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REVENUE REVIEW

Quarterly Revenue Report for the State of Michigan

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TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>4th Qtr FY 2006-07</u>	<u>4th Qtr FY 2007-08</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$6,496.2 million	\$7,039.0 million	8.4%	8.2%

Total revenue collections for fourth quarter (August–October) fiscal year (FY) 2007-08 were higher than fourth quarter FY 2006-07 total revenue collections by \$542.9 million or 8.4%. Fiscal year-to-date (FYTD) revenue was up \$1.72 billion or 8.2%.

INCOME TAX (NET)

<u>4th Qtr FY 2006-07</u>	<u>4th Qtr FY 2007-08</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$1,798.4 million	\$1,980.5 million	10.1%	12.7%

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 collection. 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 2007-08 were higher than fourth quarter FY 2006-07 collections by \$182.1 million or 10.1%. Withholding payments were up 11.1%, quarterly and annual payments were up 6.0%, and refunds were up 16.4%. Net income tax collections FYTD were \$7.27 billion—up \$817.5 million or 12.7% from a year ago.

SALES AND USE TAXES

<u>4th Qtr FY 2006-07</u>	<u>4th Qtr FY 2007-08</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$2,039.7 million	\$2,074.3 million	1.7%	2.2%

Sales tax collection is 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 2007-08 were higher than the year-ago quarter by \$34.6 million or 1.7%. Sales tax due to motor vehicle sales increased 9.2% while all other sales tax collections were up 2.0% in fourth quarter FY 2007-08 relative to the year-ago fourth quarter. Sales and use tax collections FYTD were \$8.12 billion, up \$173.8 million or 2.2% from a year ago.

BUSINESS (MBT/SBT) AND INSURANCE TAXES

<u>4th Qtr FY 2006-07</u>	<u>4th Qtr FY 2007-08</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$444.4 million	\$782.8 million	76.2%	42.1%

The Michigan business tax (MBT) is applied to gross receipts less purchases from other firms, the single business tax (SBT) is applied to the value added of business activities, and the insurance tax is based on insurance premiums.

For fourth quarter FY 2007-08, MBT/SBT and insurance tax collections were above the year-ago fourth quarter by \$338.4 million or 76.2%. Business tax collections FYTD totaled \$2.82 billion—up \$834.5 million or 42.1% from a year ago.

OTHER REVENUE

<u>4th Qtr FY 2006-07</u>	<u>4th Qtr FY 2007-08</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$2,213.6 million	\$2,201.3 million	-0.6%	-2.3%

Other revenue collections—which include primarily the state education tax (SET), real estate transfer (RET) tax, tobacco tax, and lottery revenue—for fourth quarter FY 2007-08 were down \$12.3 million or 0.6% from the fourth quarter of FY 2006-07. Other revenue collections FYTD were \$4.39 billion—down \$103.3 million or 2.3% from a year ago.

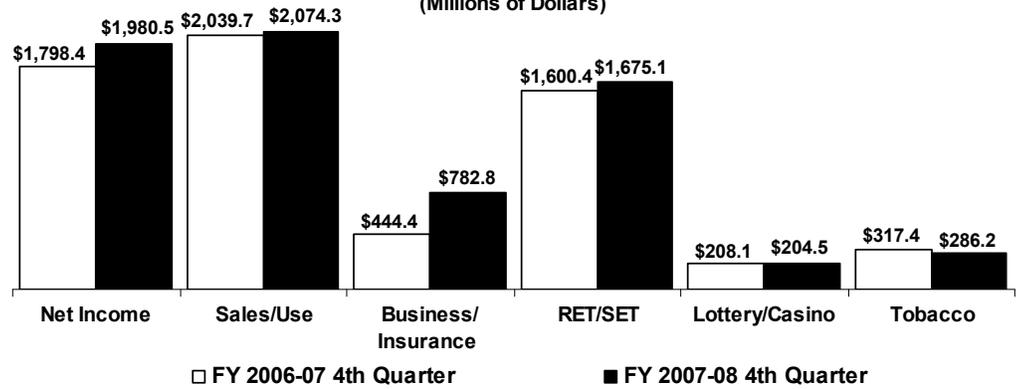
Fiscal year-to-date, GF/GP revenue is up \$120 million, and SAF revenue is up \$75 million, from target estimates.

