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REVENUE REVIEW

Quarterly
Revenue Report
for the
State of Michigan

MAY 2005

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TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>2nd Qtr FY 2003-04</u>	<u>2nd Qtr FY 2004-05</u>	<u>2nd Qtr % Change</u>	<u>YTD % Change</u>
\$3,984.2 million	\$3,751.2 million	-5.8%	3.0%

Revenue collections for the second quarter (February–April) of fiscal year (FY) 2004-05 were \$233.0 million or 5.8% lower than second quarter FY 2003-04 collections. Adjusted revenue was down \$124.2 million or 2.6%. The adjusted revenue does not include income tax refunds, casino wagering, tobacco taxes, and the state education tax.

INCOME TAX (NET)

<u>2nd Qtr FY 2003-04</u>	<u>2nd Qtr FY 2004-05</u>	<u>2nd Qtr % Change</u>	<u>YTD % Change</u>
\$1,052.3 million	\$861.3 million	-18.2%	-4.8%

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 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 second quarter FY 2004-05 were \$191.0 million or 18.2% lower than second quarter FY 2003-04 collections. Withholding payments were down 3.9%, quarterly payments and annual payments were up 14.6%, and refunds were up 19.6%. Net income tax collections for fiscal year-to-date (FYTD) totaled \$2.8 billion—down \$138.5 million or 4.8% from the first half of FY 2003-04.

SALES AND USE TAXES

<u>2nd Qtr FY 2003-04</u>	<u>2nd Qtr FY 2004-05</u>	<u>2nd Qtr % Change</u>	<u>YTD % Change</u>
\$1,827.3 million	\$1,790.3 million	-2.0%	3.7%

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 second quarter FY 2004-05 were \$37.0 million or 2.0% lower than the year-ago quarter. Sales tax due to motor vehicle sales decreased 11.6% while all other sales tax collections were down 1.3% in the second quarter FY 2004-05 relative to the year-ago second quarter. Sales tax collections for FYTD totaled \$3.9 billion—up \$138.1 million or 3.7% from the first half of FY 2003-04.

SINGLE BUSINESS AND INSURANCE TAXES

<u>2nd Qtr FY 2003-04</u>	<u>2nd Qtr FY 2004-05</u>	<u>2nd Qtr % Change</u>	<u>YTD % Change</u>
\$563.8 million	\$472.5 million	-16.2%	-2.8%

Single business tax is applied to the value added of business activities; insurance tax is based on insurance premiums. For second quarter FY 2004-05, single business and Insurance tax collections were \$91.3 million or 16.2% below the year-ago second quarter. Business tax collections for FYTD totaled \$1.0 billion—down \$29.4 million or 2.8% from the first half of FY 2003-04.

OTHER REVENUE

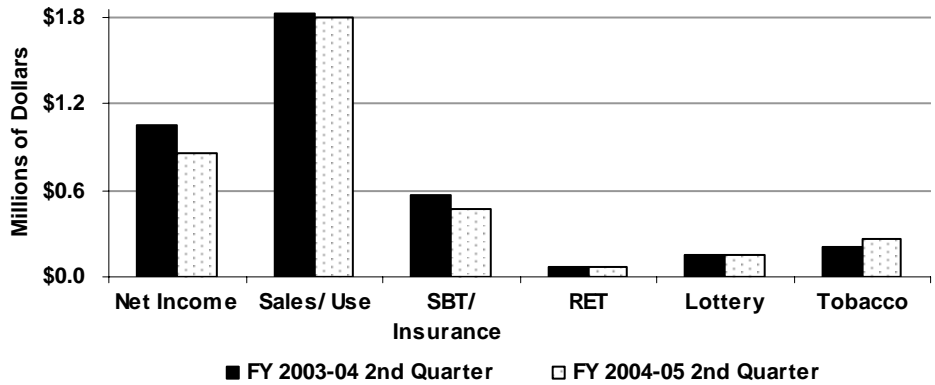
<u>2nd Qtr FY 2003-04</u>	<u>2nd Qtr FY 2004-05</u>	<u>2nd Qtr % Change</u>	<u>YTD % Change</u>
\$540.8 million	\$627.1 million	16.0%	23.6%

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 second quarter FY 2004-05 was up \$86.3 million or 16.0% from the second quarter of FY 2003-04. Much of this increase was due to state education tax timing changes and increases in tobacco and casino wagering taxes.

