

MONTHLY REVENUE REPORT

February 2001

Revenue collected from 12 of Michigan's major General and School Aid Fund taxes fell 6.0% in February compared with last year's collections. Collections from these 12 major taxes totaled \$1.52 billion in February, which was down \$98 million from the revenue collected in February 2000. This marked the third time in the past four months that revenues have fallen below their year-ago level. Five of these 12 taxes, including the sales tax, posted revenue increases in February, but the total revenue gain among these five taxes was only \$29 million. On the other hand, revenue declines experienced in the income, use, single business, insurance, and State education property taxes totaled \$127 million. On a fiscal year-to-date basis, one-third of FY 2000-01 is now complete and the revenue situation is not encouraging. Fiscal year-to-date revenue collected from these 12 major taxes is down 3.1% from last year's level, which is running well below the 1.4% increase estimated for all of FY 2000-01, at the January 2001 Consensus Revenue Estimating Conference.

Gross income tax collections (withholding, quarterly, and annual payments) totaled \$515 million in February, which was down 3.7% from the year-ago level. Some of this decrease can be attributed to the fact that the income tax rate has fallen from 4.3% last year at this time to the current rate of 4.2%. The decline also reflects a significant reduction in overtime pay in the manufacturing sector. Income tax revenue collected through payroll withholdings, which accounted for over 96% of income tax collections in February, was down 3.7%. This marked the fourth consecutive month that withholding collections have fallen below their year-ago level. On a fiscal year-to-date basis, gross income tax collections are down 5.2% compared with last year's collections, which is well behind the FY 2000-01 consensus estimated increase of 0.6%.

Sales tax collections rose 4.3% in February to \$451 million. This marks the second consecutive month that sales tax collections have topped the year-ago level. Sales tax collections from motor vehicle transactions were down 3.2% in February, but all other taxable retail sales generated an increase in sales tax revenue of 5.5%. On a fiscal year-to-date basis, sales tax collections are even with the year-ago level, but well below the FY 2000-01 consensus estimated growth rate of 3.3%.

Single business and insurance tax collections plummeted 33.0% in February to \$184 million; however, this significant decline overstates the true weakness in these business tax collections. A quarterly payment was due at the end of January, and the State actually received these payments in both January and February. While February collections were down significantly from last year, January collections were up 22.8%. As a result, a more accurate view of recent single business and insurance tax collections is obtained by combining January and February collections, which were down 8.5% from last year. This decline is due in part to the ongoing reduction in the single business tax rate. On a fiscal year-to-date basis, single business and insurance tax collections are down 10.6%. The consensus estimate adopted in January predicts single business and insurance tax collections will be down 2.8% in FY 2000-01.

The table on the back of this report identifies the 12 major taxes included in this report, and provides their respective revenue levels and growth rates for February 2001, along with their fiscal year-to-date revenue collections and growth rates. Also presented are their respective consensus revenue estimates for FY 2000-01.

