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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**

**FEBRUARY 2008**

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## **TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY**

<u>1st Qtr FY 2006-07</u>	<u>1st Qtr FY 2007-08</u>	<u>1st Qtr % Change</u>	<u>YTD % Change</u>
<b>\$5,386.3 million</b>	<b>\$5,587.1 million</b>	<b>3.7%</b>	<b>3.7%</b>

Revenue collections for the first quarter (November–January) of fiscal year (FY) 2007-08 were higher than first quarter FY 2006-07 collections by \$200.7 million or 3.7%. Adjusted revenue was down \$30.9 million or 0.6%. The adjusted revenue does not include the income tax rate increase.

## **INCOME TAX (NET)**

<u>1st Qtr FY 2006-07</u>	<u>1st Qtr FY 2007-08</u>	<u>1st Qtr % Change</u>	<u>YTD % Change</u>
<b>\$1,958.7 million</b>	<b>\$2,172.4 million</b>	<b>10.9%</b>	<b>10.9%</b>

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 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 first quarter FY 2007-08 were higher than first quarter FY 2006-07 collections by \$213.6 million or 10.9%. Withholding payments were up 10.3%, quarterly payments and annual payments were up 6.1%, and refunds were down 11.9%.

## **SALES AND USE TAXES**

<u>1st Qtr FY 2006-07</u>	<u>1st Qtr FY 2007-08</u>	<u>1st Qtr % Change</u>	<u>YTD % Change</u>
<b>\$2,021.1 million</b>	<b>\$2,040.9 million</b>	<b>1.0%</b>	<b>1.0%</b>

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, gas and electric utilities, and remote sales.

Sales and use tax collections for first quarter FY 2007-08 were higher than the year-ago quarter by \$19.8 million or 1.0%. Sales tax due to motor vehicle sales decreased 0.9% while all other sales tax collections were up 2.6% in first quarter FY 2007-08 relative to the year-ago first quarter.

## **SINGLE BUSINESS AND INSURANCE TAXES**

<u>1st Qtr FY 2006-07</u>	<u>1st Qtr FY 2007-08</u>	<u>1st Qtr % Change</u>	<u>YTD % Change</u>
<b>\$441.9 million</b>	<b>\$433.2 million</b>	<b>-2.0%</b>	<b>-2.0%</b>

The single business tax is applied to the value added of business activities; insurance tax is based on insurance premiums. For first quarter FY 2007-08, single business and insurance tax collections were below the year-ago first quarter by \$8.6 million or 2.0%.

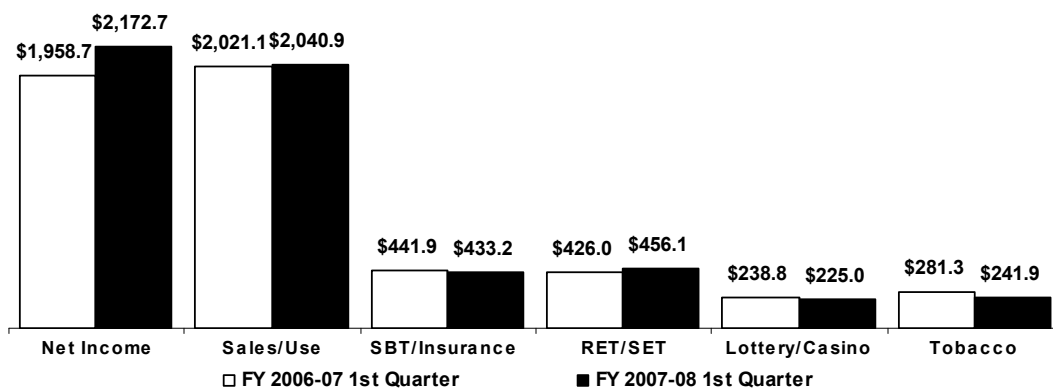
## **OTHER REVENUE**

<u>1st Qtr FY 2006-07</u>	<u>1st Qtr FY 2007-08</u>	<u>1st Qtr % Change</u>	<u>YTD % Change</u>
<b>\$964.6 million</b>	<b>\$940.6 million</b>	<b>-2.5%</b>	<b>-2.5%</b>

Other revenue—which includes primarily the state education tax (SET), the real estate transfer (RET) tax, the tobacco tax, and revenue from the lottery—for first quarter FY 2007-08 was down \$24.1 million or 2.5% from the first quarter of FY 2006-07.

