

MONTHLY REVENUE REPORT

November 2001

The revenue collected from 12 of Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.61 billion in November 2001, which was unchanged from the taxes collected in November 2000. Increases posted by the sales, use, tobacco, State education property, insurance, and income taxes, were offset by decreases in the single business, real estate transfer, and oil and gas severance taxes. The absence of change in November collections followed a 0.9% increase in September and a 1.1% decrease in October. Based on the latest information available, it now appears that the revenue generated by these 12 major taxes declined 2.3% in FY 2000-01. The Senate Fiscal Agency's latest economic and revenue forecast predicts that the revenue from these 12 major taxes will decline another 0.3% in FY 2001-02.

Gross income tax revenue totaled \$528 million in November, which was up 1.0% from last year's level. This marks the fifth time in the past 12 months that gross income tax collections (withholding, quarterly, and annual payments not including refunds) have topped the year-ago level. Withholding collections, which accounted for almost 98% of income tax revenue in November, were up 1.1%, while quarterly and annual payments were down 5.7% and 6.0%, respectively. In FY 2000-01, gross income tax collections were down an estimated 3.9%, and they are expected to be down 0.7% in FY 2001-02.

Sales tax collections totaled \$543 million in November, which was up 3.3% from last year's level. This increase followed a 0.9% decline in September and a 4.3% increase in October. The increase in November can be traced to the strong surge in motor vehicle sales in reaction to the zero percent financing and special rebates currently being offered. Sales tax collections from motor vehicle transactions were up 55.2% in November compared with the year-ago level. Sales tax collections from all other taxable retail sales were down 4.7% from last year's level. In FY 2000-01, sales tax collections were up an estimated 1.3%, and they are projected to increase 2.6% in FY 2001-02.

Single business and insurance tax collections totaled \$178 million in November, which was down 20.7% from the year-ago level. While single business tax receipts are currently very weak, the November collections overstate the level of weakness because they reflect only a portion of a quarterly payment that was due at the end of October. Total collections in both October and November, which reflect the entire quarterly payment and therefore provide a better indication of current collections, were down 10.7%. Almost half of this decline can be attributed to the fact that the single business tax rate is 0.1 percentage point lower this year than it was last year at this time. The rest of the decline can be attributed to the current economic recession, which is reducing the amount of compensation being paid to employees and business profits, which are both key components of the base of the single business tax. In FY 2000-01, single business and insurance tax collections were down 11.6%, and in FY 2001-02, they are expected to be down another 8.0%.

Among some of the other major taxes, November collections were down 6.9% for the real estate transfer tax, 38.4% for the estate tax, and 67.2% for the oil and gas severance tax. November collections were up 26.1% for the State education property tax and 6.0% for the tobacco tax.

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 November 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
NOVEMBER 2001
(dollars in millions)

Type of Revenue	November 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	\$516.6	1.1%	\$516.6	1.1%	\$6,591.3	(0.1)%
Quarterly Payments	5.0	(5.7)	5.0	(5.7)	759.5	(3.0)
Annual Payments	6.3	(6.0)	6.3	(6.0)	668.2	(3.7)
Gross Income Tax	\$527.9	1.0%	\$527.9	1.0%	\$8,019.0	(0.7)%
Sales Tax	543.3	3.3	543.3	3.3	6,519.0	2.6
Motor Vehicles	109.6	55.2	109.6	55.2	----	----
All Other Sales Tax	433.7	(4.7)	433.7	(4.7)	----	----
Use Tax	107.1	1.7	107.1	1.7	1,362.8	2.3
Tobacco Tax	54.5	6.0	54.5	6.0	581.7	(2.1)
Single Business & Insurance Taxes	178.1	(20.7)	178.1	(20.7)	2,047.1	(8.0)
State Education Property Tax	159.8	26.1	159.8	26.1	1,533.7	3.5
Real Estate Transfer Tax	24.4	(6.9)	24.4	(6.9)	246.6	(2.5)
Estate/Inheritance Tax	12.5	(38.4)	12.5	(38.4)	119.5	(22.6)
Oil & Gas Severance Tax	1.9	(67.2)	1.9	(67.2)	40.0	(33.3)
Total	\$1,609.5	0.0%	\$1,609.5	0.0%	\$20,469.4	(0.3)%
Addendum:						
Gross Lottery Sales ⁴⁾	\$154.9	28.0%	\$272.6	7.8%	\$1,562.7	(2.6)%
Net Lottery to School Aid ⁴⁾	\$ 57.9	24.8%	\$101.3	8.7%	\$ 570.4	(2.6)%

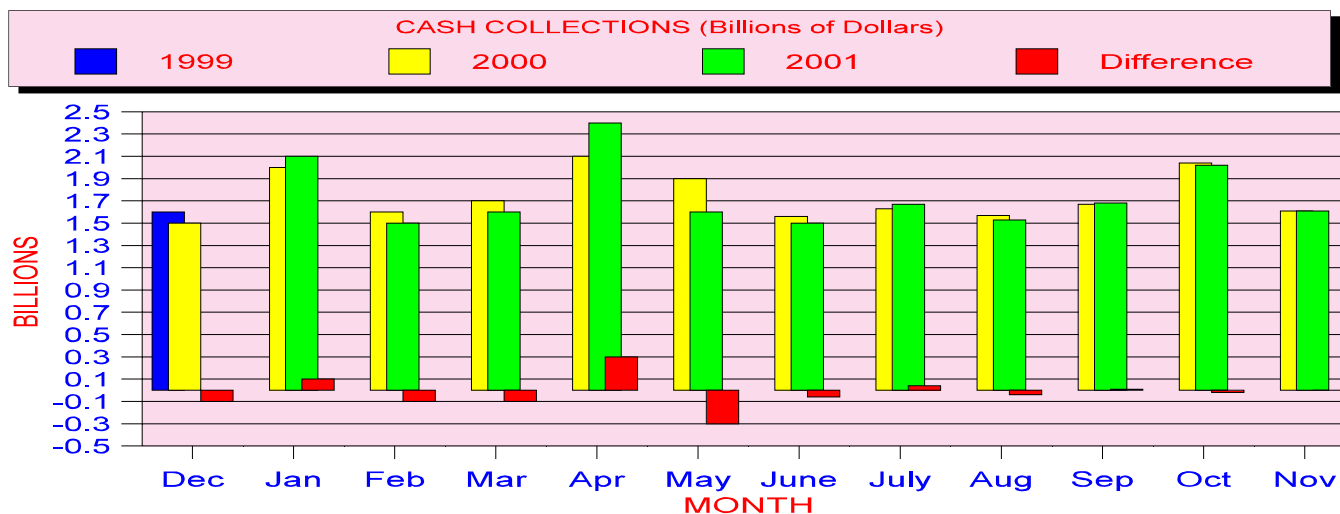
1) Total collections are unadjusted cash collections unless otherwise noted.

2) FY 2000-01 year-to-date collections begin with November 2001 collections to reflect accrual accounting.

3) Senate Fiscal Agency revised revenue estimates released December 19, 2001.

4) Lottery revenue is not accrued, so October 2001 lottery revenue will be included in 2001-02.

Actual Revenue Collections for 12 Major State Taxes*
December 1999 to November 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.