



Mitchell E. Bean, Director
Rebecca Ross, Senior Economist

R E V E N U E R E V I E W

Quarterly
Revenue Report
for the
State of
Michigan

FEBRUARY 2003

House Fiscal Agency
P.O. Box 30014
Lansing, MI 48909-7514
Phone: 517-373-8080
FAX: 517-373-5874
www.house.state.mi.us/hfa

TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>1st Qtr FY 2001-02</u>	<u>1st Qtr FY 2002-03</u>	<u>1st Qtr % Change</u>	<u>YTD %</u>
\$5,169.2 million	\$5,087.3 million	-1.6%	-1.6%

Revenue collections for first quarter (November–January) fiscal year (FY) 2002-03 were \$82.0 million or 1.6% lower than first quarter FY 2001-02 collections. This decline was a turnaround from the 1.3% increase posted in the fourth quarter of FY 2001-02.

INCOME TAX (NET)

<u>1st Qtr FY 2001-02</u>	<u>1st Qtr FY 2002-03</u>	<u>1st Qtr % Change</u>	<u>YTD %</u>
\$1,904.7 million	\$1,878.8 million	-1.4%	-1.4%

Income tax revenue consists of three components—withholding, annual payments, and quarterly payments. Withholding payments are based on workers' earnings and make up almost 80% of total income tax collections. Annual and quarterly payments are based on self-employment earnings and other income sources, such as capital gains.

Net income tax collections, which include income tax refunds, for first quarter FY 2002-03 were \$25.9 million or 1.4% lower than first quarter FY 2001-02 collections. Withholding payments were down 0.3%, quarterly payments decreased 8.5%, annual payments were down 29.4%, and refunds were down 5.8%.

SALES AND USE TAXES

<u>1st Qtr FY 2001-02</u>	<u>1st Qtr FY 2002-03</u>	<u>1st Qtr % Change</u>	<u>YTD %</u>
\$2,032.4 million	\$1,943.2 million	-4.4%	-4.4%

Sales tax collections are derived from the sale of taxable items such as motor vehicles, furniture, apparel, food consumed at restaurants, and other general merchandise. The Use tax is applied to telephone services, leased motor vehicles, hotels and motels, gas and electric utilities, and remote sales.

Sales and Use tax collections for first quarter FY 2002-03 were \$89.2 million or 4.4% lower than the year-ago quarter. Sales tax due to motor vehicle sales decreased 15.2% while all other sales tax collections were flat in the first quarter FY 2002-03 relative to the year-ago first quarter.

SINGLE BUSINESS AND INSURANCE TAXES

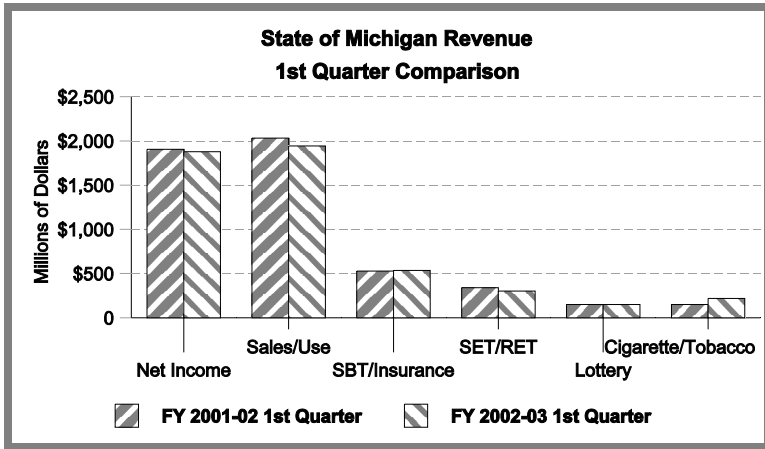
<u>1st Qtr FY 2001-02</u>	<u>1st Qtr FY 2002-03</u>	<u>1st Qtr % Change</u>	<u>YTD %</u>
\$527.5 million	\$534.3 million	1.3%	1.3%

Single Business tax is applied to the value added of business activities; insurance tax is based on insurance premiums. For first quarter FY 2002-03, Single Business and Insurance tax collections were \$6.8 million or 1.3% above the year-ago first quarter.

