

# MONTHLY REVENUE REPORT

## June 2001

Tax revenues continued to fall below their year-ago levels in June 2001. The revenue generated from 12 of Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.5 billion in June, which was down 3.8% from last year's collections. This marked the sixth time in the past eight months that revenues from these major taxes have fallen below their year-ago level. The only taxes to post a gain in revenue in June were income tax withholding payments, the real estate transfer tax, and the oil and gas severance tax. All of the remaining major taxes tracked in this report fell below their year-ago level. So far in FY 2000-01, the revenue from these major taxes is down 3.1% from the comparable period in FY 1999-2000. According to the consensus revenue estimate, the revenue from these 12 major taxes is expected to be down 1.3% in FY 2000-01. In order to reach this consensus estimate, the revenue collected from these 12 major taxes will have to top last year's collections by 2.6% during the remainder of FY 2000-01.

Gross income tax collections (withholding, quarterly, and annual payments) totaled \$690 million in June, which was down 0.1% from last year's level. Despite this slight decline in income tax revenue, June marked one of the best collection months, relative to year-ago levels, so far this fiscal year. This improvement in gross income tax collections was due primarily to the fact that the current tax rate of 4.2% is the same as the year-ago tax rate. Prior to June, the tax rate had been below the year-ago tax rate since it was cut from 4.4% to 4.3% on January 1, 2000. Withholding collections were up 3.5% in June, but this gain was offset by a 9.9% decline in quarterly estimated payments and a 9.1% drop in annual payments. So far this fiscal year, gross income tax collections trail last year's collections by 5.1%.

Sales tax collections totaled \$517 million in June, which was down 4.7% from last year's collections. This marked the fifth time in the past eight months that sales tax collections have dropped below the year-ago level. Sales tax collections from motor vehicle transactions were up 1.3%, but sales tax collections from all other taxable retail transactions were down 5.8%. On a fiscal year-to-date basis, sales tax collections are down 0.6%.

Single business and insurance tax collections totaled \$73 million in June. Due to the timing of single business and insurance tax quarterly payments, June is historically one of the smallest months in terms of the amount of revenue collected. These business tax collections in June represented a 4.4% reduction from last year's level. Most of this decline can be attributed to the ongoing reduction in the single business tax rate, which is currently 2.0% compared with 2.1% last year at this time. So far this fiscal year, single business and insurance tax collections are down 10.3%.

Other major taxes whose June collections were down from last year's level included the use tax, down 2.6%; State education property tax, down 53.8%; tobacco tax, down 4.8%; and estate tax, down 54.1%. In addition to the revenue increase posted by income tax withholding payments, the only other taxes that posted an increase in revenue in June were the real estate transfer tax, up 47.0%, and the oil and gas severance tax, up 45.8%.

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 June 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*

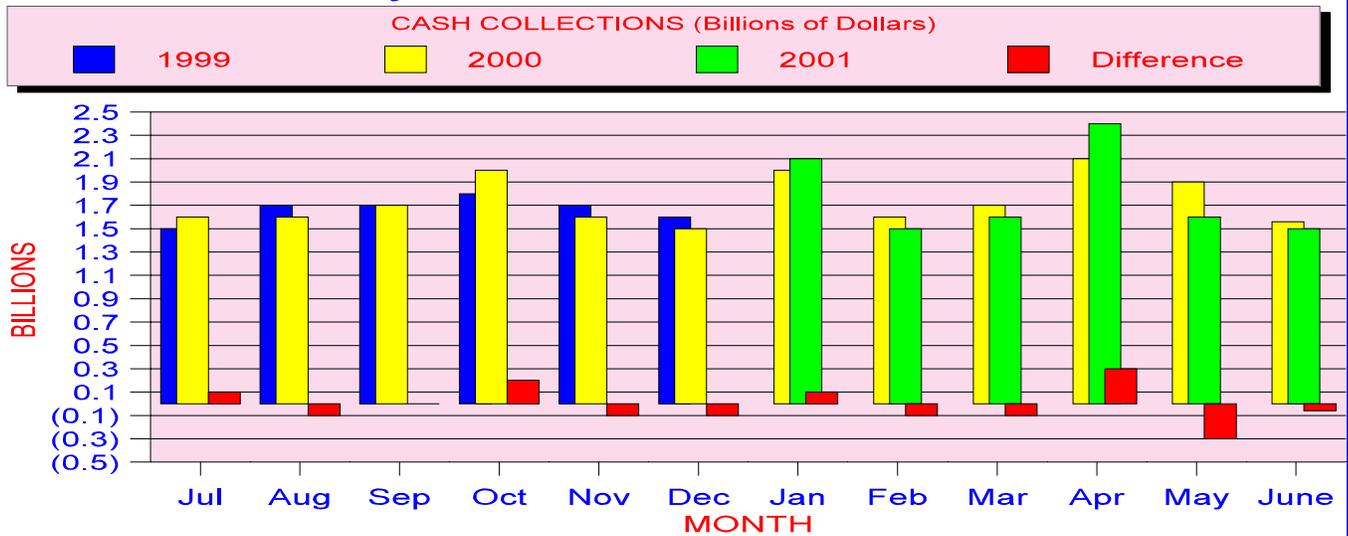


**MICHIGAN REVENUE UPDATE  
JUNE 2001  
(dollars in millions)**

Type of Revenue	June 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	\$522.4	3.5%	\$4,465.8	(3.2)%	\$6,622.7	(1.9)%
Quarterly Payments	157.2	(9.9)	583.0	(9.3)	833.3	(3.4)
Annual Payments	10.0	(9.1)	637.3	(13.1)	691.5	(12.6)
Gross Income Tax	\$689.6	(0.1)%	\$5,686.1	(5.1)%	\$8,147.5	(3.1)%
Sales Tax	516.8	(4.7)	4,117.9	(0.6)	6,407.8	2.1
Use Tax	116.5	(2.6)	852.7	(2.9)	1,338.2	(1.3)
Tobacco Tax	51.8	(4.8)	387.1	(0.9)	591.8	(2.1)
Single Business & Insurance Taxes	73.1	(4.4)	1,495.2	(10.3)	2,300.5	(8.6)
State Education Property Tax	20.1	(53.8)	862.1	8.6	1,463.4	5.9
Real Estate Transfer Tax	24.4	47.0	160.3	1.9	252.0	(2.0)
Estate/Inheritance Tax	8.9	(54.1)	108.0	(3.4)	185.0	4.3
Oil & Gas Severance Tax	3.5	45.8	42.9	68.9	63.0	43.5
<b>Total</b>	<b>\$1,504.7</b>	<b>(3.8)%</b>	<b>\$13,712.3</b>	<b>(3.1)%</b>	<b>\$20,749.2</b>	<b>(1.3)%</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$150.7	(2.5)%	\$1,241.5	(5.1)%	\$1,643.8	(3.0)%
Net Lottery to School Aid <sup>4)</sup>	\$ 52.6	(1.5)%	\$ 449.3	(4.5)%	\$ 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\*  
July 1999 to June 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.