

# MONTHLY REVENUE REPORT

## April 2005

The revenue collected from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.6 billion in April, which was down 1.4% from last year's level. The good news in April was that annual income tax payments were much stronger than was expected and income tax withholding payments topped the year-ago level for the first time in three months. The bad news was that these gains were more than offset by declines in the amount collected from some of the other major taxes, including the sales, use, single business, and insurance taxes. General Fund tax collections were up slightly in April due primarily to the boost in income tax annual payments, and School Aid Fund tax receipts were down slightly due primarily to the decline in sales tax revenue. April marks the halfway point for fiscal year tax collections, and so far in FY 2004-05, the major taxes have generated \$8.9 billion, which is up 3.2% from the year-ago level. Based on the monthly breakdown of the January consensus revenue estimates, tax collections to date are running close to the estimated level.

Net income tax collections (gross collections less refunds) totaled \$630.9 million in April, which was up 9.1% from last year's level. Gross income tax collections (withholding, quarterly, and annual payments) increased 6.9% in April. Withholding payments were up 0.8% in April, quarterly payments were up 3.9%, and annual income tax payments were up a very strong 17.1%. Income tax refunds paid to taxpayers were up 3.5%. Despite the increase in net income tax collections in April, collections on a fiscal year-to-date basis are still down 4.7% largely due to the accelerated rate at which income tax refunds were processed this year.

Sales tax collections totaled \$478.0 million in April, which was 7.4% below last year's level. This decline was due in large part to a shift in the timing of sales tax collections caused by the fact that April ended on a weekend. When a month ends on a weekend, some of the sales tax revenue that otherwise would be collected in that month spills over into the next month. Another reason for the decline in April tax collections was the continued decline in the amount of sales tax revenue generated from motor vehicle sales. In April, sales tax receipts derived from motor vehicle transactions were down 12.7% from last year. This marks the 13<sup>th</sup> consecutive month that motor vehicle sales tax revenue has fallen below the year-ago level. Sales tax collections from all other taxable retail transactions were down 6.5% in April. So far in FY 2004-05, total sales tax collections are up 2.8%, motor vehicle sales tax receipts are down 12.7%, and all other sales tax collections are up 5.2%.

Single business tax revenue totaled \$208.1 million in April, representing a 19.0% decline from last year's level. April represents one of the major months for single business tax collections because both annual and quarterly payments are due on April 30. These single business tax payments are received and processed by the Treasury Department in April and May; however, the split in the revenue collected in each of these months varies from year to year. Based on collections during April and the first few days of May, it appears that some of the decline in April was due to more of these payments spilling over into May this year compared with last year. In addition, the sluggish Michigan economy also is having an ongoing negative impact on single business tax collections. On a fiscal year-to-date basis, single business tax collections are behind last year's pace by 1.6%.

Insurance, use, and tobacco taxes also experienced significant changes in collections during April compared with last year's level. Insurance tax revenue fell 32.4% in April to \$21.3 million. Use tax collections totaled \$105.9 million, which was down 5.4% from the year-ago level. Tobacco tax revenue jumped 36.2% to \$97.0 million, which reflects the tax rate increase that went into effect in July 2004.

The table on the back of this report identifies the major taxes included in this report, and provides their respective revenue levels and growth rates for April 2005, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the revenue estimates for FY 2004-05, which were adopted at the January 2005 Consensus Revenue Estimating Conference.



