

# MONTHLY REVENUE REPORT

## January 2001

Tax revenues rebounded in January 2001, but not by enough to make up for the sharp declines experienced in November and December. The revenue collected from 12 of Michigan's major taxes that are earmarked to the General and School Aid Funds totaled \$2.08 billion in January 2001. These tax collections topped the year-ago level by 4.7%. This much-needed increase in revenues followed declines of 3.8% in November and 9.1% in December. The increase in January collections was led by revenue gains in sales, single business, insurance, real estate transfer, and oil and gas severance taxes. The growth in tax collections in January reduced the fiscal year-to-date revenue decline to 2.1% from the 6.4% decline posted at the end of December. The FY 2000-01 estimated growth rate for these 12 major taxes, adopted at the January 2001 Consensus Revenue Estimating Conference, is 1.4%.

Gross income tax collections totaled \$947 million in January, which was down 0.6% from last year. This decline can be attributed to a slower pace of economic growth this year compared with last year and to the fact that the income tax rate is now 4.2% compared with 4.3% last year at this time. While withholding collections were down 4.6%, quarterly payments were up 14.0%. This increase in quarterly payments helped offset the sharp decline in these payments in December. On a fiscal year-to-date basis, gross income tax collections are down 5.6%, which is running below the FY 2000-01 consensus estimated growth rate of 0.6%.

Sales tax collections increased 11.1% in January to a total of \$583 million. This large increase in January helped offset at least some of the declines in sales tax collections experienced in November and December 2000, which were down 3.7% and 9.8%, respectively. Sales tax collections derived from motor vehicle transactions were up 9.8% in January, after being down 19.4% in December. Sales tax collections from all other taxable retail transactions were up 11.2% in January, which was much improved from the 8.6% decline experienced in December. So far in FY 2000-01, sales tax collections are down 1.1%. The consensus estimate is that sales tax revenue will be up 3.3% in FY 2000-01.

Single business and insurance tax collections totaled \$266 million in January, which was up 22.5% from the year-ago level. This sharp increase in January marked the largest increase in eight months and the first monthly increase so far in FY 2000-01. In November and December 2000, single business and insurance tax collections were down 14.8% and 10.4%, respectively. So far in FY 2000-01, the revenue collected from these business taxes is down 0.2%. Based on the January 2001 consensus estimate, single business and insurance tax collections are expected to decline 2.8% in FY 2000-01.

Other taxes experiencing an increase in collections in January, compared with their year-ago level, included the real estate transfer tax, which was up 34.5%; the estate tax, up 1.8%; and the oil and gas severance tax, up 84.4%. Taxes that declined in January included the use tax, down 9.8%; the tobacco taxes, down 10.1%; and the State education tax, which was down 1.0%.

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 January 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*

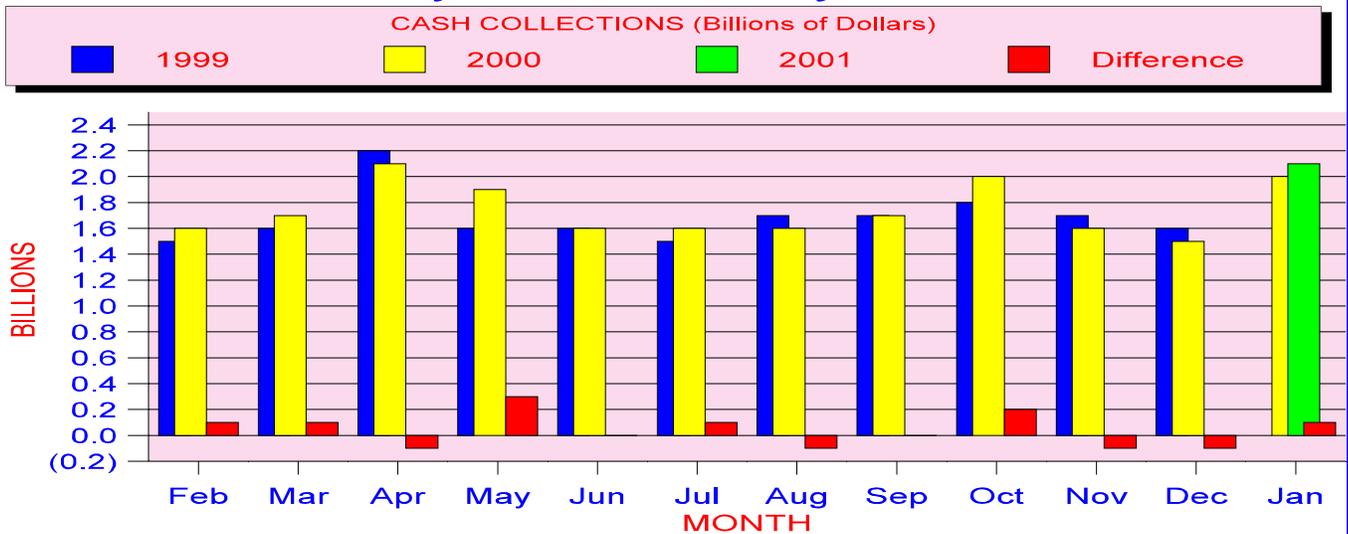


**MICHIGAN REVENUE UPDATE  
JANUARY 2001  
(dollars in millions)**

Type of Revenue	January 2001		FY 2000-01 to Date <sup>2)</sup>		FY 2000-01 Estimate <sup>3)</sup>	
	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago
Income Tax						
Withholding	\$708.1	(4.6)%	\$1,791.9	(5.4)%	\$6,845.6	1.4%
Quarterly Payments	231.8	14.0	286.8	(7.6)	831.3	(3.6)
Annual Payments	6.6	3.1	21.0	1.0	781.5	(1.2)
Gross Income Tax	\$946.5	(0.6)%	\$2,099.7	(5.6)%	\$8,458.4	0.6%
Sales Tax	583.3	11.1	1,622.3	(1.1)	6,482.8	3.3
Use Tax	100.1	(9.8)	300.0	(6.7)	1,403.2	3.5
Tobacco Tax	46.5	(10.1)	147.0	(2.2)	590.8	(2.2)
Single Business & Insurance Taxes	266.0	22.5	591.2	(0.2)	2,445.4	(2.8)
State Education Property Tax	93.2	(1.0)	258.0	25.5	1,438.4	4.1
Real Estate Transfer Tax	23.0	34.5	65.0	1.9	255.0	(0.8)
Estate/Inheritance Tax	16.8	1.8	43.2	(10.0)	190.0	7.1
Oil & Gas Severance Tax	5.9	84.4	15.5	55.0	46.0	4.8
<b>Total</b>	<b>\$2,081.3</b>	<b>4.7%</b>	<b>\$5,141.9</b>	<b>(2.2)%</b>	<b>\$21,310.0</b>	<b>1.4%</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$138.7	19.1%	\$540.1	(0.1)%	\$1,670.0	(1.2)%
Net Lottery to School Aid <sup>4)</sup>	\$ 47.1	30.3%	\$191.4	1.6%	\$ 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\*  
February 1999 to January 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.