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

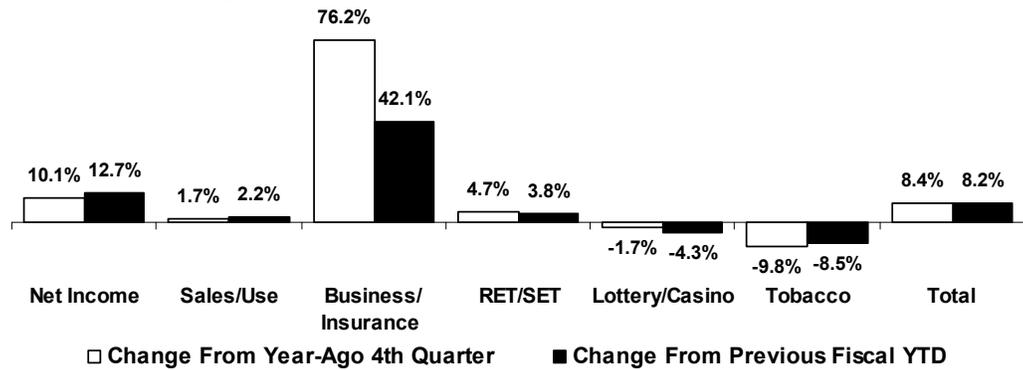


State of Michigan Revenue: 4th Quarter Comparison

(Millions of Dollars)



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



Revenue Quarterly Review: 4th Quarter (August–October) FY 2007-08 (Millions of Dollars)

	FY 2006-07 4th Quarter	Change From Year-Ago 4th Quarter	FY 2007-08			FY 2007-08 May Consensus Forecast Growth
			Year-to-Date	Change From Previous Fiscal-Year-to-Date		
Annual Income Tax	\$65.3	5.5%	\$871.5	\$131.0	17.7%	16.2%
Quarterly Income Tax	218.4	6.1%	850.4	66.1	8.4%	6.8%
Withholding	1,787.5	11.1%	7,324.3	693.6	10.5%	10.5%
Subtotal	2,071.2	10.4%	9,046.1	890.7	10.9%	10.7%
Income Tax Refunds	90.7	16.4%	1,772.6	73.2	4.3%	8.2%
Net Income Tax	1,980.5	10.1%	7,273.6	817.5	12.7%	11.4%
Sales Tax	1,733.2	2.8%	6,748.7	183.4	2.8%	1.5%
Use Tax	341.2	-3.6%	1,366.9	(9.6)	-0.7%	-3.1%
Subtotal	2,074.3	1.7%	8,115.7	173.8	2.2%	0.7%
Single Business Tax	25.4	-93.6%	714.7	(1,051.7)	-59.5%	-69.1%
Michigan Business Tax	699.5	N/A	1,857.4	1,857.4	N/A	N/A
Insurance Tax	57.9	15.2%	245.7	28.8	13.3%	9.0%
Subtotal	782.8	76.2%	2,817.7	834.5	42.1%	28.5%
Casino Wagering	30.3	25.2%	127.6	(31.7)	-19.9%	-12.1%
Tobacco Tax	286.2	-9.8%	1,052.3	(97.1)	-8.5%	-4.3%
Lottery	174.3	-5.3%	741.2	(7.7)	-1.0%	0.0%
Industrial/CommFacility Taxes	35.5	-59.5%	88.5	(53.1)	-37.5%	-55.4%
Real Estate Transfer Tax	44.8	-32.7%	178.4	(59.7)	-25.1%	-20.4%
State Education Tax	1,630.3	6.3%	2,206.4	146.0	7.1%	-2.5%
Subtotal	2,201.3	-0.6%	4,394.4	(103.3)	-2.3%	-5.4%
TOTAL	7,039.0	8.4%	22,601.3	1,722.4	8.2%	5.4%