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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

MAY 2001

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TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>2nd Qtr FY 1999-</u>	<u>2nd Qtr FY 2000-</u>	<u>2nd Qtr % Change</u>	<u>YTD %</u>
\$4,871.3 million	\$4,782.9 million	-1.8%	-2.5%

Revenue collections for second quarter (February–April) fiscal year (FY) 2000-01 were \$88.4 million or 1.8% lower than second quarter FY 1999-2000 collections. Although still negative, this growth rate was better than the -3.1% posted in the first quarter. Revenue for fiscal year-to-date (FYTD) totaled \$10.0 billion—down \$254.1 million or 2.5% from the first two quarters of FY 1999-2000.

INCOME TAX (NET)

<u>2nd Qtr FY 1999-</u>	<u>2nd Qtr FY 2000-</u>	<u>2nd Qtr % Change</u>	<u>YTD %</u>
\$1,622.9 million	\$1,418.0 million	-12.6%	-9.4%

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 second quarter FY 2000-01 were \$204.9 million or 12.6% lower than second quarter FY 1999-2000 collections. Withholding payments posted a 2.9% decline; quarterly and annual payments were flat; income tax refunds were up 20.6%. 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 FYTD totaled \$3.4 billion—down \$358.0 million or 9.4% from the first two quarters of FY 1999-2000.

SALES AND USE TAXES

<u>2nd Qtr FY 1999-</u>	<u>2nd Qtr FY 2000-</u>	<u>2nd Qtr % Change</u>	<u>YTD %</u>
\$1,714.6 million	\$1,789.2 million	4.4%	1.0%

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 second quarter FY 2000-01 were \$74.6 million or 4.4% higher than the year-ago quarter. Sales and Use tax collections for FYTD totaled \$3.7 billion—up \$35.3 million or 1.0% from the first two quarters of FY 1999-2000.

SINGLE BUSINESS AND INSURANCE TAXES

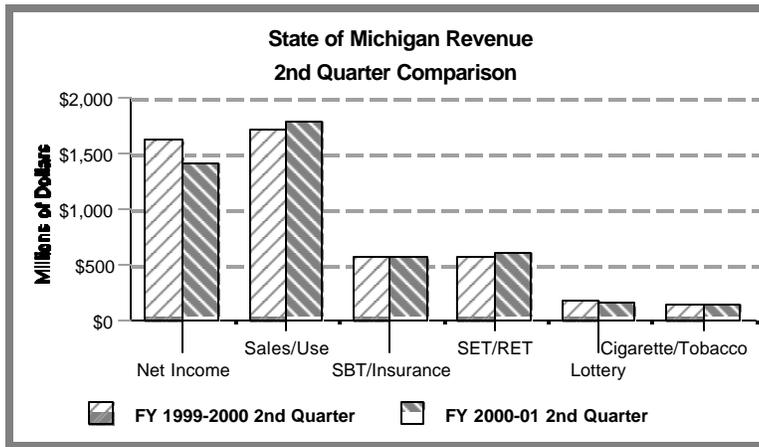
<u>2nd Qtr FY 1999-</u>	<u>2nd Qtr FY 2000-</u>	<u>2nd Qtr % Change</u>	<u>YTD %</u>
\$569.8 million	\$576.0 million	1.1%	0.4%

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 second quarter FY 2000-01, Single Business and Insurance tax collections were \$6.2 million or 1.1% above the year-ago second quarter. 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 FYTD totaled \$1.2 billion—up \$4.9 million or 0.4% from the first two quarters of FY 1999-2000.

