,619.3	-0.6%	4,657.6	144.3 3.2%	1.8%
Sales Tax	1,689.2	-4.8%	4,879.6	(84.4) -1.7%	-1.1%
Use Tax	345.4	-8.1%	1,022.6	(16.0) -1.5%	1.4%
Subtotal	2,034.6	-5.4%	5,902.2	(100.4) -1.7%	-0.7%
Single Business Tax	477.4	-20.3%	1,372.2	(104.1) -7.1%	-1.7%
Insurance Tax	55.4	3.2%	166.6	(1.3) -0.7%	-1.6%
Subtotal	532.9	-18.4%	1,538.8	(105.4) -6.4%	-1.7%
Casino Wagering	39.7	1.3%	135.2	6.1 4.7%	4.8%
Tobacco Tax	285.6	-5.6%	832.0	(31.9) -3.7%	-2.7%
Lottery	177.2	8.1%	565.1	33.2 6.2%	3.2%
Industrial/CommFacility Taxes	13.1	-24.8%	53.9	(7.7) -12.4%	-4.9%
Real Estate Transfer Tax	59.2	-17.9%	171.5	(57.3) -25.0%	-24.0%
State Education Tax	84.6	-1.3%	526.5	37.4 7.6%	3.3%
Subtotal	659.5	-3.1%	2,284.1	(20.3) -0.9%	-0.3%
TOTAL	4,846.2	-5.2%	14,382.8	(81.7) -0.6%	0.0%