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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

NOVEMBER 2003

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TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>4th Qtr FY 2001-02</u>	<u>4th Qtr FY 2002-03</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$5,338.8 million	\$5,769.9 million	8.1%	0.7%

Revenue collections for fourth quarter (August-October) fiscal year (FY) 2002-03 were \$431.6 million or 8.1% higher than fourth quarter FY 2001-02 collections. This increase was due predominately to the accelerated SET collections. Revenue for FY 2002-03, without year-end accruals and adjustments, totaled \$19.7 billion—up \$142.6 million or 0.7% from FY 2001-02 revenue through October 2002.

INCOME TAX (NET)

<u>4th Qtr FY 2001-02</u>	<u>4th Qtr FY 2002-03</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$1,693.0 million	\$1,648.8 million	-2.6%	-5.5%

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 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 2002-03 were \$44.2 million or 2.6% lower than fourth quarter FY 2001-02 collections. Although weak, the fourth quarter was an improvement from the 6.6% decline in the first three quarters. Withholding payments were down 1.3%, quarterly and annual payments decreased 4.6%, and refunds were up 17.3%. Net income tax collections for fiscal year-to-date (FYTD) totaled \$5.8 billion—down \$337.6 million or 5.5% from FY 2001-02 revenue through October 2002.

SALES AND USE TAXES

<u>4th Qtr FY 2001-02</u>	<u>4th Qtr FY 2002-03</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$1,987.0 million	\$1,966.5 million	-1.0%	-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 2002-03 were \$20.5 million or 1.0% lower than the year-ago quarter. Sales tax due to motor vehicle sales decreased 9.3% and all other sales tax collections were up 0.7% in the fourth quarter FY 2002-03 relative to the year-ago fourth quarter. Sales and Use tax collections for FYTD totaled \$7.7 billion—down \$58.8 million or 0.8% from FY 2001-02 through October 2002.

SINGLE BUSINESS AND INSURANCE TAXES

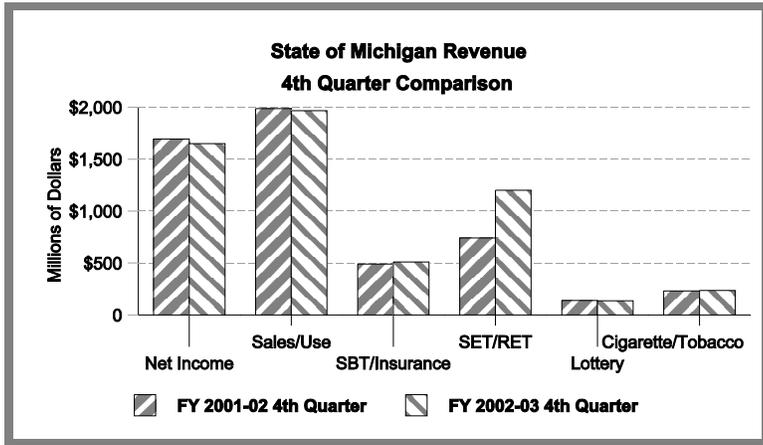
<u>4th Qtr FY 2001-02</u>	<u>4th Qtr FY 2002-03</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$490.1 million	\$509.3 million	3.9%	-4.8%

Single Business and Insurance taxes are applied to the value added of business activities. For fourth quarter FY 2002-03, Single Business and Insurance tax collections were \$19.2 million or 3.9% above the year-ago fourth quarter. Single Business and Insurance tax collections for FYTD totaled \$2.1 billion—down \$105.7 million or 4.8% from FY 2001-02 revenue through October 2002.

