

MONTHLY REVENUE REPORT

May 2002

The revenue collected from 12 of Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.52 billion in May 2002, which was down 2.7% from last year's level. While this marked the fifth consecutive monthly decline in the revenue collected from these major taxes, the rate of decline in May was much less than the March and April declines of 6.3% and 10.6%, respectively. The decline in tax collections in May was due in large part to continued weakness in income tax annual and quarterly payments. Tax collections excluding annual and quarterly income tax payments were unchanged from the year-ago level after being down 5.3% in April. On a fiscal year-to-date basis, the revenue collected from these 12 major taxes is down 3.8% from the year-ago level. At the May 2002 Consensus Revenue Estimating Conference, it was estimated that the revenue from these 12 major taxes would decline 1.5% in FY 2001-02. In order to reach this estimate, tax collections will have to top last year's collections by 1.8% for the remainder of FY 2001-02.

Gross income tax collections totaled \$521 million in May, which was down 7.7% from last year. The good news was that income tax withholding payments, which accounted for 96% of income tax revenue in May, was down only 0.4% from the year-ago level, after declining an average of 8.0% during the previous four months. The bad news was that annual and quarterly payments were extremely weak for the second month in a row. Annual payments in May were down 66.2% and quarterly payments were down 61.3%. Annual and quarterly payments in April and May were below the comparable year-ago level by \$202 million. So far this fiscal year, gross income tax collections are down 8.5% from last year's level.

Sales tax collections totaled \$514 million in May, which was down 0.6% compared with last year's level. While down from the year-ago level, the decline in May was the smallest monthly drop in sales tax revenue during the past five months. Sales tax collections from motor vehicle transactions were down 3.2% in May, while sales tax collections from all other taxable retail sales were unchanged from last year's level. This marked the first time in the past five months that sales tax collections from nonmotor vehicle transactions did not fall below the year-ago level. On a fiscal year-to-date basis, total sales tax collections are up 0.4%.

Single business and insurance tax collections totaled \$254 million in May, which was down a slight 0.3% from last year's level. Single business tax revenue, which totaled \$229 million, was down 5.0%, and insurance tax revenue, which totaled \$25 million, was up 83.6%. So far this fiscal year, single business and insurance tax collections are down 6.7%. Approximately five percentage points of this decline can be attributed to the ongoing reduction in the single business tax rate, which is currently 1.9% compared with 2.0% last year.

Other taxes that experienced an increase in collections in May included the use tax, up 2.7%; tobacco tax, up 4.1%; real estate transfer tax, up 29.9%; and estate tax, up 53.5%. Other taxes whose revenue fell below year-ago levels included the State education property tax, down 10.8%, and the oil and gas severance tax, down 59.7%.

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 May 2002, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the revised FY 2001-02 consensus revenue estimates adopted at the May Consensus Revenue Estimating Conference.

Jay Wortley, Senior Economist



MICHIGAN REVENUE UPDATE
MAY 2002
(dollars in millions)

Type of Revenue	May Collections		FY 2001-02 to Date ²⁾		FY 2001-02 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago
Income Tax						
Withholding	\$498.5	(0.4)%	\$3,785.7	(4.0)%	\$6,508.6	(1.3)%
Quarterly Payments	4.3	(61.3)	335.9	(21.1)	661.5	(15.5)
Annual Payments	17.7	(66.2)	450.6	(28.2)	509.4	(26.6)
Gross Income Tax	\$520.5	(7.7)%	\$4,572.2	(8.5)%	\$7,679.5	(4.9)%
Sales Tax	514.1	(0.6)	3,615.6	0.4	6,494.0	2.2
Motor Vehicles	89.1	(3.2)	585.2	15.1	----	----
All Other Sales Tax	425.0	0.0	3,030.4	(2.0)	----	----
Use Tax	111.6	2.7	757.4	2.9	1,368.0	2.6
Tobacco Tax	48.7	4.1	336.0	0.2	589.0	(1.2)
Single Business & Insurance Taxes	254.0	(0.3)	1,326.1	(6.7)	2,133.4	(4.0)
State Education Property Tax	37.1	(10.8)	902.3	7.2	1,558.0	4.6
Real Estate Transfer Tax	21.3	29.9	132.8	(2.3)	241.0	(4.7)
Estate/Inheritance Tax	13.2	53.5	84.5	(14.7)	127.0	(18.3)
Oil & Gas Severance Tax	3.1	(59.7)	17.0	(56.9)	33.0	(45.1)
Total	\$1,523.6	(2.7)%	\$11,743.9	(3.8)%	\$20,222.9	(1.5)%
Addendum:						
Gross Lottery Sales ⁴⁾	\$157.1	26.2%	\$1,166.0	6.9%	\$1,654.2	3.1%
Net Lottery to School Aid ⁴⁾	\$ 53.6	9.7%	\$ 421.7	6.3%	\$ 605.0	3.1%

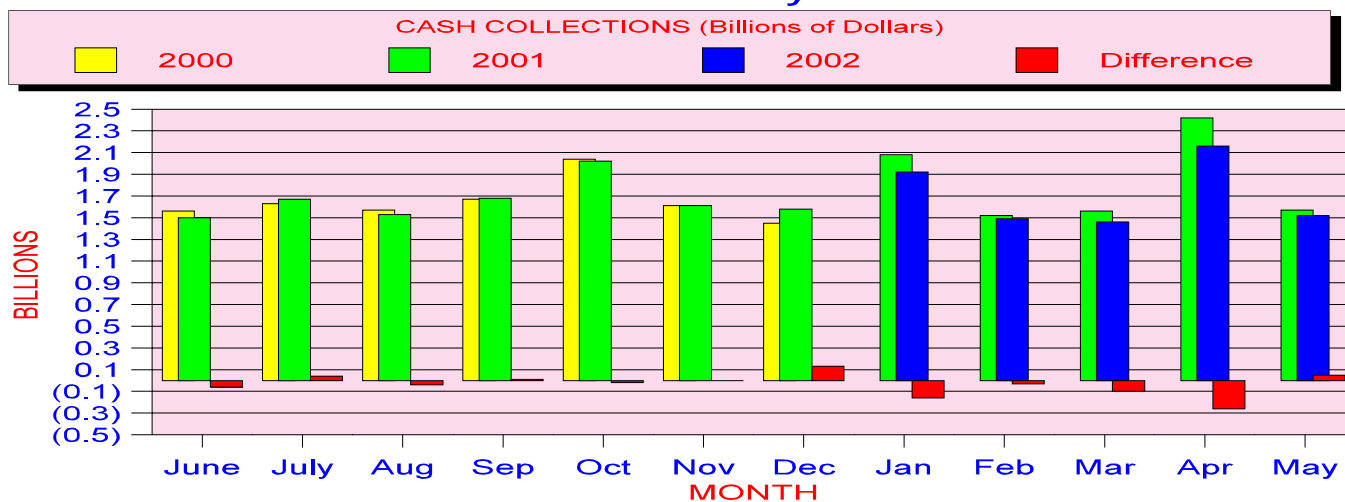
1) Total collections are unadjusted cash collections unless otherwise noted.

2) FY 2001-02 year-to-date collections begin with November 2001 collections to reflect accrual accounting.

3) Consensus revenue estimates adopted at the May 16, 2002, Consensus Revenue Estimating Conference.

4) Lottery revenue is not accrued, so FY 2001-02 lottery revenue will include October 2001 to September 2002.

Actual Revenue Collections for 12 Major State Taxes*
June 2000 to May 2002



* 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.