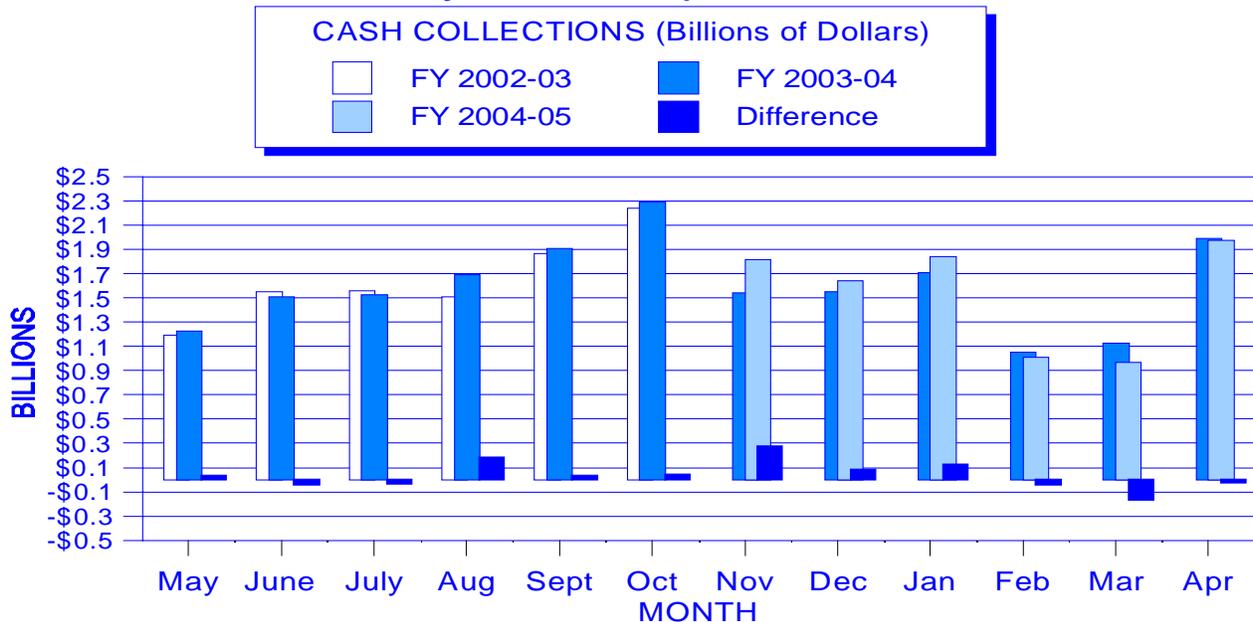
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**MICHIGAN REVENUE UPDATE  
APRIL 2005  
(dollars in millions)**

Type of Revenue	April Collections		FY 2004-05 to Date <sup>2)</sup>		FY 2004-05 Estimate <sup>3)</sup>	
	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From FY 2003-04
Gross Income Tax	1,021.4	6.9%	\$4,098.8	2.2%	\$7,538.1	1.0%
Refunds	(390.5)	3.5	(1,331.5)	20.2	(1,660.7)	4.2
Net Income Tax	\$ 630.9	9.1%	\$2,767.3	(4.7)%	\$5,877.4	0.1%
Sales Tax	478.0	(7.4)	3,189.4	2.8	6,707.8	3.6
Motor Vehicles	71.1	(12.7)	368.4	(12.7)	---	---
All Other Sales Tax	406.9	(6.5)	2,821.0	5.2	---	---
Use Tax	105.9	(5.4)	675.8	8.3	1,369.3	4.0
Tobacco Taxes	97.0	36.2	558.4	33.0	1,189.2	19.8
Single Business Tax	208.1	(19.0)	888.7	(1.6)	1,855.7	1.5
Insurance Tax	21.3	(32.4)	122.9	(10.9)	239.3	3.9
State Education Property Tax	22.5	10.8	419.9	55.1	1,846.0	1.2
Real Estate Transfer Tax	18.8	(13.4)	145.4	0.3	310.0	(2.4)
Estate/Inheritance Tax	2.5	(39.0)	16.9	(52.7)	39.0	(48.3)
Casino Wagering Tax	13.2	61.0	72.3	54.5	147.0	47.7
Oil & Gas Severance Tax	3.6	(28.0)	32.0	57.6	55.0	(3.7)
<b>Total</b>	<b>\$1,601.8</b>	<b>(1.4)%</b>	<b>\$8,889.0</b>	<b>3.2%</b>	<b>\$19,635.7</b>	<b>2.9%</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$213.9	8.8%	\$1,233.8	6.7%	\$2,050.2	3.9%
Net to School Aid Fund <sup>4)</sup>	\$ 62.7	10.4%	\$ 382.4	0.2%	\$ 649.9	0.8%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2004-05 year-to-date collections begin with November 2004 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the January 13, 2005, Consensus Revenue Estimating Conference.
- 4) Lottery revenue is not accrued, so FY 2004-05 lottery revenue will include October 2004 to September 2005.

**Actual Revenue Collections for Major State Taxes\*  
May 2003 to April 2005**



\*Comparison of actual collections. Major taxes include the net income (gross collections less refunds), sales, use, tobacco (cigarette tax and other tobacco products tax), SBT, insurance retaliatory, estate, oil and gas severance, State education, real estate transfer, and casino wagering taxes.