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R E V E N U E

REVIEW

Quarterly
Revenue Report
for the
State of Michigan

AUGUST 2008

House Fiscal Agency
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TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>3rd Qtr FY 2006-07</u>	<u>3rd Qtr FY 2007-08</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$4,849.2 million	\$5,403.1 million	11.4%	8.2%

Total revenue collections for third quarter (May–July) of fiscal year (FY) 2007-08 were higher than third quarter FY 2006-07 collections by \$553.9 million or 11.4%. Total revenue collections fiscal-year-to-date (FYTD) were \$15.6 billion—up \$1,179.6 million or 8.2%.

INCOME TAX (NET)

<u>3rd Qtr FY 2006-07</u>	<u>3rd Qtr FY 2007-08</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$1,619.3 million	\$1,798.0 million	11.0%	13.6%

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 collections (which include income tax refunds) for third quarter FY 2007-08 were higher than third quarter FY 2006-07 collections by \$178.7 million or 11.0%. Withholding payments were up 9.4%, quarterly and annual payments were up 9.8%, and refunds were down 2.7%. Net income tax collections FYTD were \$5.3 billion—up \$635.4 million or 13.6% from a year ago.

SALES AND USE TAXES

<u>3rd Qtr FY 2006-07</u>	<u>3rd Qtr FY 2007-08</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$2,034.6 million	\$2,115.2 million	4.0%	2.4%

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/motels, gas/electric utilities, and remote sales.

Sales and use tax collections for third quarter FY 2007-08 were higher than the year-ago quarter by \$80.5 million or 4.0%. Sales tax due to motor vehicle sales decreased 2.6%; all other sales tax collections were up 4.6% in third quarter FY 2007-08 relative to the year-ago third quarter. Sales and use tax collections FYTD were \$6.0 billion—up \$139.1 million or 2.4% from a year ago.

BUSINESS (MBT/SBT) AND INSURANCE TAXES

<u>3rd Qtr FY 2006-07</u>	<u>3rd Qtr FY 2007-08</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$532.9 million	\$838.5 million	57.4%	32.2%

Michigan business tax (MBT) is applied to gross receipts less purchases from other firms; single business tax (SBT) is applied to the value added of business activities; insurance tax is based on insurance premiums.

For third quarter FY 2007-08, MBT/SBT and insurance tax collections were above the year-ago third quarter by \$305.6 million or 57.4%. Business tax collections FYTD were \$2.0 billion—up \$496.1 million or 32.2% from a year ago. MBT collections FYTD are on target.

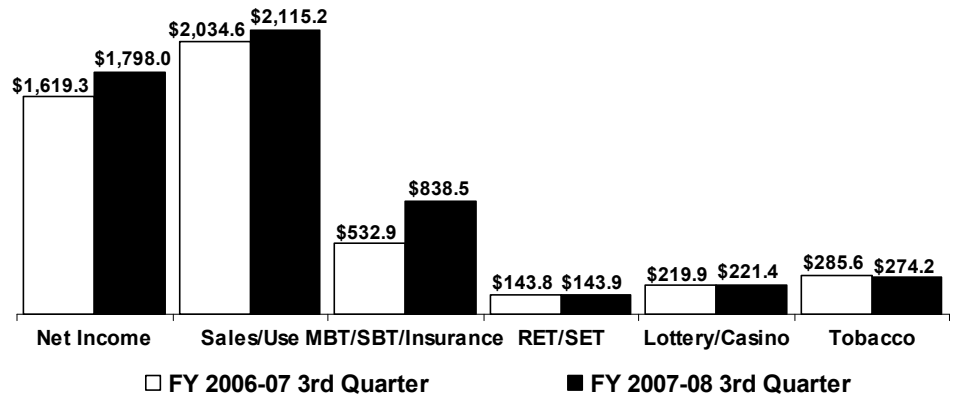
OTHER REVENUE

<u>3rd Qtr FY 2006-07</u>	<u>3rd Qtr FY 2007-08</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$662.4 million	\$651.5 million	-1.7%	-4.0%

Other revenue collections—primarily state education tax (SET), real estate transfer (RET) tax, tobacco tax, lottery revenue—for third quarter FY 2007-08 were down \$11.0 million or 1.7% from the third quarter of FY 2006-07. Other revenue collections FYTD were \$2.2 billion—down \$91.0 million or 4.0% from a year ago.