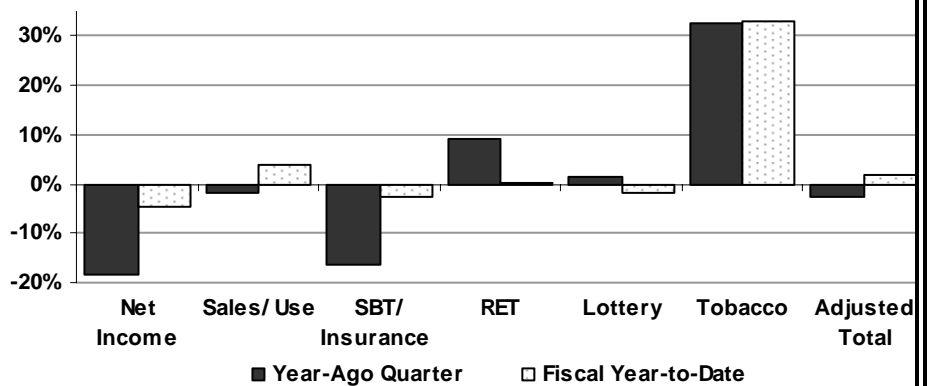
Adjusted total revenue (which does not include income tax refunds, casino wagering, tobacco tax, and the state education tax) increased 2.0% in the first half of FY 2004-05.

Fiscal year-to-date, GF/GP revenue is up \$40 million and SAF revenue is down \$30 million from target estimates.

**State of Michigan Revenue
2nd Quarter Comparison**



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



Revenue Quarterly Review: 2nd Quarter (February–April) FY 2004-05 (Millions of Dollars)

	FY 2004-05 2nd Quarter	Percent Change From Year-Ago 2nd Quarter	FY 2004-05 Year-to-Date		Change From Previous Fiscal Year-to-Date		FY 2004-05 January Consensus Forecast Growth
			Dollar	Percent	Dollar	Percent	
Annual Income Tax	\$ 460.7	19.1%	\$ 491.6	21.0%	\$ 85.3	21.0%	2.3%
Quarterly Income Tax	103.0	-1.7%	324.6	2.5%	8.0	2.5%	4.2%
Withholding	1,526.8	-3.9%	3,282.6	-0.2%	(6.9)	-0.2%	0.5%
Subtotal	2,090.5	0.5%	4,098.8	2.2%	86.4	2.2%	1.0%
Income Tax Refunds	1,229.2	19.6%	1,331.5	20.3%	224.9	20.3%	4.2%
Net Income Tax	861.3	-18.2%	2,767.3	-4.8%	(138.5)	-4.8%	0.1%
Sales Tax	1,466.8	-2.8%	3,189.4	2.8%	86.3	2.8%	3.6%
Use Tax	323.5	1.5%	675.8	8.3%	51.8	8.3%	4.0%
Subtotal	1,790.3	-2.0%	3,865.2	3.7%	138.1	3.7%	3.7%
Single Business Tax	402.1	-16.7%	888.7	-1.6%	(14.4)	-1.6%	1.5%
Insurance Tax	70.4	-13.4%	122.9	-10.9%	(15.0)	-10.9%	3.9%
Subtotal	472.5	-16.2%	1,011.6	-2.8%	(29.4)	-2.8%	1.8%
Casino Wagering	37.5	56.3%	72.0	53.8%	25.2	53.8%	47.7%
Tobacco Tax	268.4	32.5%	558.4	33.0%	138.7	33.0%	19.8%
Lottery	156.9	1.6%	319.7	-1.6%	(5.3)	-1.6%	0.8%
Industrial/CommFacility Taxes	34.4	-29.7%	71.4	-7.3%	(5.6)	-7.3%	-3.1%
Real Estate Transfer (RET) Tax	68.6	9.2%	145.4	0.3%	0.5	0.3%	-2.4%
State Education Tax (SET)	61.3	27.7%	419.9	55.1%	149.2	55.1%	1.2%
Subtotal	627.1	16.0%	1,586.8	23.6%	302.7	23.6%	6.4%
TOTAL	\$ 3,751.2	-5.8%	\$ 9,230.9	3.0%	\$ 272.9	3.0%	3.0%
ADJUSTED TOTAL	\$ 4,613.2	-2.6%	\$ 9,512.1	2.0%	\$ 184.7	2.0%	2.1%

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