

MONTHLY REVENUE REPORT

June 2009

The revenue collected from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1.6 billion in June, which was down 16.2% from last year's level. June marks the sixth time in the past eight months that tax collections have fallen below the year-ago level by more than 10%. While tax collections were expected to decline significantly in June due to the economic recession, tax collections fell short of the monthly target by about \$60.0 million. Almost all of the major taxes experienced a decline in collections in June, including the income, sales, and use taxes.

So far in FY 2008-09, tax collections are below the comparable year-ago level by 13.4% or \$1.8 billion. Compared with the Senate Fiscal Agency's monthly breakdown of the consensus estimates for FY 2008-09, which were updated following the May Consensus Revenue Estimating Conference, actual collections through June are short of the revised monthly targets by about \$120.0 million. This shortfall is spread fairly evenly between the General Fund and School Aid Fund.

Net income tax revenue totaled \$612.6 million in June, which was down 20.5% or \$157.9 million from the year-ago level. This decline was due to a drop in gross collections and an increase in refund payments. Gross collections fell in June due to a 10.5% decline in withholding payments and a 36.5% drop in estimated payments. Income tax refund payments to taxpayers topped last year's level by \$28.1 million or 62.6%. On a fiscal year-to-date basis, net income tax revenue is down 21.3% or \$1.0 billion from last year's level.

Sales tax receipts totaled \$580.6 million in June, representing an 8.3% decline from last year's level. This decline in June followed a 22.2% drop in May. Sales tax collections continue to fall below year-ago levels even though collections from motor vehicle transactions continue to exceed year-earlier levels. In June, sales tax receipts from motor vehicle sales topped last year's level by 30.2%, which marked the seventh consecutive monthly increase. These recent increases are somewhat of a mystery, but may be due in part to; 1) an increase in the percentage of new vehicle transactions that are purchased versus leased and 2) an increase in sales activity due to the new vehicle vouchers being redeemed by auto workers who have accepted early buyouts from the auto companies. Sales tax collections from non-motor vehicle taxable retail transactions were down 12.7% in June, which followed a 26.0% decline in May. So far in FY 2008-09, sales tax collections are down 9.4%.

Michigan Business Tax and Single Business Tax collections totaled \$153.2 million in June, which was down 23.9% from the year-ago level. Using a three-month moving average to help smooth the monthly fluctuations in business tax receipts, the revenue from these two business taxes was down 6.7% for the April to June period.

Real estate transfer and severance tax collections were both down significantly in June. Real estate transfer tax receipts were down 37.0% from last year as housing sales continue to languish at historically low levels. Gas and oil severance tax revenue dropped 67.7% in June due largely to significantly lower natural gas and oil prices this spring compared with a year ago. On a fiscal year-to-date basis, real estate transfer tax receipts are down 40.2% and severance tax collections are down 45.5%.

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 2009. Also presented are the consensus revenue estimates for FY 2008-09, which were adopted at the May 2009 Consensus Revenue Estimating Conference.



