

MONTHLY REVENUE REPORT

August 2008

Michigan's General Fund and School Aid Fund earmarked taxes generated \$1.59 billion in August, which was down 1.6% from last year's level. Weakness in economic activity continues to affect tax collections adversely; however, most of the decline in August is attributable to noneconomic factors that negatively altered the timing of certain tax collections, including the sales, use, insurance, and State education taxes. While tax collections were down in August, they actually exceeded the projected level by about \$20.0 million. Taxes whose collections topped last year's level included the income, tobacco, and severance taxes, while revenue fell below last year's for the sales, use, insurance, real estate transfer, and State education taxes. So far in FY 2007-08, tax revenue is ahead of last year's pace by 7.6%; however, adjusted for the income tax rate increase, tax collections are up about 3.0%. Compared with the consensus revenue estimates, it appears that tax collections are up about \$100.0 million. Of this amount, General Fund tax receipts are running ahead of the estimate by about \$40.0 million and School Aid Fund earmarked tax revenue is up about \$60.0 million.

Income tax revenue totaled \$562.3 million in August, which was up 10.6% from last year's level. Gross collections from withholding, quarterly, and annual payments were up 11.2% and refunds paid to taxpayers, reflecting past tax overpayments, were up 26.3% in August. Adjusting for the increase in the income tax rate from 3.9% to 4.35%, which went into effect October 1, 2007, reveals that income tax collections were actually down in August by an estimated 1.1%. On a fiscal year-to-date basis, the \$5.86 billion that has been collected so far in income tax revenue is up 13.3% from last year's level. Compared with the May 2008 consensus estimate, income tax revenue is up about \$28.0 million so far in FY 2007-08.

Sales tax receipts totaled \$549.2 million in August, representing a 4.6% decline from the year-ago level. This decline reflects the fact that August ended on a weekend, which pushed into September some sales tax revenue that otherwise would have been counted in August. Sales tax receipts from motor vehicle sales were down 2.5% and sales tax collections from all other taxable retail sales were down 4.9%. So far in FY 2007-08, sales tax revenue is up 2.0%, which is running ahead of the consensus revenue estimate by about \$60.0 million.

Michigan business tax collections totaled \$75.7 million in August. Given that the Michigan business tax is still a very new tax, it remains difficult to evaluate how collections are coming in compared with the consensus estimate. However, based on the seven months of actual collections now available, it is estimated that Michigan business tax revenue is tracking fairly closely to the consensus estimate. Tax collections from the repealed single business tax totaled only \$5.6 million in August, which was down 93.2% from last year's level.

Real estate transfer tax receipts totaled \$15.7 million, which was almost \$10.0 million or 38.2% below last year's level. So far in FY 2007-08, the extremely weak housing market has pulled down real estate transfer tax collections by over \$50.0 million from the year-ago level, and the collections are trailing the consensus revenue estimate by about \$7.0 million.

Oil and gas severance tax collections totaled \$10.9 million in August, which was up 70.3% from the \$6.4 million collected last year. This large increase reflects the current high price of oil. On a fiscal year-to-date basis, severance tax revenue is up 51.3% and, compared with the consensus estimate, it is up about \$13.0 million.

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 August 2008. Also presented are the consensus revenue estimates for FY 2007-08, which were adopted at the May 16, 2008, Consensus Revenue Estimating Conference.



