

MONTHLY REVENUE REPORT

April 2002

Tax collections were very weak in April. The revenue collected from 12 of Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$2.16 billion in April, which was down 10.6% from last year's level. This marked the third largest monthly decline in the revenue collected from these 12 major taxes in the past 16 years. Taxes whose collections declined in April included the income, sales, use, tobacco, single business, estate, and oil and gas severance taxes, while the insurance, State education property, and real estate transfer taxes experienced an increase in collections. On a fiscal year-to-date basis, the revenue collected from these 12 major taxes is down 4.0% from the year-ago level. Based on this weaker-than-expected level of tax collections during the first half of FY 2001-02, it is now estimated that the revenue collected from these 12 major taxes during FY 2001-02, will fall below the FY 2000-01 level by 1.5%. This new revenue estimate adopted at the May 2002 Consensus Revenue Estimating Conference is down \$455 million from the previous consensus revenue estimate adopted in January 2002.

Gross income tax collections totaled \$963 million in April, representing a sharp decline of 18.3%, or \$215 million, from last year's level. Gross income tax collections include revenue from withholding, quarterly, and annual payments, and all three experienced sharp declines in April. Withholding payments, which accounted for 53% of gross income tax collections in April, were down 9.6%, or \$54 million, and quarterly income tax payments fell 22.5%, or \$26 million. Annual payments dropped 27.2% in April, which was \$135 million below last year's level. Declines in employment and realized capital gains are two of the major factors contributing to this drop in income tax revenue. So far this fiscal year, gross income tax collections are down 8.6%.

Sales tax collections fell 1.4% in April, from last year's level, to \$551 million. This marked the fourth consecutive month that sales tax collections have fallen below the year-ago level. Sales tax collections from motor vehicle transactions were up 6.2%, while the tax collected from all other taxable retail sales was down 2.7%. Despite the recent slide in sales tax collections, fiscal year-to-date sales tax receipts are still up 0.6%, largely due to the very strong level of motor vehicle sales during the first part of FY 2001-02.

Single business and insurance tax collections totaled \$303 million in April, which was down 0.6% from the year-ago level. This decline in collections can be attributed to the cut in the tax rate, which is currently 1.9% compared with 2.0% last year at this time. So far this fiscal year, single business and insurance tax collections are down 8.1%. Fiscal year-to-date single business tax collections are down 10.4%, but insurance tax receipts are up 18.2% due largely to an increase in insurance rates following the September 11th terrorist attacks.

Other major taxes that experienced a decline in collections in April included the use tax, down 20.6%; tobacco tax, down 5.3%; and the estate tax, which fell 63.6%. Taxes that posted an increase in April included the State education property tax and real estate transfer tax, which were up 10.6% and 34.8%, respectively.

The table on the back of this report identifies the 12 major taxes included in this report, and provides their respective revenue levels and growth rates for April 2002, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the revised FY 2001-02 consensus revenue estimates adopted at the May Consensus Revenue Estimating Conference.