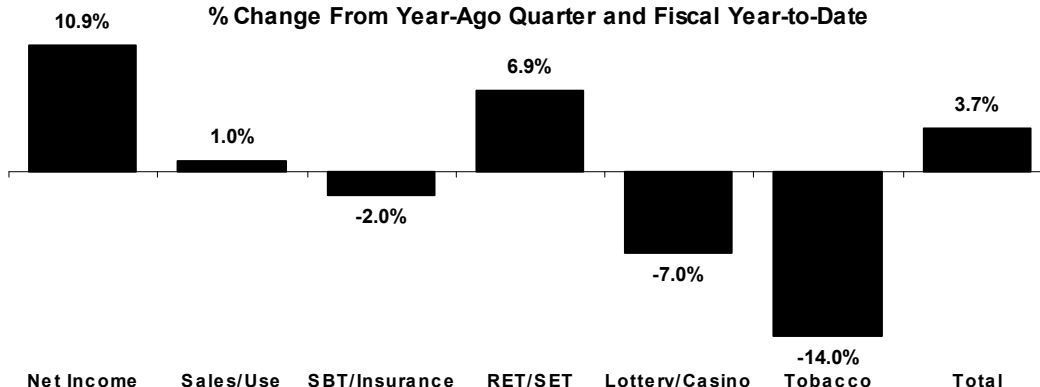
**State of Michigan Revenue: 1st Quarter Comparison**  
(Millions of Dollars)

**Total revenue increased 3.7% in the first quarter of FY 2007-08, while adjusted total revenue (which does not include income tax rate changes) decreased 0.6%.**



**Fiscal year-to-date, GF/GP revenue is down \$20 million and SAF revenue is down \$20 million from target estimates.**

**State of Michigan Revenue**  
**% Change From Year-Ago Quarter and Fiscal Year-to-Date**



**Revenue Quarterly Review: 1st Quarter (November–January) FY 2006-07 (Millions of Dollars)**

	Change From		Change From Previous			FY 2006-07 January Consensus Forecast Growth
	FY 2006-07 1st Quarter	Year-Ago 1st Quarter	FY 2006-07 Year-to-Date	Change From Previous Fiscal Year-to-Date	Fiscal Year-to-Date	
Annual Income Tax	\$ 32.4	5.3%	\$ 32.4	\$ 1.6	5.3%	10.2%
Quarterly Income Tax	285.0	6.1%	285.0	16.5	6.1%	6.9%
Withholding	1,953.5	10.3%	1,953.5	182.2	10.3%	9.9%
<b>Subtotal</b>	<b>2,270.9</b>	<b>9.7%</b>	<b>2,270.9</b>	<b>200.3</b>	<b>9.7%</b>	<b>9.6%</b>
Income Tax Refunds	98.5	-11.9%	98.5	(13.3)	-11.9%	8.4%
<b>Net Income Tax</b>	<b>2,172.4</b>	<b>10.9%</b>	<b>2,172.4</b>	<b>213.6</b>	<b>10.9%</b>	<b>9.9%</b>
Sales Tax	1,713.7	2.3%	1,713.7	38.1	2.3%	-0.3%
Use Tax	327.2	-5.3%	327.2	(18.4)	-5.3%	0.4%
<b>Subtotal</b>	<b>2,040.9</b>	<b>1.0%</b>	<b>2,040.9</b>	<b>19.8</b>	<b>1.0%</b>	<b>-0.2%</b>
Single Business Tax	377.9	-2.5%	377.9	(9.6)	-2.5%	-64.9%
Insurance Tax	55.4	1.7%	55.4	0.9	1.7%	9.0%
<b>Subtotal</b>	<b>433.2</b>	<b>-2.0%</b>	<b>433.2</b>	<b>(8.6)</b>	<b>-2.0%</b>	<b>35.6%</b>
Casino Wagering	34.1	-37.4%	34.1	(20.3)	-37.4%	-15.1%
Tobacco Tax	241.9	-14.0%	241.9	(39.4)	-14.0%	-2.1%
Lottery	191.0	3.5%	191.0	6.5	3.5%	-0.8%
Industrial/CommFacility Taxes	17.6	-4.9%	17.6	(0.9)	-4.9%	-55.4%
Real Estate Transfer Tax	51.3	-11.2%	51.3	(6.5)	-11.2%	-11.2%
State Education Tax	404.7	9.9%	404.7	36.6	9.9%	-0.5%
<b>Subtotal</b>	<b>940.6</b>	<b>-2.5%</b>	<b>940.6</b>	<b>(24.1)</b>	<b>-2.5%</b>	<b>-3.7%</b>
<b>TOTAL</b>	<b>\$ 5,587.1</b>	<b>3.7%</b>	<b>\$ 5,587.1</b>	<b>\$ 200.7</b>	<b>3.7%</b>	<b>5.7%</b>
<b>ADJUSTED TOTAL</b>	<b>\$ 5,355.5</b>	<b>-0.6%</b>	<b>\$ 5,355.5</b>	<b>\$ (30.9)</b>	<b>-0.6%</b>	<b>-1.3%</b>