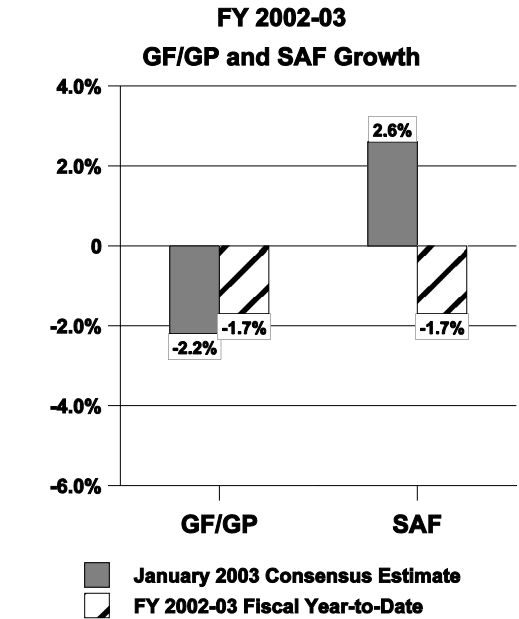
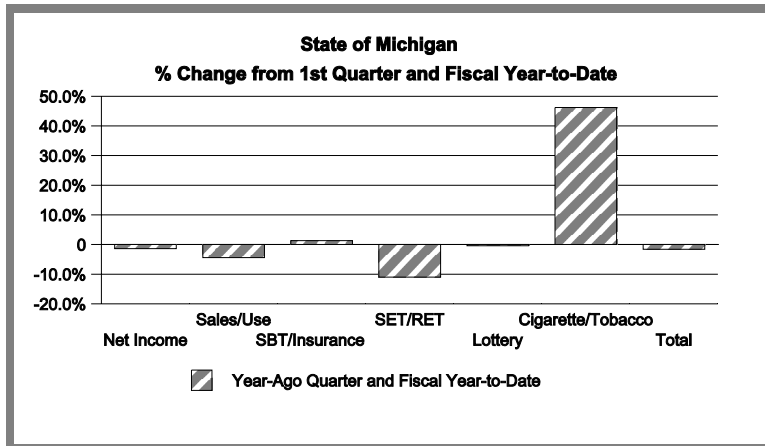
OTHER REVENUE

<u>1st Qtr FY 2001-02</u>	<u>1st Qtr FY 2002-03</u>	<u>1st Qtr % Change</u>	<u>YTD %Change</u>
\$704.7 million	\$731.0 million	3.7%	3.7%

Other revenue—which includes primarily the State Education Tax (SET), the Real Estate Transfer (RET) tax, the Cigarette/Tobacco tax, and revenue from the Lottery—for first quarter FY 2002-03 was up \$26.3 million or 3.7% from the first quarter of FY 2001-02. Much of the growth was due to the cigarette and tobacco products tax increase, which went into effect August 1, 2002.



The decline in income, sales, and use tax collections is offset, to some degree, by modest growth in other taxes. Collections to date are consistent with the January



**Revenue Quarterly Review: 1st Quarter
(November–January) FY 2002-03 (Millions of Dollars)**

	Percent Change From Year-Ago		Change From Previous Fiscal Year-to-Date		FY 2002-03 Jan Consensus Forecast Growth	
	FY 2002-03 1st Qtr	1st Qtr	FY 2002-03 Year-to-Date	Dollar Percent		
Revenue	1st Qtr	1st Qtr	Year-to-Date	Dollar	Percent	Growth
Annual Income Tax	\$16.1	-29.4%	\$16.1	(\$6.7)	-29.4%	-24.7%
Quarterly Income Tax	212.5	-8.5%	212.5	(19.7)	-8.5%	-17.1%
Withholding	1,749.8	-0.3%	1,749.8	(5.6)	-0.3%	0.8%
..... Subtotal	1,978.4	-1.6%	1,978.4	(32.0)	-1.6%	-2.5%
Income Tax Refunds	99.6	-5.8%	99.6	(6.1)	-5.8%	3.2%
..... Net Income Tax	1,878.8	-1.4%	1,878.8	(25.9)	-1.4%	-3.8%
Sales Tax	1,650.2	-2.3%	1,650.2	(39.4)	-2.3%	2.6%
Use Tax	293.0	-14.5%	293.0	(49.8)	-14.5%	2.2%
..... Subtotal	1,943.2	-4.4%	1,943.2	(89.2)	-4.4%	2.5%
Single Business Tax	469.0	-3.9%	469.0	(18.8)	-3.9%	-1.6%
Insurance Tax	65.3	64.5%	65.3	25.6	64.5%	7.9%
..... Subtotal	534.3	1.3%	534.3	6.8	1.3%	-0.6%
Inheritance/Estate Tax	28.5	-34.0%	28.5	(14.7)	-34.0%	-39.3%
Cigarette/Tobacco Tax	218.0	46.2%	218.0	68.9	46.2%	29.3%
Lottery	150.2	-0.4%	150.2	(0.6)	-0.4%	-0.1%
Industrial/CommFacility Taxes	31.9	47.1%	31.9	10.2	47.1%	1.8%
Real Estate Transfer (RET) Tax	58.4	0.2%	58.4	0.1	0.2%	0.0%
State Education Tax (SET)*	244.0	-13.4%	244.0	(37.6)	-13.4%	4.6%
..... Subtotal	731.0	3.7%	731.0	26.3	3.7%	6.5%
TOTAL	\$5,087.3	-1.6%	\$5,087.3	(82.0)	-1.6%	0.9%

NOTE: Consensus revenue figures reflect enacted tax changes. All revenue, except for Lottery, is on an accrual basis and begins with November collections.

*Does not include the SET timing change or one-mill reduction under 2002 PA 244.