

# MONTHLY REVENUE REPORT

## July 2001

July revenue collections increased from their year-ago level, marking the first monthly increase since April. The revenue collected from 12 of Michigan's major General Fund and School Aid Fund taxes totaled \$1.67 billion in July, which was up 2.4% from last year's level. Receipts topped year-ago levels for the sales, single business, insurance, State education property, and oil and gas severance taxes, but were down for the income, use, tobacco, real estate transfer, and estate taxes. The increase in July tax collections was only the third monthly increase so far in FY 2000-01.

The revenue collected so far this fiscal year from these 12 major taxes is down 2.6% from last year's level, which is below the 1.3% revenue decline estimated for FY 2000-01 at the May 2001 Consensus Revenue Estimating Conference. The consensus revenue estimate was predicated on revenues increasing during the final quarter of the fiscal year due to an anticipated improvement in economic activity. The increase in July, which was larger than expected, will have to be maintained during the remaining months of FY 2000-01 in order to hit the consensus estimate.

Gross income tax collections totaled \$572 million, which was down 2.0% from the year-ago level. Gross income tax collections include annual, quarterly, and withholding tax payments. The income tax withheld from workers' earnings, which accounted for 97% of total income collections in July, declined 1.9% in July. The decline in withholding payments can be attributed to the weaker economy which has reduced workers' hours in the manufacturing industries and other key sectors of the Michigan economy. As a result, workers' earnings are also being reduced. So far this fiscal year, gross income tax collections are down 4.8% from last year's level.

Sales tax collections posted a very strong 8.4% increase in July to \$613 million. Sales tax collections generated by retail motor vehicle transactions topped the year-ago level by 20.9%, while collections from all other taxable retail sales were up 6.5%. The very strong showing in July sales tax receipts is undoubtedly due in part to noneconomic timing shifts in collections, as the July increase followed declines in May and June of 6.5% and 4.7%, respectively. Over this three-month period, sales tax collections were practically even with the year-ago level. On a fiscal year-to-date basis, sales tax collections are up 0.5%.

Single business and insurance tax collections totaled \$262 million in July, representing a 4.0% increase from last year's level. These collections in July represent a portion of a quarterly estimated payment that was due on the last day of July. Revenue from this quarterly payment will also be received in August. Based on past experience, the distribution of the receipts from this quarterly payment between July and August can vary greatly from one year to the next. Therefore, the gain posted in July may simply reflect a change in the timing of when receipts are received, and not a true increase in single business tax revenue. Collections during the first week in August were running below their year-ago levels, so it is very possible that the gain realized in July will be offset by a decline in August. So far this fiscal year, single business and insurance tax collections are below last year's collections by 8.4%.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for July 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*

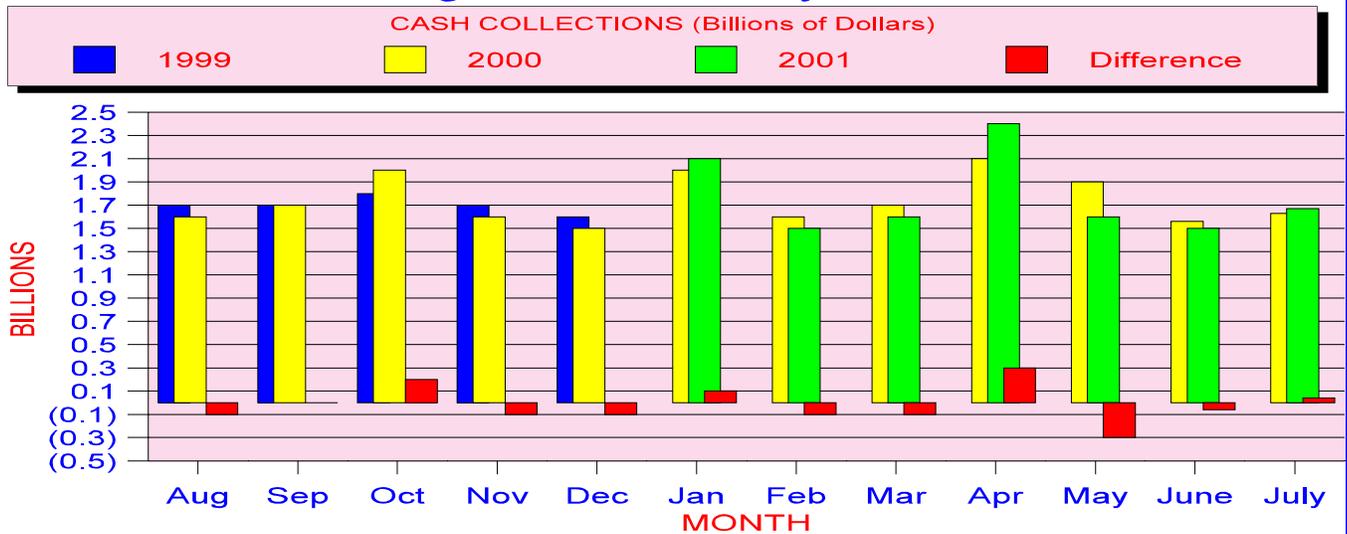


**MICHIGAN REVENUE UPDATE  
JULY 2001  
(dollars in millions)**

Type of Revenue	July Collections		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	\$556.6	(1.9)%	\$5,022.4	(3.1)%	\$6,622.7	(1.9)%
Quarterly Payments	9.3	(18.4)	592.3	(9.5)	833.3	(3.4)
Annual Payments	5.7	18.8	643.0	(12.9)	691.5	(12.6)
Gross Income Tax	\$571.6	(2.0)%	\$6,257.7	(4.8)%	\$8,147.5	(3.1)%
Sales Tax	613.4	8.4	4,731.3	0.5	6,407.8	2.1
Use Tax	124.1	(0.1)	976.8	(2.6)	1,338.2	(1.3)
Tobacco Tax	52.8	(4.5)	439.9	(1.3)	591.8	(2.1)
Single Business & Insurance Taxes	261.7	4.0	1,756.9	(8.4)	2,300.5	(8.6)
State Education Property Tax	15.2	35.7	877.3	9.0	1,463.4	5.9
Real Estate Transfer Tax	22.2	(3.5)	182.5	1.2	252.0	(2.0)
Estate/Inheritance Tax	7.9	(46.6)	115.9	(8.5)	185.0	4.3
Oil & Gas Severance Tax	5.0	13.6	47.9	60.7	63.0	43.5
<b>Total</b>	<b>\$1,673.9</b>	<b>2.4%</b>	<b>\$15,386.2</b>	<b>(2.6)%</b>	<b>\$20,749.2</b>	<b>(1.3)%</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$110.6	(7.6)%	\$1,352.1	(5.3)%	\$1,643.8	(3.0)%
Net Lottery to School Aid <sup>4)</sup>	\$ 42.8	1.6%	\$ 492.1	(4.0)%	\$ 600.0	(3.0)%

- 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 May 15, 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\*  
August 1999 to July 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.