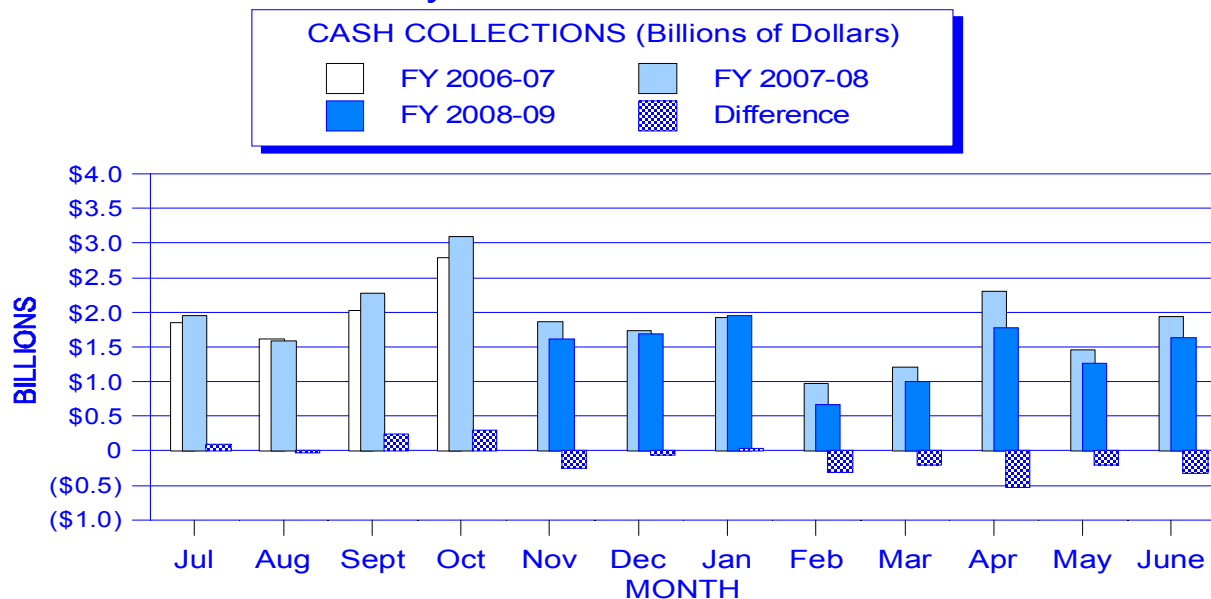
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MICHIGAN REVENUE UPDATE
JUNE 2009
(dollars in millions)

Type of Revenue	June Collections		FY 2008-09 to Date ²⁾		FY 2008-09 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2007-08
Gross Income Tax	\$685.6	(15.9)%	\$5,694.9	(10.7)%	\$8,168.9	(9.4)%
Refunds	(73.0)	62.6	(1,976.0)	19.8	(\$2,111.3)	17.9
Net Income Tax	612.6	(20.5)	3,718.9	(21.3)	\$6,057.6	(16.2)
Sales Tax	580.6	(8.3)	4,002.4	(9.4)	6,211.7	(8.3)
Motor Vehicles	83.7	30.2	520.9	12.9	----	----
All Other Sales Tax	496.9	(12.7)	3,481.5	(12.0)	----	----
Use Tax	106.2	(13.7)	708.0	(21.7)	1,152.5	(16.3)
Tobacco Taxes	86.1	(7.3)	668.4	(0.8)	1,015.6	(5.4)
Single Business Tax	(35.9)	(219.7)	(151.8)	(120.5)	(158.2)	(127.6)
Michigan Business Tax	189.1	10.2	1,692.0	----	2,318.0	22.5
Insurance Tax	2.4	33.3	140.1	3.9	243.8	9.2
State Education Property Tax	44.4	(24.7)	412.2	(27.1)	2,006.0	(3.5)
Real Estate Transfer Tax	8.5	(37.0)	69.2	(40.2)	100.0	(41.1)
Casino Wagering Tax ⁴⁾	8.9	(9.2)	75.2	(13.5)	113.5	(12.5)
Oil & Gas Severance Tax	3.2	(67.7)	33.8	(45.5)	61.0	(37.2)
Other Taxes ⁵⁾	20.3	(22.4)	216.4	(13.0)	365.0	(12.2)
Total	\$1,626.4	(16.2)	\$11,584.8	(13.4)	\$19,486.5	(11.6)
Addendum:						
Gross Lottery Sales ⁴⁾	\$173.0	2.1	1,785.8	1.0	\$2,031.6	(7.1)
Net to School Aid Fund ⁴⁾	46.0	(14.2)	551.4	(2.8)	688.1	(7.1)

- 1) Total collections are unadjusted cash collections unless otherwise noted.
2) FY 2008-09 year-to-date collections begin with November 2008 collections to reflect accrual accounting.
3) Consensus revenue estimates adopted at the May 15, 2009, Consensus Revenue Estimating Conference.
4) Lottery and casino revenue is not accrued, so FY 2008-09 collections will include October 2008 to September 2009.
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*
July 2007 to June 2009



*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.