

MONTHLY REVENUE REPORT

AUGUST 2012

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1.66 billion in August 2012, down 2.8% from last year's level. August tax collections were approximately \$20.9 million below the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in May 2012. While most major taxes, including sales, use and withholding taxes, as well as the Michigan Business Tax (MBT) and State Education Tax, were slightly above the expected level, the increases were more than offset by greater-than-expected refunds under the individual income tax and the repealed Single Business Tax (SBT).

Collections earmarked to the General Fund were \$53.4 million below the expected level for August, while School Aid Fund tax collections were \$32.4 million above the forecasted level. The remaining \$0.1 million in above-forecast collections reflected other funds, most notably constitutional revenue sharing. Through August, year-to-date General Fund collections are \$40.3 million higher, School Aid Fund collections \$16.0 million higher, and other funds collectively \$1.7 million lower than the level expected based on the May 2012 consensus revenue estimates.

Gross income tax revenue in August 2012 was up 3.7% from August 2011, and although income tax refunds were greater than expected, they were down from last year's level, resulting in net income tax revenue being 4.6% above the level last August. Withholding payments (which represented the majority of gross income tax revenue) were 3.4% above the year-ago level and \$4.7 million above the predicted level. Generally, withholding receipts during 2012 have been expected to be much higher than in 2011 due to the tax changes enacted in May 2011, many of which were expected to increase withholding. Income tax refunds were greater than expected for the fourth month in a row and year-to-date are \$54.2 million above the expected level.

Sales tax receipts totaled \$634.1 million in August, slightly above forecast and only 0.1% above the level in August 2011. The weak year-over-year growth reflected calendar issues: August 2011 sales tax collections were boosted because the prior month ended on a weekend, while that did not occur in 2012. On a year-to-date basis, sales tax collections are up 3.6% from last year, but are running \$27.5 million below expectations. Collections from new vehicle sales were at their highest level since August 2009, during the cash-for-clunkers program, and were up 2.3% from last year's level.

Michigan Business Tax revenue totaled a negative \$12.4 million in August, reflecting the switch from the MBT to the new Corporate Income Tax. Despite the year-over-year decline, MBT collections were \$17.6 million above the level expected for the month based on the May 2012 revenue estimates. Year-to-date MBT collections are \$105.0 million above the level expected based on the May 2012 consensus revenue estimates. Corporate Income Tax collections totaled \$29.4 million in August, compared with a forecast of \$29.1 million. On the other hand, refunds under the repealed SBT helped push net SBT revenue to a negative \$63.2 million, more than offsetting the increases from all taxes that came in above-forecast.

The table on the back of this report identifies the major taxes included in the report, and provides their respective revenue levels and growth rates for August 2012. Also presented are the revised consensus revenue estimates for FY 2011-12, which were adopted at the May 2012 Consensus Revenue Estimating Conference.