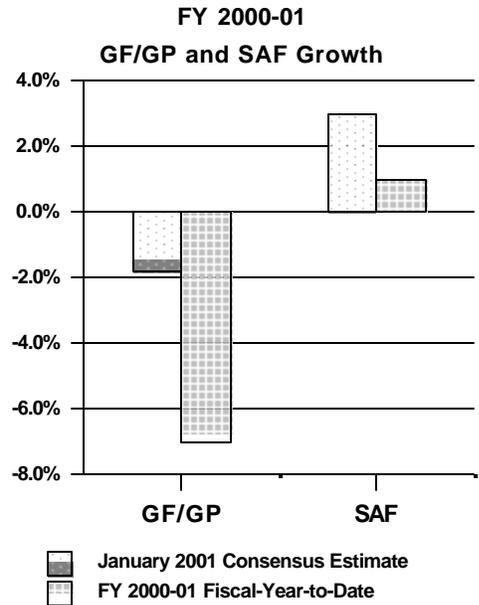
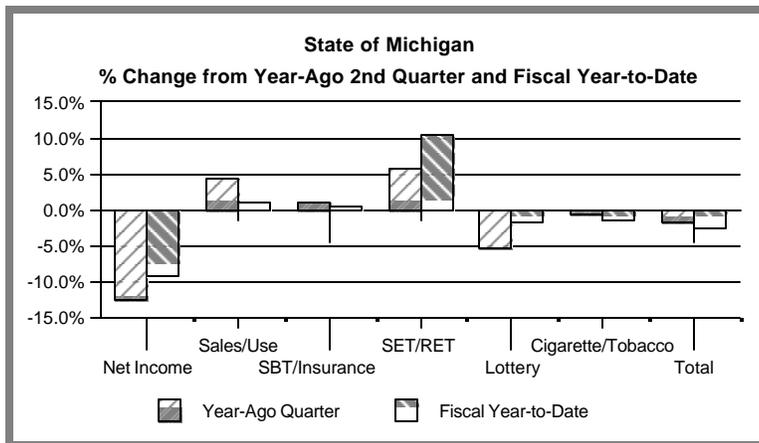
OTHER REVENUE

<u>2nd Qtr FY 1999-</u>	<u>2nd Qtr FY 2000-</u>	<u>2nd Qtr % Change</u>	<u>YTD</u>
\$964.0 million	\$999.7 million	3.7%	3.8%

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 second quarter FY 2000-01 was up \$35.7 million or 3.7% from the second quarter of FY 1999-2000. Other revenue for FYTD totaled \$1.7 billion—up \$63.7 million or 3.8% from the first two quarters of FY 1999-2000.



Negative growth in February/March revenue was partially offset by strong positive growth posted in April.



Revenue Quarterly Review: 2nd Quarter (February–April) FY 2000-01 (Millions of Dollars)						
Revenue	Percent Change From Year-Ago		Change From Previous Fiscal Year-to-Date			FY 2000-01 Consensus Forecast Growth
	FY 2000-01 2nd Qtr	2nd Qtr	FY 2000-01 Year-to-Date	Dollar	Percent	
Annual Income Tax	\$554.0	0.1%	\$575.1	\$0.9	0.2%	-1.9%
Quarterly Income Tax	127.9	0.2%	414.6	(23.5)	-5.4%	-3.6%
Withholding	1,648.3	-2.9%	3,442.9	(149.8)	-4.2%	1.4%
..... Subtotal	2,330.2	-2.1%	4,432.6	(172.4)	-3.7%	0.6%
Income Tax Refunds	912.2	20.6%	999.8	185.6	22.8%	1.9%
..... Net Income Tax	1,418.0	-12.6%	3,432.9	(358.0)	-9.4%	0.4%
Sales Tax	1,461.7	3.9%	3,083.9	37.1	1.2%	3.3%
Use Tax	327.5	6.5%	627.5	(1.7)	-0.3%	3.5%
..... Subtotal	1,789.2	4.4%	3,711.3	35.3	1.0%	3.3%
Single Business Tax	525.6	1.7%	1,075.4	12.6	1.2%	-3.3%
Insurance Tax	50.4	-4.7%	91.7	(7.7)	-7.8%	3.2%
..... Subtotal	576.0	1.1%	1,167.1	4.9	0.4%	-2.8%
Inheritance/Estate Tax	47.3	45.1%	90.4	9.8	12.2%	7.1%
Cigarette/Tobacco Tax	141.4	-0.8%	288.4	(4.5)	-1.5%	-2.2%
Lottery	156.4	-5.5%	347.8	(6.4)	-1.8%	-1.5%
Industrial/CommFacility Taxes	57.7	-1.0%	83.5	(20.9)	-20.0%	1.0%
Real Estate Transfer (RET) Tax	54.5	-4.0%	119.5	(1.1)	-0.9%	-0.8%
State Education Tax (SET)	542.4	6.7%	800.5	86.8	12.2%	4.1%
..... Subtotal	999.7	3.7%	1,730.1	63.7	3.8%	1.4%
TOTAL	\$4,782.9	-1.8%	\$10,041.4	(\$254.1)	-2.5%	1.3%

NOTE: Revenue that is accrued begins with November 1999 collections. All year-to-date revenue, except for Lottery, is accrued.