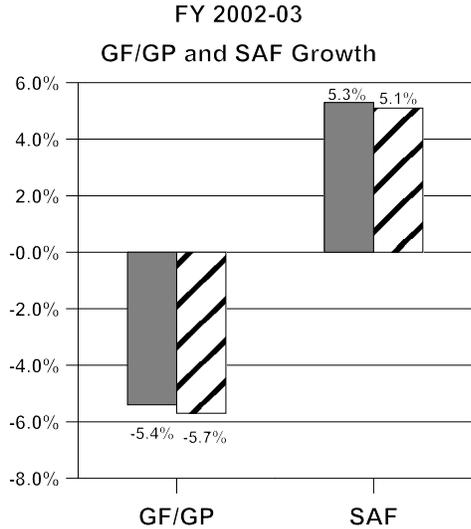
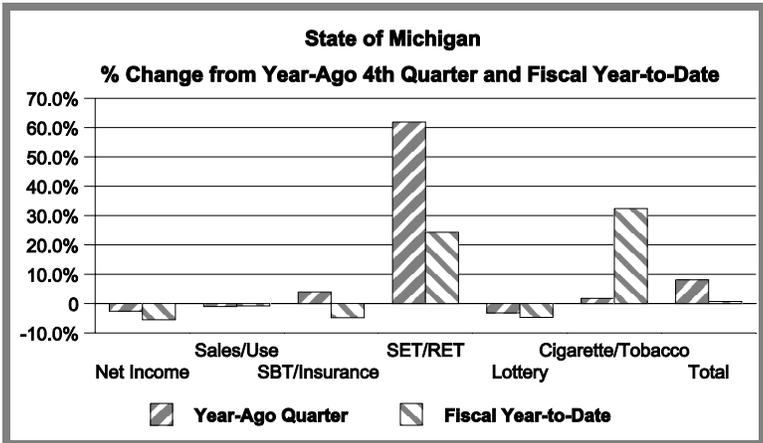
OTHER REVENUE

<u>4th Qtr FY 2001-02</u>	<u>4th Qtr FY 2002-03</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$1,168.7 million	\$1,645.3 million	40.8%	18.7%

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 fourth quarter FY 2002-03 was up \$476.6 million or 40.8% from the fourth quarter of FY 2001-02. Other revenue for FYTD totaled \$4.1 billion—up \$644.2 million or 18.7% from FY 2001-02 revenue through October 2002.



Revenue collections are essentially on target. Final revenues for FY 2002-03 will not be known until all year-end accruals and adjustments are made in December.



October 2003 Consensus Estimate
 FY 2002-03 Fiscal Year-to-Date



Revenue Quarterly Review: 4th Quarter (August–October)

FY 2002-03 (Millions of Dollars)

	FY 2002-03 4th Qtr	Percent Change From Year-Ago 4th Qtr	Change From Previous Fiscal Year-to-Date		FY 2002-03 October Consensus Forecast Growth
			FY 2002-03 Year-to-Date	Dollar	
Revenue					
Annual Income Tax	\$41.7	-2.8%	\$434.5	(\$81.3)	-15.8%
Quarterly Income Tax	153.3	-5.1%	592.0	(43.1)	-6.8%
Withholding	<u>1,550.4</u>	<u>-1.3%</u>	<u>6,350.1</u>	<u>(64.1)</u>	<u>-1.0%</u>
..... Subtotal	1,745.4	-1.7%	7,376.6	(188.5)	-2.5%
Income Tax Refunds	96.6	17.3%	1,551.5	149.1	10.6%
..... Net Income Tax	1,648.8	-2.6%	5,825.1	(337.6)	-4.6%
Sales Tax	1,647.8	-1.1%	6,421.9	8.4	0.1%
Use Tax	<u>318.7</u>	<u>-0.6%</u>	<u>1,234.4</u>	<u>(67.2)</u>	<u>-5.2%</u>
..... Subtotal	1,966.5	-1.0%	7,656.3	(58.8)	-0.8%
Single Business Tax	453.7	2.1%	1,865.6	(125.9)	-6.3%
Insurance Tax	<u>55.6</u>	<u>21.7%</u>	<u>234.3</u>	<u>20.2</u>	<u>9.4%</u>
..... Subtotal	509.3	3.9%	2,099.9	(105.7)	-4.8%
Inheritance/Estate Tax	23.8	-16.5%	102.7	(32.2)	-23.9%
Cigarette/Tobacco Tax	235.1	1.8%	889.9	217.6	32.4%
Lottery	135.2	-3.2%	584.5	(29.0)	-4.7%
Industrial/CommFacility Taxes	51.2	80.6%	172.7	30.9	21.8%
Real Estate Transfer (RET) Tax	78.5	5.7%	263.1	9.2	3.6%
State Education Tax (SET)*	<u>1,121.5</u>	<u>68.2%</u>	<u>2,074.8</u>	<u>447.7</u>	<u>27.5%</u>
..... Subtotal	1,645.3	40.8%	4,087.6	644.2	18.7%
TOTAL	\$5,769.9	8.1%	\$19,668.9	142.1	0.7%

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