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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 2006

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TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>4th Qtr FY 2004-05</u>	<u>4th Qtr FY 2005-06</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$6,561.7 million	\$6,324.4 million	-3.6%	0.4%

Revenue collections for the fourth quarter (August–October) of fiscal year (FY) 2005-06 were lower than fourth quarter FY 2004-05 collections by \$237.2 million or 3.6%. Fiscal year-to-date (FYTD) revenue was up \$76.4 million or 0.4%.

INCOME TAX (NET)

<u>4th Qtr FY 2004-05</u>	<u>4th Qtr FY 2005-06</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$1,720.6 million	\$1,702.8 million	-1.0%	2.5%

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 2005-06 were lower than fourth quarter FY 2004-05 collections by \$17.7 million or 1.0%. Withholding payments were down 2.2%, quarterly payments and annual payments were up 10.2%, and refunds were up 5.5%. Net income tax collections FYTD were \$6.2 billion—up \$152.3 million or 2.5% from a year ago.

SALES AND USE TAXES

<u>4th Qtr FY 2004-05</u>	<u>4th Qtr FY 2005-06</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$2,129.1 million	\$2,012.8 million	-5.5%	-0.6%

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 2005-06 were lower than the year-ago quarter by \$116.3 million or 5.5%. Sales tax due to motor vehicle sales decreased 8.9% while all other sales tax collections were down 2.6% in fourth quarter FY 2005-06 relative to the year-ago fourth quarter. Sales and use tax collections FYTD were \$8.0 billion—down \$44.9 million or 0.6% from a year ago.

SINGLE BUSINESS AND INSURANCE TAXES

<u>4th Qtr FY 2004-05</u>	<u>4th Qtr FY 2005-06</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$586.4 million	\$500.2 million	-14.7%	-2.7%

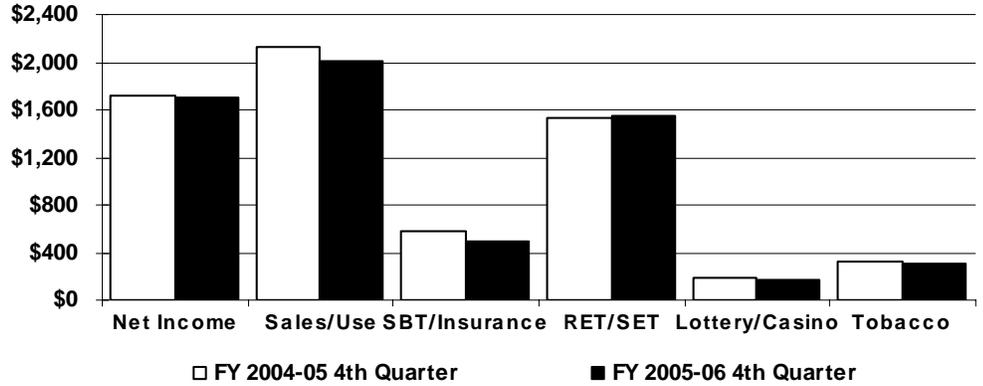
Single business tax is applied to the value added of business activities; insurance tax is based on insurance premiums. For fourth quarter FY 2005-06, single business and insurance tax collections were below the year-ago fourth quarter by \$86.1 million or 14.7%. Single business and insurance tax collections FYTD were \$2.1 billion—down \$59.3 million or 2.7% from a year ago.

OTHER REVENUE

<u>4th Qtr FY 2004-05</u>	<u>4th Qtr FY 2005-06</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$2,125.6 million	\$2,108.5 million	-0.8%	0.6%

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 fourth quarter FY 2005-06 was down \$17.0 million or 0.8% from the fourth quarter of FY 2004-05. Other revenue collection FYTD totaled \$4.4 billion—up \$28.4 million or 0.6% from a year ago.

