MONTHLY REVENUE REPORT
DECEMBER 2010

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled $1.7 billion in December, 4.0% above the previous year's level. December tax collections were approximately $60.5 million above the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in May 2010. Collections earmarked to the General Fund were $54.8 million above the expected level for December and School Aid Fund tax collections were up $3.8 million. Two months into collections for the fiscal year, year-to-date collections were down $88.1 million from the expected level, with General Fund collections $52.2 million, and School Aid Fund collections $57.3 million, below the forecasted level. However, these shortfalls are entirely attributable to Michigan Business Tax refunds, as discussed below.

Net income tax revenue totaled $678.4 million in December, up 11.4% from the December 2009 level. Income tax collections have risen above the year-ago level for five consecutive months. Income tax withholding payments, which represented the majority of net income tax revenue in December, increased 9.9% above the year-ago level in December, to $622.2 million, as both hourly earnings and hours worked have increased compared with year-ago levels. Although collections are only two months into the fiscal year, year-to-date withholding receipts are up 6.5% from the year-ago level, and $57.5 million above projections based on the May 2010 consensus revenue estimates. On a year-to-date basis, net income tax revenue is up 7.0% from last year, and $65.3 million above the forecasted level.

Sales tax receipts totaled $590.5 million in December, up 4.7% from the year-ago level. Sales tax collections from motor vehicle transactions were 7.4% below the year-ago level, the first decline in year-over-year tax receipts from motor vehicle sales since August. Reflecting the income gains indicated by withholding receipts, year-to-date sales tax revenue is up 6.8% from the year-ago level and is $24.0 million above the forecasted level.

Michigan Business Tax (MBT) revenue totaled $159.9 million in December, down 14.7% from the year-ago level. Both annual and estimated payments were down substantially from one year ago, with estimated payments down 14.5% and annual payments down 23.2% from December 2009. The decline in gross payments more than offset a decline in MBT refund requests. Comparing year-to-date MBT revenue to forecasted levels does not currently provide meaningful information because of a substantial number of refunds that posted in November. As indicated in earlier issues of this report, a substantial delay occurred in processing many MBT refund requests received during 2010. Those delays were largely resolved in November collections, and the overwhelming majority of November refunds will post against FY 2009-10 revenue. However, the revenue tracking used for this report includes November refunds in FY 2010-11 collections and the refunds thus will distort year-to-date revenue when compared to the May 2010 consensus estimates.

Real estate transfer tax receipts fell 8.0% from the year-ago level in December, to $8.1 million, and have exhibited negative year-over-year growth for the last six months. The declines have been exacerbated by the expiration of the Federal homebuyer credit, which helped push sales higher than they otherwise would have been during the fall of 2009 through the spring of 2010. State Education Property Tax revenue was down 11.5% from December 2009, but the overwhelming majority of collections are received between September and November, so the December changes are not particularly helpful for anticipating future collections.

The table on the back of this report identifies the major taxes included in the report, and provides their respective revenue levels and growth rates for December 2010. Also presented are the consensus revenue estimates for FY 2010-11 adopted at the May 2010 Consensus Revenue Estimating Conference.

On January 14, 2011, revised consensus revenue estimates were adopted for the taxes identified in this report. As indicated above, the comparisons to forecast in this report reflect the May 2010 consensus revenue estimates. Because December revenue partially forms the basis for the January consensus revenue estimates, monthly deviations from forecasted levels are only meaningful if the May estimates are used for comparison. The revised estimates will be applied beginning with the January 2011 report. The shift to the revised estimates also will eliminate the issue discussed above regarding MBT refunds distorting year-to-date collections compared to the forecast.

