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

Quarterly  
Revenue Report  
for the  
State of Michigan

FEBRUARY 2007

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## TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>1st Qtr FY 2005-06</u>	<u>1st Qtr FY 2006-07</u>	<u>1st Qtr % Change</u>	<u>YTD % Change</u>
\$5,455.6 million	\$5,386.3 million	-1.3%	-1.3%

Revenue collections for the first quarter (November–January) of fiscal year (FY) 2006-07 were lower than first quarter FY 2005-06 collections by \$69.3 million or 1.3%. This decline was an improvement from the 3.6% decline posted in the fourth quarter of FY 2005-06.

## INCOME TAX (NET)

<u>1st Qtr FY 2005-06</u>	<u>1st Qtr FY 2006-07</u>	<u>1st Qtr % Change</u>	<u>YTD % Change</u>
\$1,944.4 million	\$1,958.7 million	0.7%	0.7%

Income tax revenue consists of three components— withholding, annual payments, and quarterly payments. Withholding payments are based on workers' earnings and make up almost 85% of gross 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 2006-07 were higher than first quarter FY 2005-06 collections by \$14.3 million or 0.7%. Withholding payments were up 1.9%, quarterly payments and annual payments were down 1.4%, and refunds were up 14.3%.

## SALES AND USE TAXES

<u>1st Qtr FY 2005-06</u>	<u>1st Qtr FY 2006-07</u>	<u>1st Qtr % Change</u>	<u>YTD % Change</u>
\$2,040.4 million	\$2,021.1 million	-0.9%	-0.9%

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 2006-07 were lower than the year-ago quarter by \$19.3 million or 0.9%. Sales tax due to motor vehicle sales increased 2.7% while all other sales tax collections were down 2.5% in first quarter FY 2006-07 relative to the year-ago first quarter.

## SINGLE BUSINESS AND INSURANCE TAXES

<u>1st Qtr FY 2005-06</u>	<u>1st Qtr FY 2006-07</u>	<u>1st Qtr % Change</u>	<u>YTD % Change</u>
\$504.3 million	\$441.9 million	-12.4%	-12.4%

Single business tax is applied to the value added of business activities; insurance tax is based on insurance premiums. For first quarter FY 2006-07, single business and insurance tax collections were below the year-ago first quarter by \$62.4 million or 12.4%.

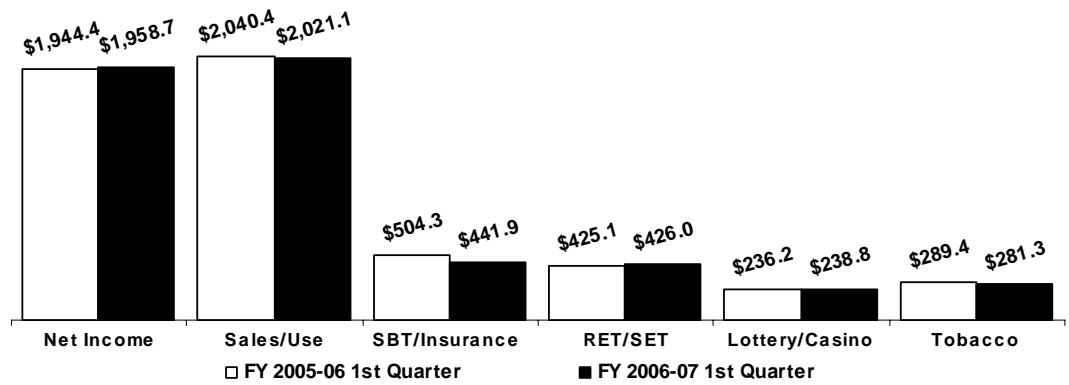
## OTHER REVENUE

<u>1st Qtr FY 2005-06</u>	<u>1st Qtr FY 2006-07</u>	<u>1st Qtr % Change</u>	<u>YTD % Change</u>
\$966.5 million	\$964.6 million	-0.2%	-0.2%

Other revenue—which includes primarily the state education tax (SET), the real estate transfer (RET) tax, the tobacco tax, and revenue from the lottery—for first quarter FY 2006-07 was down \$1.9 million or 0.2% from the first quarter of FY 2005-06.