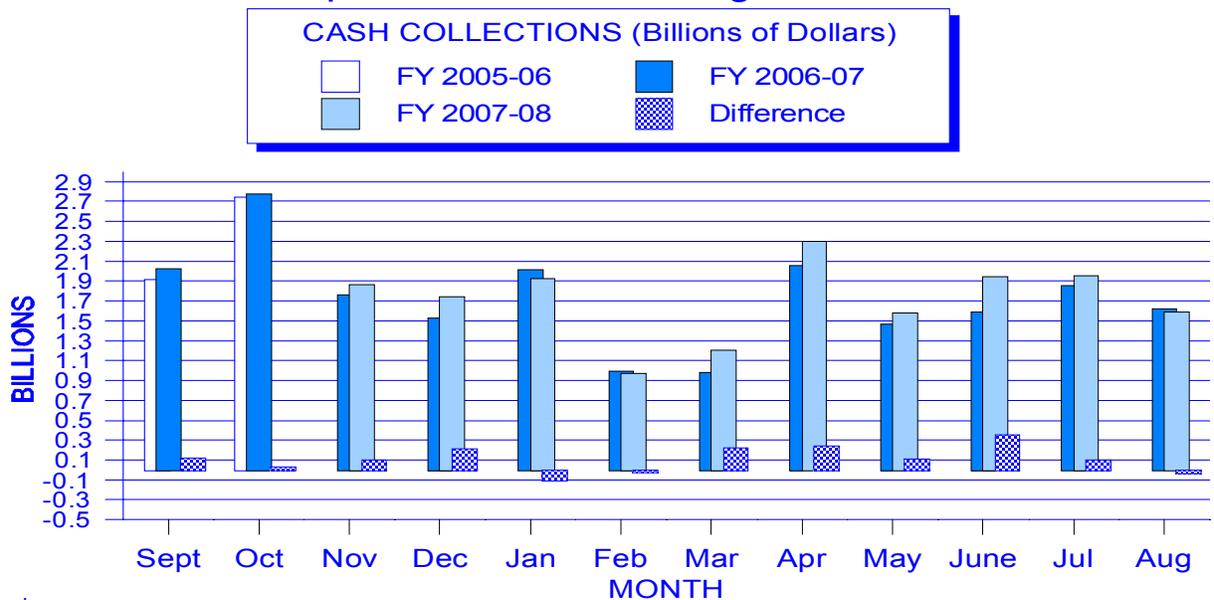
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**MICHIGAN REVENUE UPDATE
AUGUST 2008
(dollars in millions)**

Type of Revenue	August Collections		FY 2007-08 to Date ²⁾		FY 2007-08 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2006-07
Gross Income Tax	\$589.2	11.2%	\$7,564.1	11.1%	\$8,999.4	10.7%
Refunds	(26.9)	26.3	(1,708.8)	4.0	(1,825.5)	8.2
Net Income Tax	\$562.3	10.6%	\$5,855.3	13.3%	\$7,173.9	11.4%
Sales Tax	549.2	(4.6)	5,564.7	2.0	6,648.8	1.5
Motor Vehicles	69.0	(2.5)	600.7	(1.0)	---	---
All Other Sales Tax	480.2	(4.9)	4,964.0	2.4	---	---
Use Tax	101.5	(16.9)	1,127.2	(1.5)	1,338.0	(3.1)
Tobacco Taxes	103.0	3.4	888.5	(4.6)	1,081.0	(4.3)
Single Business Tax	5.6	(93.2)	694.9	(52.2)	560.6	(69.1)
Michigan Business Tax	75.7	---	1,233.5	---	1,816.3	---
Insurance Tax	4.2	(76.7)	192.0	4.0	244.0	9.0
State Education Property Tax	128.4	(4.7)	704.5	6.5	2,028.3	(2.5)
Real Estate Transfer Tax	15.7	(38.2)	146.3	(25.7)	189.0	(20.4)
Casino Wagering Tax ⁴⁾	10.6	(21.5)	121.6	(18.2)	140.1	(12.1)
Oil & Gas Severance Tax	10.9	70.3	84.6	51.3	86.0	19.4
Other Taxes ⁵⁾	24.0	(21.1)	335.8	(3.2)	377.5	(19.7)
Total	\$1,591.1	(1.6)%	\$16,948.9	7.6%	\$21,683.5	5.4%
Addendum:						
Gross Lottery Sales ⁴⁾	\$214.2	(7.8)%	\$2,152.9	(1.0)%	\$2,212.0	(0.5)%
Net to School Aid Fund ⁴⁾	\$ 64.6	(14.5)%	\$ 686.4	(1.4)%	\$ 749.2	0.0%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2007-08 year-to-date collections begin with November 2007 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the May 16, 2008, Consensus Revenue Estimating Conference.
- 4) Lottery and casino revenue is not accrued, so FY 2007-08 collections will include October 2007 to September 2008.
- 5) Other Taxes include beer, wine, liquor, industrial facilities, utility property, and estate taxes, and penalties and interest.

**Actual Revenue Collections for Major State Taxes*
September 2006 to August 2008**



*Comparison of actual collections. Major taxes include the beer, casino wagering, estate, income, industrial facilities, insurance retaliatory, liquor, MBT, oil & gas severance, real estate transfer, sales, SBT, State education property, tobacco (cigarette & other tobacco products), use, utility property, and wine taxes, and penalties and interest revenue.