

# MONTHLY REVENUE REPORT

## September 2009

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1.92 billion in September, down 15.2% from last year's level and below the year-ago level for the eighth consecutive month. However, September tax collections were approximately \$34.7 million above the level expected in the Senate Fiscal Agency's estimate for September, the second consecutive month in which tax collections topped the monthly target.

So far in FY 2008-09, tax collections are down 12.4% from the comparable year-ago level and are running below the May consensus revenue estimates by about \$71.4 million. Tax collections earmarked to the General Fund are running below the consensus estimate by \$48.6 million and School Aid Fund tax collections are down about \$8.6 million. Much of the improvement in year-over-year School Aid Fund collections relative to previously published figures reflects a revenue adjustment described below in the sales tax revenue discussion.

Net income tax revenue totaled \$614.4 million in September, down 22.6% from the September 2008 level. Income tax collections have fallen below the year-ago level for 10 consecutive months. Income tax withholding payments fell 15.9% below the year-ago level in September, to \$509.1 million, as falling employment continued to have a negative impact on income tax collections. So far in FY 2008-09, net income tax collections trail last year's level by 18.6% and are running below the consensus estimate by about \$93.3 million.

Sales tax receipts totaled \$549.6 million in September, a 13.3% reduction from the year-ago level. The 13.3% decline understates the actual reduction, because September collections were pushed higher due to a bookkeeping correction that transferred \$35.2 million of previously recorded Michigan Business Tax revenue into sales tax receipts. Without the transfer, sales tax collections would have been down 18.8% from the year-ago level. While the "cash for clunkers" Federal program was successful in boosting new vehicle sales in August, it likely pulled in some sales that otherwise would have occurred in September. Sales tax collections from motor vehicle transactions were at their lowest level since February 2009 and down 15.7% from the year-ago level. September's decline relative to last year also was exacerbated by calendar issues that caused last September's sales tax revenue to be greater than otherwise would have been expected. On a fiscal year-to-date basis, total sales tax collections are down 9.7%, motor vehicle sales tax receipts are up 12.2%, and sales tax collections from nonmotor vehicle spending are down 12.4%. Sales tax collections are an estimated \$93.5 million below the consensus revenue estimate.

Michigan Business Tax revenue totaled \$113.7 million in September, down 36.8% from last year's level (but only down 17.3% if the previously mentioned accounting shift is taken into account). Weaker estimated payments accounted for the majority of the year-over-year decline. In September, as in many of the previous months, refunds continued to dominate receipts associated with the repealed Single Business Tax; collections totaled a negative \$5.7 million. So far in FY 2008-09, total Michigan Business Tax and Single Business Tax collections are down approximately 3.3% from last year's level.

Real estate transfer tax receipts fell 27.8% from the year-ago level in September, to \$10.9 million. Although weaker than in the previous two months, September marked the third consecutive month that collections have risen meaningfully from the record lows recorded earlier this year, suggesting some improvement in the housing market. On a fiscal year-to-date basis, real estate transfer tax collections are down 31.2%, but due largely to the higher-than-expected collections in the last three months, real estate transfer tax revenue is about \$18.4 million above the consensus estimate.

The table on the back of this report identifies the major taxes included in the report, and provides their respective revenue levels and growth rates for August 2009. Also presented are the consensus revenue estimates for FY 2008-09, which were adopted at the May 2009 Consensus Revenue Estimating Conference.