Jay Wortley, Senior Economist

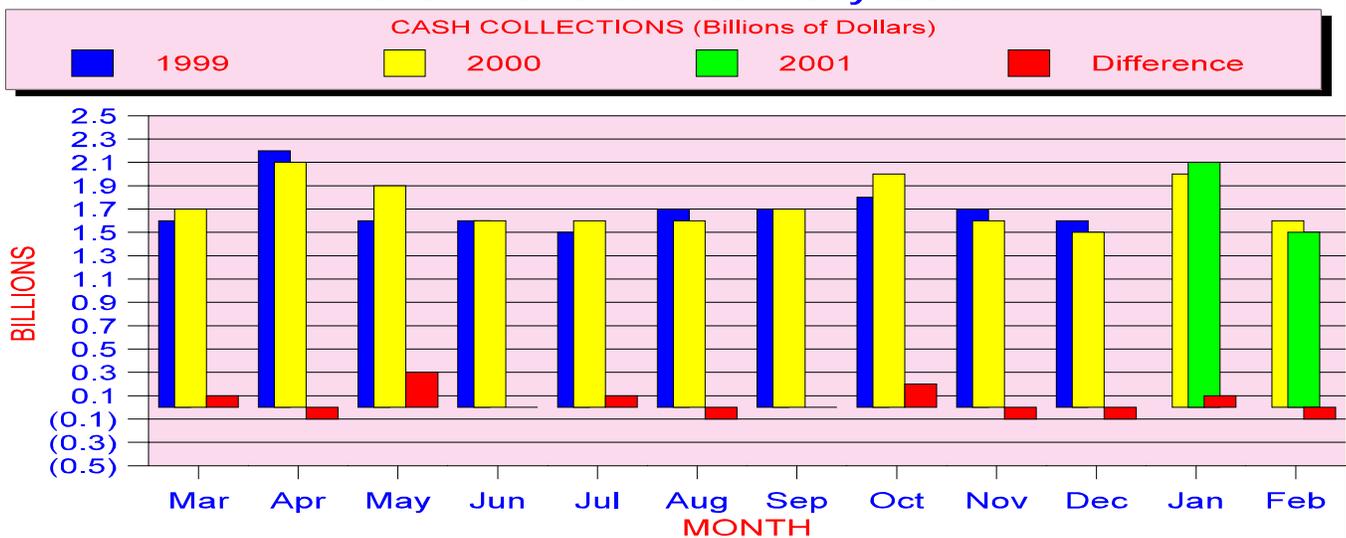


**MICHIGAN REVENUE UPDATE
FEBRUARY 2001
(dollars in millions)**

Type of Revenue	February 2001		FY 2000-01 to Date ²⁾		FY 2000-01 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago
Income Tax						
Withholding	\$495.5	(3.7)%	\$2,289.9	(4.9)%	\$6,845.6	1.4%
Quarterly Payments	6.2	(20.5)	293.0	(7.9)	831.3	(3.6)
Annual Payments	13.2	4.8	34.2	2.4	781.5	(1.2)
Gross Income Tax	\$ 514.9	(3.7)%	\$2,617.1	(5.2)%	\$8,458.4	0.6%
Sales Tax	451.1	4.3	2,073.4	0.0	6,482.8	3.3
Use Tax	90.8	(11.9)	390.8	(7.9)	1,403.2	3.5
Tobacco Tax	47.5	5.8	194.5	(0.4)	590.8	(2.2)
Single Business & Insurance Taxes	183.7	(33.0)	774.9	(10.6)	2,445.4	(2.8)
State Education Property Tax	198.2	(2.0)	456.2	11.9	1,438.4	4.1
Real Estate Transfer Tax	22.1	39.9	87.1	9.4	255.0	(0.8)
Estate/Inheritance Tax	11.1	2.8	54.3	(7.7)	190.0	7.1
Oil & Gas Severance Tax	2.6	85.7	18.1	58.8	46.0	4.8
Total	\$1,522.0	(6.0)%	\$6,666.4	(3.1)%	\$21,310.0	1.4%
Addendum:						
Gross Lottery Sales ⁴⁾	\$133.2	1.7%	\$673.4	0.3%	\$1,670.0	(1.2)%
Net Lottery to School Aid ⁴⁾	\$ 43.2	(6.8)%	\$234.6	(0.1)%	\$ 609.0	(1.5)%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2000-01 year-to-date collections begin with November 2000 collections to reflect accrual accounting.
- 3) Revenue estimates adopted at the January 11, 2001, Consensus Revenue Estimating Conference.
- 4) Lottery revenue is not accrued, so FY 2000-01 lottery revenue will include October 2000 to September 2001.

**Actual Revenue Collections for 12 Major State Taxes*
March 1999 to February 2001**



*Comparison of actual collections. The 12 taxes include the income (withholding, quarterly payments and annual payments), sales, use, tobacco, SBT, insurance retaliatory, estate, oil and gas severance, State education, and real estate transfer taxes.