Jay Wortley, Senior Economist

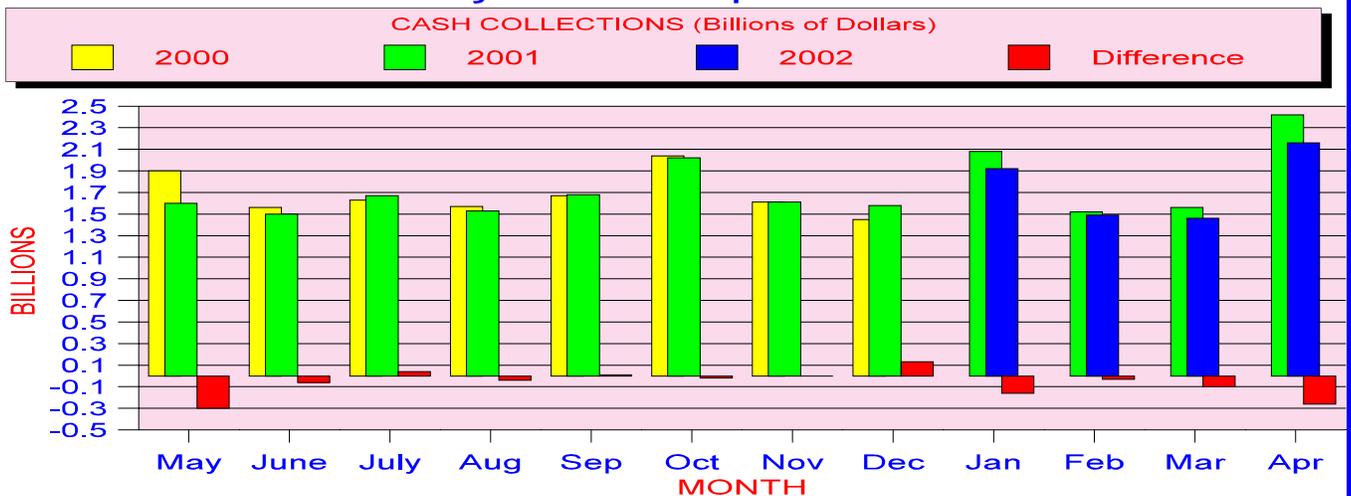


MICHIGAN REVENUE UPDATE
APRIL 2002
(dollars in millions)

Type of Revenue	April Collections		FY 2001-02 to Date ²⁾		FY 2001-02 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago
Income Tax						
Withholding	\$513.1	(9.6)%	\$3,287.2	(4.5)%	\$6,508.6	(1.3)%
Quarterly Payments	88.2	(22.5)	331.6	(20.0)	661.5	(15.5)
Annual Payments	361.7	(27.2)	432.9	(24.7)	509.4	(26.6)
Gross Income Tax	\$963.0	(18.3)%	\$4,051.7	(8.6)%	\$7,679.5	(4.9)%
Sales Tax	550.6	(1.4)	3,101.5	0.6	6,494.0	2.1
Motor Vehicles	88.6	6.2	496.1	19.1	---	---
All Other Sales Tax	462.0	(2.7)	2,605.4	(2.3)	---	---
Use Tax	117.1	(20.6)	645.8	2.9	1,368.0	2.6
Tobacco Tax	46.1	(5.3)	287.3	(0.4)	589.0	(1.2)
Single Business & Insurance Taxes	302.5	(0.6)	1,072.1	(8.1)	2,133.4	(4.0)
State Education Property Tax	154.2	10.6	865.2	8.1	1,558.0	4.6
Real Estate Transfer Tax	18.6	34.8	111.5	(6.7)	241.0	(4.7)
Estate/Inheritance Tax	9.0	(63.6)	71.3	(21.2)	127.0	(18.3)
Oil & Gas Severance Tax	1.9	(64.2)	13.9	(56.2)	33.0	(45.1)
Total	\$2,163.0	(10.6)%	\$10,220.3	(4.0)%	\$20,222.9	(1.5)%
Addendum:						
Gross Lottery Sales ⁴⁾	\$186.5	38.2%	\$1,008.9	4.4%	\$1,654.2	3.1%
Net Lottery to School Aid ⁴⁾	\$ 70.9	74.6%	\$ 368.1	5.8%	\$ 605.0	3.1%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2001-02 year-to-date collections begin with November 2001 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the May 16, 2002, Consensus Revenue Estimating Conference.
- 4) Lottery revenue is not accrued, so FY 2001-02 lottery revenue will include October 2001 to September 2002.

Actual Revenue Collections for 12 Major State Taxes*
May 2000 to April 2002



* Comparison of actual collections. The 12 taxes include the income (withholding, quarterly payments and annual payments), sales, use, tobacco, SBT, insurance retaliatory, estate, oil and gas severance, State education, and real estate transfer taxes.