



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

NOVEMBER 2004

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

TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>4th Qtr FY 2002-03</u>	<u>4th Qtr FY 2003-04</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$4,648.4 million	\$4,686.1 million	0.8%	0.6%

Revenue collections for fourth quarter (August–October) fiscal year (FY) 2003-04 were \$37.7 million or 0.8% higher than fourth quarter FY 2002-03 collections. This was an increase from the 0.6% increase posted in the first three quarters of FY 2003-04. Revenue for FY 2003-04, without year-end accruals and adjustments, totaled \$17.7 billion—up \$104.5 million or 0.6% from FY 2002-03 revenue through October 2003.

INCOME TAX (NET)

<u>4th Qtr FY 2002-03</u>	<u>4th Qtr FY 2003-04</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$1,648.8 million	\$1,621.5 million	-1.7%	1.2%

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 fourth quarter FY 2003-04 were \$27.3 million or 1.7% lower than fourth quarter FY 2002-03 collections. The fourth quarter decrease followed a 2.4% increase in the first three quarters. Withholding payments were down 0.4%, quarterly and annual payments decreased 1.5%, and refunds were up 19.0%. Net income tax collections for fiscal year-to-date (FYTD) totaled \$5.9 billion—up \$72.3 million or 1.2% from FY 2002-03 revenue through October 2003.

SALES AND USE TAXES

<u>4th Qtr FY 2002-03</u>	<u>4th Qtr FY 2003-04</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$1,966.5 million	\$2,011.9 million	2.3%	0.8%

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 fourth quarter FY 2003-04 were \$45.4 million or 2.3% higher than the year-ago quarter. Sales tax due to motor vehicle sales decreased 9.5%; all other sales tax collections were up 4.2% in fourth quarter FY 2003-04 relative to the year-ago fourth quarter. Sales and Use tax collections for FYTD totaled \$7.7 billion—up \$63.3 million or 0.8% from FY 2002-03 revenue through October 2003.

SINGLE BUSINESS AND INSURANCE TAXES

<u>4th Qtr FY 2002-03</u>	<u>4th Qtr FY 2003-04</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$509.3 million	\$500.7 million	-1.7%	-4.4%

Single Business and Insurance taxes are applied to the value added of business activities. For fourth quarter FY 2003-04, Single Business and Insurance tax collections were \$8.6 million or 1.7% below the year-ago fourth quarter. Single Business and Insurance tax collections for FYTD totaled \$2.0 billion—down \$91.7 million or 4.4% from FY 2002-03 revenue through October 2003.

OTHER REVENUE

<u>4th Qtr FY 2002-03</u>	<u>4th Qtr FY 2003-04</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$523.8 million	\$552.0 million	5.4%	3.0%

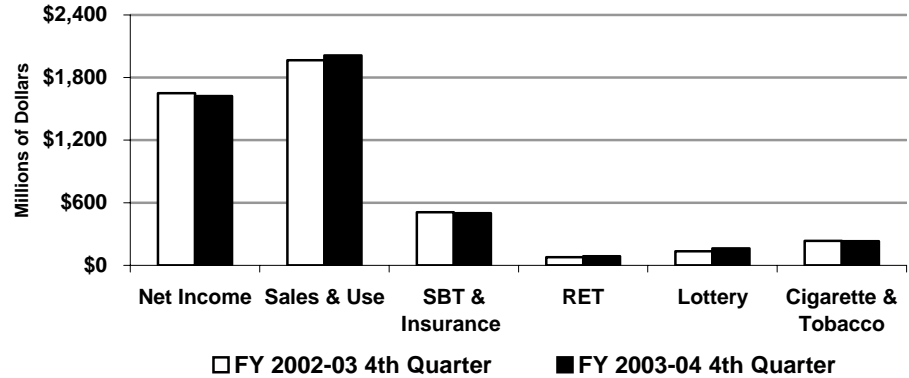
Other revenue—which includes primarily the Real Estate Transfer (RET) tax, the Cigarette/Tobacco tax, and revenue from the Lottery—for fourth quarter FY 2003-04 was up \$28.2 million or 5.4% from fourth quarter FY 2002-03. Other revenue for FYTD totaled \$2.1 billion—up \$60.6 million or 3.0% from FY 2002-03 revenue through October 2003.