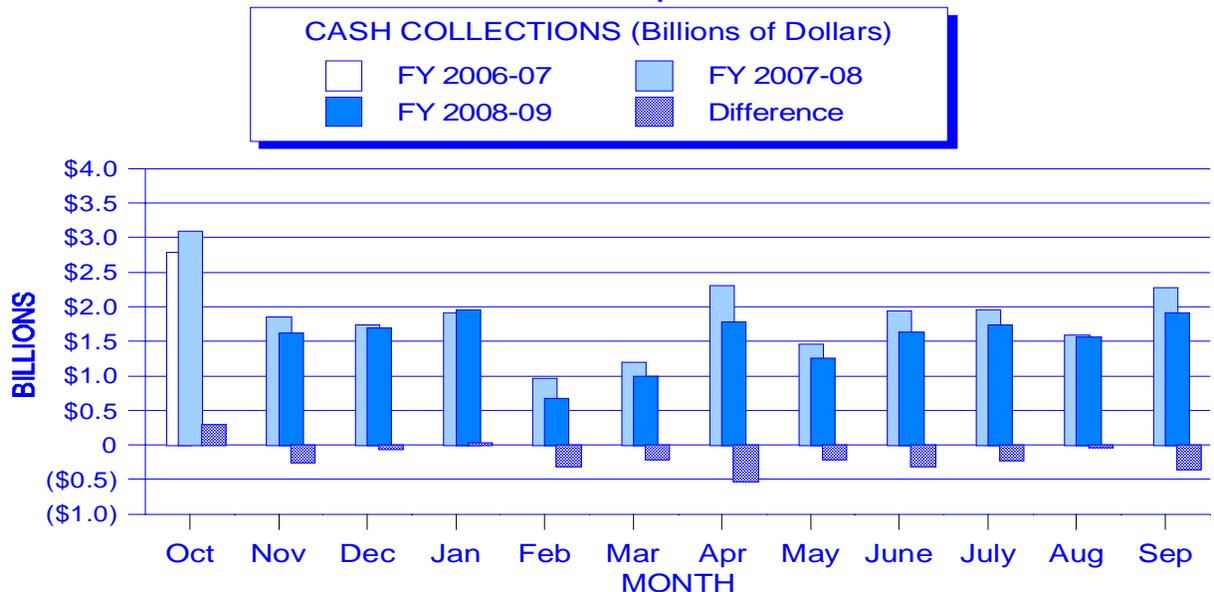
*David Zin, Economist*

**MICHIGAN REVENUE UPDATE  
SEPTEMBER 2009  
(dollars in millions)**

| Type of Revenue                      | September Collections |                        | FY 2008-09 to Date <sup>2)</sup> |                        | FY 2008-09 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 FY 2007-08 |
| Gross Income Tax                     | \$656.5               | (19.6)%                | \$7,484.7                        | (9.7)%                 | \$8,168.9                         | (9.4)%                   |
| Refunds                              | (42.1)                | 79.1                   | (2,074.4)                        | 18.9                   | (2,111.3)                         | 17.9                     |
| Net Income Tax                       | \$614.4               | (22.6)%                | \$5,410.3                        | (18.1)%                | \$6,057.6                         | (16.2)%                  |
| Sales Tax                            | 549.6                 | (13.3)                 | 5,599.3                          | (9.3)                  | 6,211.7                           | (8.3)                    |
| Motor Vehicles                       | 65.8                  | (15.7)                 | 761.9                            | 15.9                   | ---                               | ---                      |
| All Other Sales Tax                  | 483.8                 | (12.9)                 | 4,837.4                          | (12.3)                 | ---                               | ---                      |
| Use Tax                              | 96.2                  | (25.3)                 | 1,008.6                          | (19.1)                 | 1,152.5                           | (16.3)                   |
| Tobacco Taxes                        | 90.3                  | (5.6)                  | 949.1                            | (1.2)                  | 1,015.6                           | (5.4)                    |
| Single Business Tax                  | (5.8)                 | ---                    | (142.3)                          | (119.6)                | (158.2)                           | (127.6)                  |
| Michigan Business Tax                | 113.4                 | (37.0)                 | 2,192.7                          | ---                    | 2,318.0                           | 22.5                     |
| Insurance Tax                        | 5.9                   | 5,800.0                | 209.5                            | 6.0                    | 243.8                             | 9.2                      |
| State Education Property Tax         | 413.7                 | 14.2                   | 1,005.8                          | (16.0)                 | 2,006.0                           | (3.5)                    |
| Real Estate Transfer Tax             | 10.9                  | (27.8)                 | 111.0                            | (31.6)                 | 100.0                             | (41.1)                   |
| Casino Wagering Tax <sup>4)</sup>    | 7.9                   | (13.2)                 | 101.4                            | (13.3)                 | 113.5                             | (12.5)                   |
| Oil & Gas Severance Tax              | 3.1                   | (70.2)                 | 45.1                             | (50.4)                 | 61.0                              | (37.2)                   |
| Other Taxes <sup>5)</sup>            | 23.8                  | (16.5)                 | 321.5                            | (11.4)                 | 365.0                             | (12.2)                   |
| <b>Total</b>                         | <b>\$1,923.4</b>      | <b>(15.3)%</b>         | <b>\$16,812.0</b>                | <b>(12.4)%</b>         | <b>\$19,486.5</b>                 | <b>(11.6)%</b>           |
| <b>Addendum:</b>                     |                       |                        |                                  |                        |                                   |                          |
| Gross Lottery Sales <sup>4)</sup>    | \$167.4               | (5.6)%                 | \$2,365.1                        | 1.5%                   | \$2,031.6                         | (7.1)%                   |
| Net to School Aid Fund <sup>4)</sup> | \$44.6                | (18.7)%                | \$717.6                          | (3.2)%                 | \$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\*  
October 2007 to September 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.