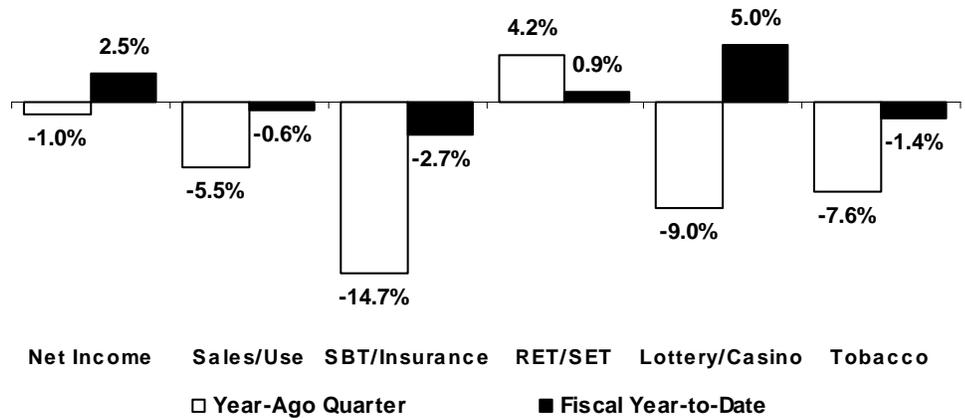
State of Michigan Revenue: 4th Quarter Comparison
(Millions of Dollars)



Fiscal year-to-date, GF/GP revenue is up \$15 million and SAF revenue is down \$130 million from target estimates.

Final revenue figures will be available at the end of November.

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



Revenue Quarterly Review: 4th Quarter (August-October) FY 2005-06 (Millions of Dollars)

	FY 2005-06 4th Quarter	% Change From Year-Ago 4th Quarter	Change From Previous Fiscal Year-to-Date			FY 2005-06 May Consensus Forecast Growth
			FY 2005-06 Year-to-Date	Dollar	Percent	
Annual Income Tax	\$ 53.7	16.6%	\$ 702.5	\$ 61.9	9.7%	7.2%
Quarterly Income Tax	182.2	8.4%	726.5	83.8	13.0%	12.3%
Withholding	1,550.9	-2.2%	6,435.3	13.0	0.2%	1.4%
Subtotal	1,786.8	-0.7%	7,864.3	158.6	2.1%	2.8%
Income Tax Refunds	84.0	5.5%	1,648.2	6.3	0.4%	4.2%
Net Income Tax	1,702.8	-1.0%	6,216.1	152.3	2.5%	2.4%
Sales Tax	1,681.2	-3.4%	6,645.2	3.1	0.0%	1.7%
Use Tax	331.6	-14.8%	1,370.2	(48.0)	-3.4%	0.7%
Subtotal	2,012.8	-5.5%	8,015.4	(44.9)	-0.6%	1.5%
Single Business Tax	437.7	-16.2%	1,914.0	(47.0)	-2.4%	-3.2%
Insurance Tax	62.5	-2.1%	230.4	(12.3)	-5.1%	-5.8%
Subtotal	500.2	-14.7%	2,144.4	(59.3)	-2.7%	-3.5%
Casino Wagering	24.8	3.7%	153.9	21.3	16.1%	4.5%
Tobacco Tax	305.0	-7.6%	1,168.9	(16.3)	-1.4%	0.0%
Lottery	152.5	-10.9%	686.0	18.4	2.8%	6.1%
Industrial/CommFacility Taxes	75.5	10.7%	137.1	(14.4)	-9.5%	-11.0%
Real Estate Transfer Tax	76.6	-14.9%	305.4	(12.7)	-4.0%	2.1%
State Education Tax	1,474.2	2.2%	1,963.3	32.2	1.7%	5.0%
Subtotal	2,108.5	-0.8%	4,414.5	28.4	0.6%	3.1%
TOTAL	\$ 6,324.4	-3.6%	\$ 20,790.5	\$ 76.4	0.4%	1.6%