

## **Economic and Revenue Report**

### **U.S. Economy**

\*\* Real Gross Domestic Product (GDP) increased at an annual rate of 4.0% in the second quarter of 2014 following a 2.1% decline in the first quarter. Final sales (or GDP less inventories) accelerated from a 1.0% decrease in the first quarter to a 2.3% increase in the second quarter, fueled by broad-based gains in personal consumption, business investment, exports of goods, and residential construction, while higher imports subtracted from economic activity.

\*\* The July nonfarm employment report showed a 209,000 job gain (seasonally adjusted), following an upwardly revised increase of 298,000 in June. In July, government employment remained flat so that the entire increase was attributable to private payrolls. The number of long-term unemployed (those jobless for 27 weeks or more) remained relatively unchanged at 3.2 million and represents about 32.9% of the unemployed.

\*\* Light motor vehicle sales totaled 1.4 million in July 2014, which is an increase of 9.1% from July 2013. The July sales represent a seasonally adjusted annual rate of 16.4 million units, up 4.9% from a year ago. Much of the increase was driven by foreign nameplates, although sales relative to one year ago increased by 3.5% for GM and 13.3% for Fiat Chrysler. Sales for Ford dropped by 0.5%.

\*\* The Reuters/University of Michigan's consumer sentiment index dipped 0.7 points to 81.8 in July as expectations of future economic conditions dampened consumers' outlooks.

\*\* The ISM manufacturing index increased 1.8 points to 57.1 in July and the non-manufacturing (services) index increased by 2.7 points to 58.7. Readings above 50 indicate expansion, while figures below 50 indicate contraction.

### **Michigan Economy**

\*\* Michigan's seasonally adjusted nonfarm employment increased by 17,900 in July following an increase of 21,400 in June. Relative to July 2013, nonfarm employment was up 1.4%, or 59,200 jobs, with the gains concentrated in the construction, manufacturing, and professional and business services sectors, while job losses occurred in financial activities and state government. In spite of the job gains, the unemployment rate in Michigan increased from 7.5% in June to 7.7% in July, well above the 6.2% national rate.

### **State Revenue**

\*\* Fiscal year-to-date revenue for Michigan's major taxes through July collections was \$14.8 billion, about 2.5% below one year ago. Fiscal year-to-date net income tax revenue was down 3.3%, and while consumption taxes were up 1.8%, the increase was more than offset by the 39.6% decline in major business taxes. Based on House Fiscal Agency (HFA) targets, General Fund (GF) revenue through July is down about \$70 million based primarily on reduced business tax revenue and net income tax collections. School Aid Fund (SAF) revenue is down roughly \$45 million due to weaker-than-anticipated income tax collections and lottery transfers.

**Revenue Review: FY 2013-14, July**  
(Millions of Dollars)

<b>Major Taxes</b>	<b>FY 2013-14 July</b>	<b>FY 2012-13 Year-to-Date</b>	<b>FY 2013-14 Year-to-Date</b>	<b>Change from</b>		<b>May 2014 CREC</b>	
				<b>FY 2012-13 Year-to-Date Dollar</b>	<b>Percent</b>	<b>Dollar</b>	<b>Percent</b>
Individual Income Tax							
Withholding	\$656.4	\$6,074.2	\$6,262.9	\$188.7	3.1%	\$8,281.1	4.0%
Quarterly Income Tax	13.2	647.9	640.8	(7.1)	-1.1%	876.9	2.5%
Annual Income Tax	<u>14.8</u>	<u>1,060.9</u>	<u>720.1</u>	<u>(340.7)</u>	<u>-32.1%</u>	<u>790.8</u>	<u>-31.0%</u>
<b>Gross Income Tax</b>	<b>684.3</b>	<b>7,783.0</b>	<b>7,623.8</b>	<b>(159.2)</b>	<b>-2.0%</b>	<b>9,948.8</b>	<b>-0.2%</b>
Less: Income Tax Refunds	<u>33.6</u>	<u>1,594.6</u>	<u>1,640.7</u>	<u>46.1</u>	<u>2.9%</u>	<u>1,743.2</u>	<u>2.9%</u>
<b>Net Income Tax</b>	<b>650.7</b>	<b>6,188.4</b>	<b>5,983.1</b>	<b>(205.3)</b>	<b>-3.3%</b>	<b>8,205.6</b>	<b>-0.8%</b>
Consumption Taxes							
Sales Tax	681.0	5,318.0	5,380.6	62.6	1.2%	7,285.0	1.8%
Use Tax	126.9	932.0	1,002.2	70.2	7.5%	1,378.4	8.5%
Beer and Wine Taxes	4.8	37.2	37.8	0.6	1.6%	51.5	1.6%
Liquor Excise Tax	7.9	65.2	68.0	2.8	4.3%	89.5	1.5%
Tobacco Taxes	<u>80.5</u>	<u>699.5</u>	<u>687.1</u>	<u>(12.4)</u>	<u>-1.8%</u>	<u>938.0</u>	<u>-2.0%</u>
<b>Subtotal</b>	<b>901.2</b>	<b>7,051.9</b>	<b>7,175.7</b>	<b>123.8</b>	<b>1.8%</b>	<b>9,742.4</b>	<b>2.3%</b>
Business Taxes							
Single Business Tax	5.1	(31.9)	(19.9)	12.0	-37.6%	(20.0)	-57.4%
Michigan Business Tax	(37.9)	(109.3)	(472.0)	(362.7)	331.8%	(552.0)	628.2%
Corporate Income Tax	116.8	650.8	701.2	50.4	7.7%	879.9	12.4%
Insurance Taxes	<u>74.6</u>	<u>220.2</u>	<u>231.6</u>	<u>11.5</u>	<u>5.2%</u>	<u>346.5</u>	<u>15.0%</u>
<b>Subtotal</b>	<b>158.6</b>	<b>729.8</b>	<b>440.9</b>	<b>(288.9)</b>	<b>-39.6%</b>	<b>654.4</b>	<b>-32.0%</b>
Other Miscellaneous Taxes							
State Education Tax	16.6	394.1	350.7	(43.3)	-11.0%	1,788.0	1.0%
Real Estate Transfer Tax	22.6	132.7	155.4	22.7	17.1%	233.4	15.4%
Lottery Transfer to SAF	58.0	560.0	568.0	8.0	1.4%	775.0	5.5%
Casino Wagering Tax	9.0	83.9	80.8	(3.1)	-3.7%	108.0	-2.4%
Gas and Oil Severance Tax	<u>4.7</u>	<u>43.5</u>	<u>49.9</u>	<u>6.4</u>	<u>14.7%</u>	<u>67.0</u>	<u>12.6%</u>
<b>Subtotal</b>	<b>111.0</b>	<b>1,214.1</b>	<b>1,204.8</b>	<b>(9.3)</b>	<b>-0.8%</b>	<b>2,971.4</b>	<b>3.2%</b>
<b>TOTAL</b>	<b>\$1,821.4</b>	<b>\$15,184.3</b>	<b>\$14,804.6</b>	<b>(\$379.7)</b>	<b>-2.5%</b>	<b>\$21,573.8</b>	<b>-0.3%</b>

Note: Numbers may not add due to rounding.