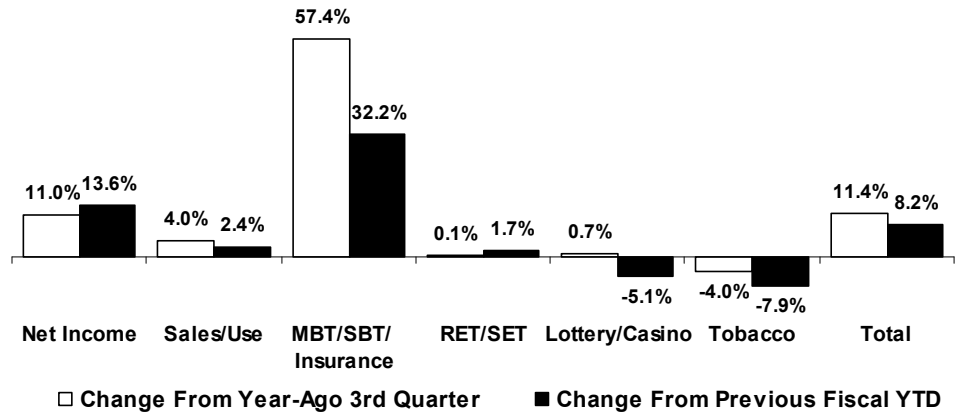
State of Michigan Revenue: 3rd Quarter Comparison

(Millions of Dollars)



**Fiscal year-to-date,
GF/GP revenue
is up \$45 million,
and SAF revenue
is up \$25 million
from target estimates.**

Change in State of Michigan Revenue



Revenue Quarterly Review: 3rd Quarter (May-July) FY 2007-08

(Millions of Dollars)

	Change From		Change From Previous			FY 2007-08 May Consensus Forecast Growth
	FY 2007-08 3rd Quarter	Year-Ago 3rd Quarter	FY 2007-08 Year-to-Date	Fiscal-Year-to-Date	Fiscal-Year-to-Date	
Annual Income Tax	\$44.4	2.5%	\$806.1	\$127.6	18.8%	16.2%
Quarterly Income Tax	202.2	11.5%	632.1	53.6	9.3%	6.8%
Withholding	1,761.0	9.4%	5,536.7	514.7	10.2%	10.5%
Subtotal	2,007.6	9.4%	6,974.9	695.8	11.1%	10.7%
Income Tax Refunds	209.7	-2.7%	1,681.9	60.4	3.7%	8.2%
Net Income Tax	1,798.0	11.0%	5,293.0	635.4	13.6%	11.4%
Sales Tax	1,752.0	3.7%	5,015.5	135.9	2.8%	1.5%
Use Tax	363.2	5.2%	1,025.8	3.2	0.3%	-3.1%
Subtotal	2,115.2	4.0%	6,041.3	139.1	2.4%	0.7%
Single Business Tax	89.7	-81.2%	689.3	(682.9)	-49.8%	-69.1%
Michigan Business Tax	691.4	N/A	1,157.8	1,157.8	N/A	N/A
Insurance Tax	57.4	3.6%	187.8	21.1	12.7%	9.0%
Subtotal	838.5	57.4%	2,034.9	496.1	32.2%	28.5%
Casino Wagering	31.3	-21.2%	97.4	(37.8)	-28.0%	-12.1%
Tobacco Tax	274.2	-4.0%	766.1	(65.9)	-7.9%	-4.3%
Lottery	190.1	5.5%	567.0	2.0	0.3%	0.0%
Industrial/CommFacility Taxes	11.9	-8.8%	53.0	(0.9)	-1.8%	-55.4%
Real Estate Transfer Tax	41.1	-30.5%	133.5	(38.0)	-22.1%	-20.4%
State Education Tax	102.8	21.5%	576.1	49.6	9.4%	-2.5%
Subtotal	651.5	-1.7%	2,193.1	(91.0)	-4.0%	-5.4%
TOTAL	\$5,403.1	11.4%	\$15,562.3	\$1,179.6	8.2%	5.4%