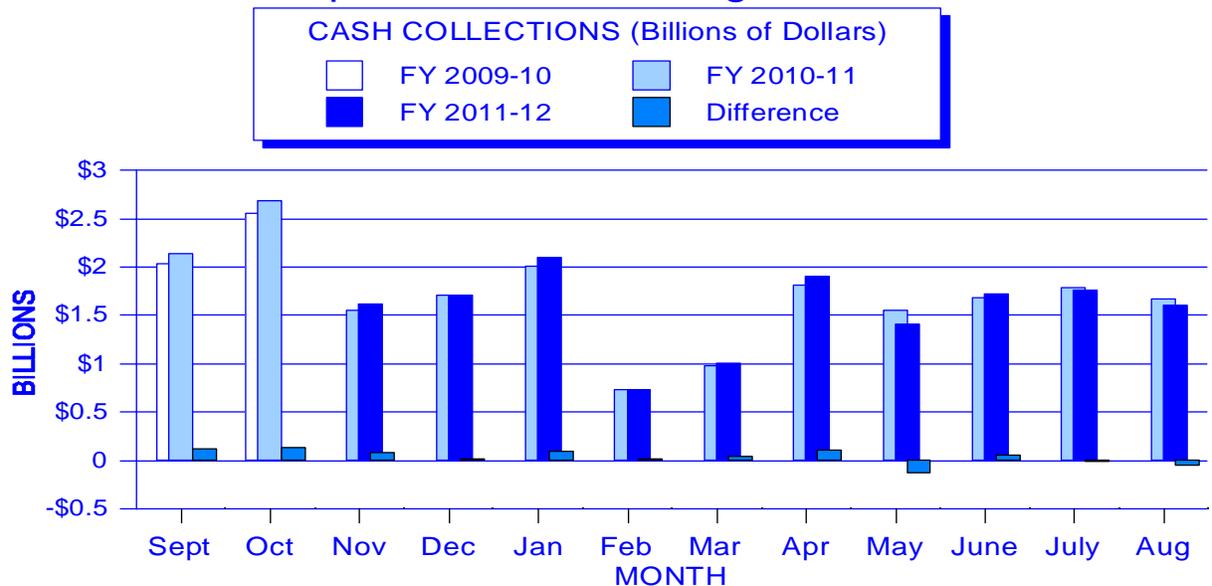
David Zin, Chief Economist

**MICHIGAN REVENUE UPDATE
AUGUST 2012
(dollars in millions)**

Type of Revenue	August Collections		FY 2011-12 to Date ²⁾		FY 2011-12 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2010-11
Gross Income Tax	\$646.7	3.7%	\$7,590.7	6.5%	\$9,069.0	3.3%
Refunds	(34.2)	(10.4)	(2,104.0)	(0.0)	(2,103.1)	2.0
Net Income Tax	612.5	4.6	5,486.8	9.2	\$6,965.9	3.8
Sales Tax	634.1	0.1	5,803.0	3.6	7,023.9	2.9
Motor Vehicles	80.4	2.3	705.4	4.6	---	---
All Other Sales Tax	553.7	(0.2)	5,097.6	3.5	---	---
Use Tax	112.6	(0.1)	989.1	1.5	1,182.1	13.0
Tobacco Taxes	87.5	(1.7)	796.5	0.4	961.7	(3.2)
Corporate Income Tax	29.4	---	356.5	---	485.6	---
Michigan Business Tax	(12.4)	(119.5)	913.1	(45.5)	713.6	13.4
Insurance Tax	3.8	(27.8)	226.6	8.6	300.0	5.5
State Education Property Tax	135.7	6.7	483.4	(16.7)	1,807.1	(3.7)
Real Estate Transfer Tax	15.8	18.3	109.7	15.1	124.9	2.8
Casino Wagering Tax ⁴⁾	9.5	1.6	97.2	1.6	114.7	0.8
Oil & Gas Severance Tax	3.7	(26.7)	45.0	(14.3)	60.7	12.9
Other Taxes ⁵⁾	(38.5)	(417.2)	167.3	(36.5)	292.7	(10.0)
Total	\$1,593.7	(3.8%)	\$15,474.1	0.7%	\$20,032.9	(0.8%)
Addendum:						
Gross Lottery Sales ⁴⁾	\$220.8	28.0%	\$2,243.8	4.5%	\$2,467.0	5.4%
Net to School Aid Fund ⁴⁾	\$ 68.1	28.7%	\$ 711.4	7.1%	\$ 750.0	3.1%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2011-12 year-to-date collections begin with November 2011 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the May 16, 2012, Consensus Revenue Estimating Conference.
- 4) Lottery and casino revenue is not accrued, so FY 2011-12 collections will include October 2011 to September 2012.
- 5) Other Taxes include beer, wine, liquor, single business tax, industrial facilities, utility property, and estate taxes, and penalties and interest.

**Actual Revenue Collections for Major State Taxes*
September 2010 to August 2012**



*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.