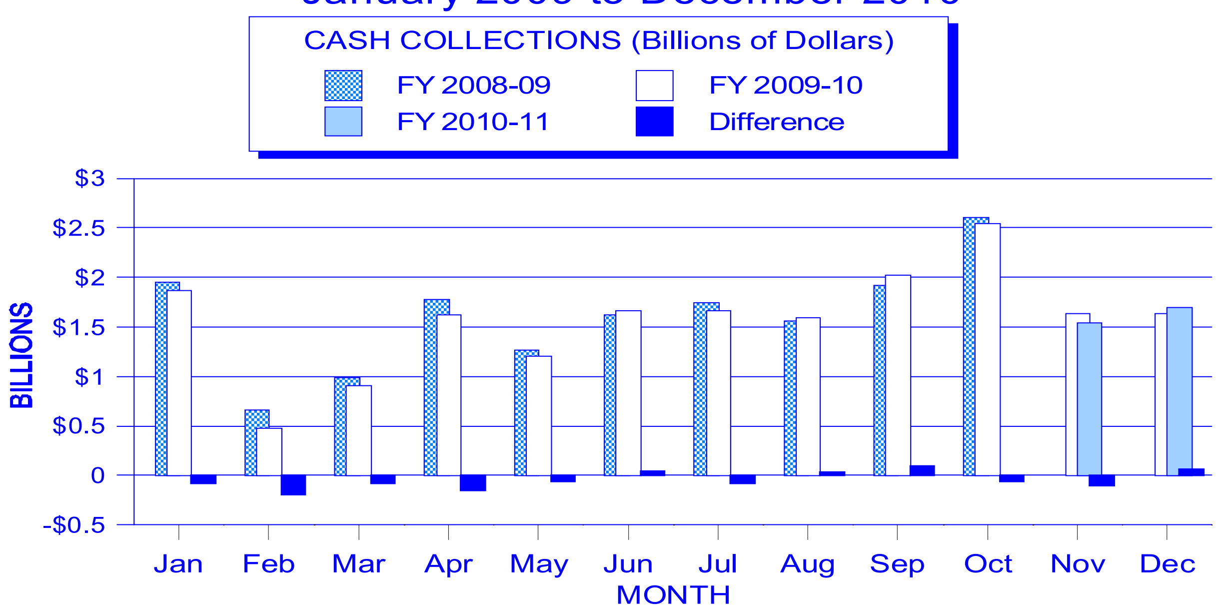
David Zin, Economist

MICHIGAN REVENUE UPDATE
DECEMBER 2010
(dollars in millions)

Type of Revenue	December Collections Total[1]	December Collections % Change From Year Ago	FY 2010-11 to Date[2] Total[1]	FY 2010-11 to Date[2] % Change From Year Ago	FY 2010-11 Estimate[3] Total[1]	FY 2010-11 Estimate[3] % Change From FY 2009-10
Gross Income Tax	$689.3	10.6	$1,299.5	7.0	$8,020.6	2.7
Refunds	(10.9)	(21.0)	(32.8)	(21.9)	(2,482.6)	2.2
Net Income Tax	678.4	11.4	1,266.7	8.1	$5,538.0	2.9
Sales Tax	590.5	4.7	1,160.2	6.8	6,260.8	1.5
Motor Vehicles	56.4	(7.4)	119.4	2.5	---	---
All Other Sales Tax	534.1	6.1	1,040.8	7.3	---	---
Use Tax	93.9	4.4	192.9	3.5	1,170.0	1.5
Tobacco Taxes	80.1	(0.1)	158.5	(4.5)	955.0	(3.6)
Single Business Tax	(1.3)	(108.7)	(24.5)	(307.3)	0.0	---
Michigan Business Tax	159.9	(14.7)	102.2	(58.2)	2,191.4	17.7
Insurance Tax	3.2	(30.4)	3.3	(37.7)	286.6	5.0
State Education Property Tax	33.1	(11.5)	271.1	(1.9)	1,833.0	(3.2)
Real Estate Transfer Tax	8.1	(8.0)	18.2	(11.7)	140.0	10.2
Casino Wagering Tax[4]	9.1	(9.0)	18.1	(8.1)	112.0	2.2
Oil & Gas Severance Tax	3.9	(17.0)	8.0	(27.3)	64.0	6.7
Other Taxes[5]	36.6	100.0	58.4	(4.4)	336.3	2.2
Total	$1,695.5	4.0%	$3,233.1	(0.9)%	$18,887.1	0.3%
Addendum:						
Gross Lottery Sales[4]	$242.8	27.2%	$618.1	7.8%	$2,434.2	3.1%
Net to School Aid Fund[4]	$ 83.3	46.3%	$204.6	18.1%	$ 740.0	2.4%

1) Total collections are unadjusted cash collections unless otherwise noted.
2) FY 2010-11 year-to-date collections begin with November 2010 collections to reflect accrual accounting.
3) Consensus revenue estimates adopted at the May 21, 2010, Consensus Revenue Estimating Conference.
4) Lottery revenue is not accrued, so FY 2010-11 collections will include October 2010 to September 2011.
5) Other Taxes include beer, wine, liquor, industrial facilities, utility property, and estate taxes, and penalties and interest.

Actual Revenue Collections for Major State Taxes*
January 2009 to December 2010



*Comparison of actual collections. Major taxes include the beer, casino wagering, estate, income, industrial facilities, insurance retaliatory, liquor, MBT, oil & gas severance, real estate transfer, sales, SBT, State education property, tobacco (cigarette & other tobacco products), use, utility property, and wine taxes, and penalties and interest revenue.

This publication is available on the SFA Website @ www.senate.michigan.gov/sfa