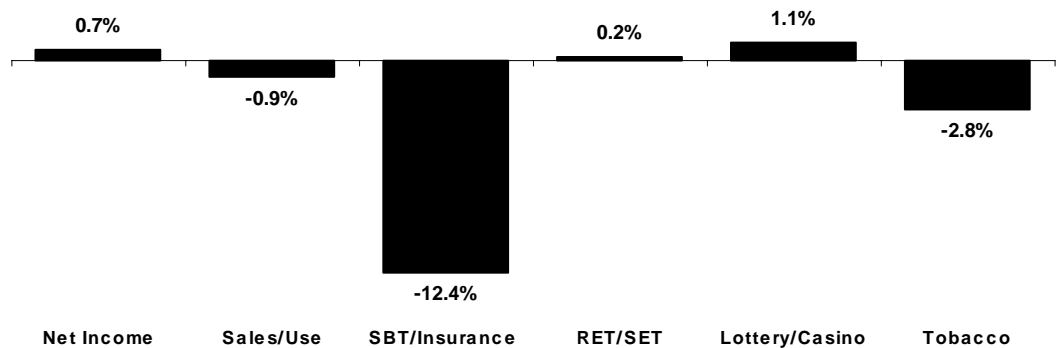
**State of Michigan Revenue: 1st Quarter Comparison**  
(Millions of Dollars)

*The weakness in business taxes, the sales tax, and the real estate transfer tax reflects the state's continuing weak economic performance.*



*Fiscal year-to-date, GF/GP revenue is up \$15 million and SAF revenue is even with target estimates.*

**State of Michigan Revenue**  
% Change From Year-Ago Quarter and Fiscal Year-to-Date



**Quarterly Revenue Review: 1st Quarter (November–January) FY 2006-07** (Millions of Dollars)

	FY 2006-07 1st Quarter	Percent Change from Year-Ago 1st Quarter	Change from Previous Fiscal Year-to-Date			FY 2006-07 January Consensus Forecast Growth
			FY 2006-07 Year-to-Date	Dollar	Percent	
Annual Income Tax	\$30.8	-12.3%	\$30.8	(\$4.3)	-12.3%	3.5%
Quarterly Income Tax	268.5	0.1%	268.5	0.2	0.1%	4.5%
Withholding	1,771.3	1.9%	1,771.3	32.4	1.9%	0.5%
<b>Subtotal</b>	<b>2,070.5</b>	<b>1.4%</b>	<b>2,070.5</b>	<b>28.3</b>	<b>1.4%</b>	<b>1.1%</b>
Income Tax Refunds	111.8	14.3%	111.8	14.0	14.3%	4.3%
<b>Net Income Tax</b>	<b>1,958.7</b>	<b>0.7%</b>	<b>1,958.7</b>	<b>14.3</b>	<b>0.7%</b>	<b>0.3%</b>
Sales Tax	1,675.6	-2.1%	1,675.6	(35.5)	-2.1%	1.4%
Use Tax	345.5	4.9%	345.5	16.2	4.9%	2.8%
<b>Subtotal</b>	<b>2,021.1</b>	<b>-0.9%</b>	<b>2,021.1</b>	<b>(19.3)</b>	<b>-0.9%</b>	<b>1.7%</b>
Single Business Tax	387.4	-12.8%	387.4	(57.1)	-12.8%	1.5%
Insurance Tax	54.4	-9.0%	54.4	(5.4)	-9.0%	3.0%
<b>Subtotal</b>	<b>441.9</b>	<b>-12.4%</b>	<b>441.9</b>	<b>(62.4)</b>	<b>-12.4%</b>	<b>1.7%</b>
Casino Wagering	54.4	8.8%	54.4	4.4	8.8%	4.8%
Tobacco Tax	281.3	-2.8%	281.3	(8.1)	-2.8%	-1.9%
Lottery	184.4	-0.9%	184.4	(1.8)	-0.9%	2.0%
Industrial/CommFacility Taxes	18.5	17.3%	18.5	2.7	17.3%	1.0%
Real Estate Transfer(RET)Tax	57.8	-30.7%	57.8	(25.6)	-30.7%	-18.0%
State Education Tax (SET)	368.2	7.8%	368.2	26.5	7.8%	4.5%
<b>Subtotal</b>	<b>964.6</b>	<b>-0.2%</b>	<b>964.6</b>	<b>(1.9)</b>	<b>-0.2%</b>	<b>0.9%</b>
<b>TOTAL</b>	<b>\$5,386.3</b>	<b>-1.3%</b>	<b>\$5,386.3</b>	<b>(\$69.3)</b>	<b>-1.3%</b>	<b>1.1%</b>

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