The weakness in withholding and sales tax primarily reflects Michigan's lack of job growth.

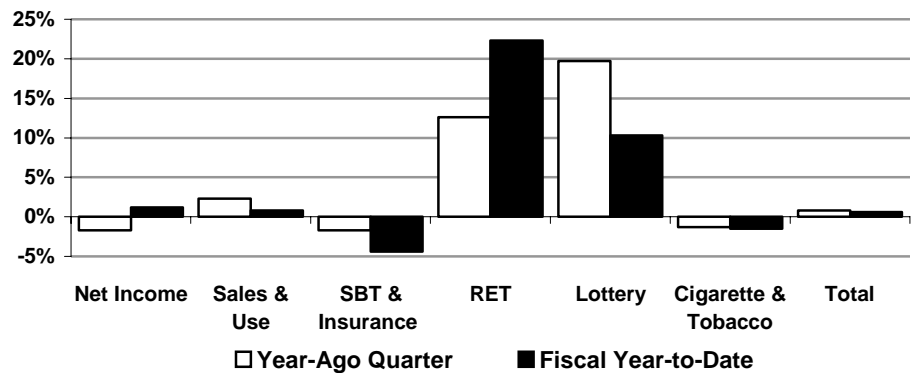
Preliminary final revenues for FY 2003-04 are estimated to be down \$55 million GF/GP and \$55 million School Aid Fund.

Final figures will not be available until all year-end accruals and adjustments are made in December.

State of Michigan Revenue
4th Quarter Comparison



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



Revenue Quarterly Review: 4th Quarter (August–October) FY 2003-04 (Millions of Dollars)

	FY 2003-04 4th Quarter	Percent Change from Year-Ago 4th Quarter	FY 2003-04 Year-to-Date	Change from Previous Fiscal Year-to-Date		FY 2003-04 May Consensus Forecast Growth
				Dollar	Percent	
Annual Income Tax	\$40.3	-3.4%	\$492.2	\$57.7	13.3%	9.2%
Quarterly Income Tax	151.8	-1.0%	601.5	9.5	1.6%	1.6%
Withholding	1,544.4	-0.4%	6,357.9	7.8	0.1%	1.4%
Subtotal	1,736.5	-0.5%	7,451.6	75.0	1.0%	1.9%
Income Tax Refunds	115.0	19.0%	1,554.2	2.7	0.2%	5.8%
Net Income Tax	1,621.5	-1.7%	5,897.4	72.3	1.2%	0.9%
Sales Tax	1,679.3	1.9%	6,416.1	-5.8	-0.1%	1.2%
Use Tax	332.6	4.4%	1,303.5	69.1	5.6%	4.3%
Subtotal	2,011.9	2.3%	7,719.6	63.3	0.8%	1.7%
Single Business Tax	444.7	-2.0%	1,778.0	(87.6)	-4.7%	-1.0%
Insurance Tax	56.0	0.7%	230.2	(4.1)	-1.7%	6.9%
Subtotal	500.7	-1.7%	2,008.2	(91.7)	-4.4%	-0.2%
Inheritance/Estate Tax	12.8	-46.2%	78.4	(24.3)	-23.7%	-34.1%
Cigarette/Tobacco Tax	232.1	-1.3%	876.8	(13.1)	-1.5%	-1.6%
Lottery	161.9	19.7%	644.5	60.0	10.3%	8.7%
Industrial/CommFacility Taxes	56.8	10.9%	151.9	(20.8)	-12.0%	-3.2%
Real Estate Transfer (RET) Tax	88.4	12.6%	321.9	58.8	22.3%	8.1%
Subtotal	552.0	5.4%	2,073.5	60.6	3.0%	1.0%
TOTAL*	\$4,686.1	0.8%	\$17,698.7	\$104.5	0.6%	1.1%

*State Education Tax (SET) is not included due to the accelerated collection.

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