

MONTHLY REVENUE REPORT

March 2001

Tax collections continued to fall below year-ago levels in March. The revenue derived from Michigan's major General Fund and School Aid Fund taxes totaled \$1.55 billion, which was down 6.8%, or \$114 million, from last year's level. This marked the fourth time out of the past five months that tax collections have dropped below year-ago levels. The sharp decline in March revenues occurred in the income, sales, use, and single business tax collections, whose combined collections were down \$124 million from last year's level. Collections were up for the tobacco, State education property, real estate transfer, estate, and oil and gas severance taxes, but their combined increase in revenue was only \$10 million. On a fiscal year-to-date basis, collections from these major taxes are down 3.8%, or \$325 million, from year-ago levels. This weakness in tax collections is a good indication that the level of economic activity in Michigan has indeed slowed down in the past few months.

Gross income tax collections, which include withholding, quarterly and annual payments, totaled \$637 million in March, which was down 7.5% from last year's level. Withholding payments, which accounted for 92% of income tax collections in March, were down 7.2%, and annual payments were down 12.5%. Quarterly estimated payments were unchanged from last year. Adjusting for the reduction in the income tax rate, which is currently 4.2% compared with 4.3% last year at this time, gross income tax collections were still down 5.1% in March. At the January 2001 Consensus Revenue Estimating Conference, it was estimated that gross income tax collections would increase a slight 0.6% in FY 2000-01; however, actual collections are tracking well below this estimate as collections through March are down 5.6% from the year-ago level.

Sales tax collections tumbled 8.2% in March to \$452 million. This decline in sales tax revenue from last March's level followed increases in January and February of 11.1% and 4.3%, respectively. Sales tax collections from motor vehicle transactions were down 5.2% in March, while sales tax collections from all other taxable retail transactions were down 8.8% in March. On a fiscal year-to-date basis, sales tax collections are down 1.6% compared with last year's level. These fiscal year-to-date collections for the sales tax are running well short of the January 2001 consensus estimate that sales tax collections would be up 3.3% in FY 2000-01.

Use tax collections fell by a sharp 19.1% in March to \$89 million. This marked the fourth consecutive month that use tax collections have fallen well below the year-ago level. So far this fiscal year, use tax collections are down 10.2%, which is considerably below the FY 2000-01 consensus estimate of 3.3% growth.

Single business and insurance tax collections totaled \$88 million in March, which was down 11.5% from last year's collections. Lower profits and a reduction in workers' compensation payments due to the reduction in overtime activity, both of which are key components of the tax base, together with the ongoing reduction in the single business tax rate, are the key factors contributing to the current weakness in the single business tax. So far in FY 2000-01, single business and insurance tax collections are down 10.7%, which compares with the FY 2000-01 consensus estimate that these business tax revenues would decline 2.8%.

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 March 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

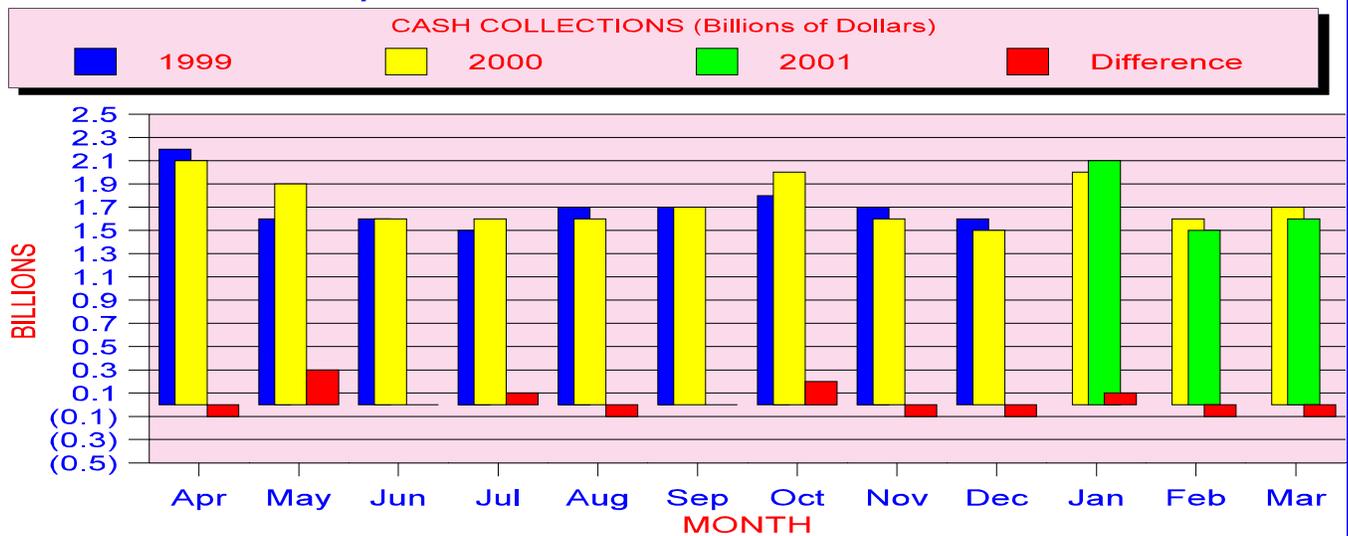


**MICHIGAN REVENUE UPDATE
MARCH 2001
(dollars in millions)**

Type of Revenue	March 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	\$585.5	(7.2)%	\$2,875.4	(5.4)%	\$6,845.6	1.4%
Quarterly Payments	7.9	0.0	300.9	(7.7)	831.3	(3.6)
Annual Payments	43.9	(12.5)	78.1	(6.6)	781.5	(1.2)
Gross Income Tax	\$637.3	(7.5)%	\$3,254.4	(5.6)%	\$8,458.4	0.6%
Sales Tax	452.3	(8.2)	2,525.7	(1.6)	6,482.8	3.3
Use Tax	89.2	(19.1)	480.0	(10.2)	1,403.2	3.5
Tobacco Tax	45.3	1.3	239.8	0.0	590.8	(2.2)
Single Business & Insurance Taxes	88.1	(11.5)	862.8	(10.7)	2,445.4	(2.8)
State Education Property Tax	204.8	1.1	661.0	8.3	1,438.4	4.1
Real Estate Transfer Tax	18.6	22.4	105.7	11.5	255.0	(0.8)
Estate/Inheritance Tax	11.5	6.5	65.8	(5.5)	190.0	7.1
Oil & Gas Severance Tax	8.3	69.4	26.4	62.0	46.0	4.8
Total	\$1,555.4	(6.8)%	\$8,221.6	(3.8)%	\$21,310.0	1.4%
Addendum:						
Gross Lottery Sales ⁴⁾	\$158.0	(6.1)%	\$831.3	(1.0)%	\$1,670.0	(1.2)%
Net Lottery to School Aid ⁴⁾	\$ 72.6	30.1%	\$307.2	5.7%	\$ 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*
April 1999 to March 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.