

MONTHLY REVENUE REPORT

December 2003

The revenue collected from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.55 billion in December, which was down 0.5% from last year's level. These collections were weaker than had been expected. The continued weak labor market was the major factor contributing to this decline in December. The most significant decline occurred in income tax revenue, but collections were down also for the sales, tobacco, insurance, and estate taxes. Tax collections were up for the use, single business, State education property, real estate transfer, and oil and gas severance taxes in December. So far in FY 2003-04, revenue collections from these major taxes are down a slight 0.1% from the comparable year-ago level.

Gross income tax collections totaled \$570 million in December, which was down 5.7%. Most of this decline can be attributed to two major factors: 1) The income tax rate was at 4.0% in December, compared with 4.1% in December 2002, which represents a 2.4% decline, and 2) employment continues to lag behind year-ago levels. Most of this decline was in withholding payments, which fell 6.6% to \$531 million, while quarterly payments rose 6.8% to \$50 million and annual payments increased 31% to \$6.7 million. While gross collections were declining in December, the amount of refunds paid to taxpayers increased 10.3% to \$18 million. As a result, net income tax collections (gross collections less refunds) totaled \$629 million in December, which was down 5.7% from last year's level. On a fiscal year-to-date basis, net income tax collections are down 2.9%.

Sales tax collections totaled \$629 million in December, representing a decline of 1.0% from last year's level. This slight decline followed a modest increase in November. Sales tax collections generated from motor vehicle transactions fell 3.3% in December, while sales tax collections from all other taxable retail sales were down a slight 0.7%. So far in FY 2003-04, sales tax collections are down 0.4%.

Single business tax collections totaled \$102 million in December, which was up 7.3% from the year-ago level. While the single business quarterly payment schedule results in lower collections in December compared with November or January, the increase in December nonetheless represents the fifth monthly increase in the past 12 months; however, on a three-month moving average, which helps smooth out some of the noneconomic monthly fluctuations in the collections data, single business tax collections continued to decline in December, as they have in all but one of the last 12 months. On a fiscal year-to-date basis, single business tax collections are down 15.6%.

Among some of the other major taxes, use tax collections were up 13.6% in December to \$111.9 million; State education property tax revenue totaled \$36 million, which was up 81.5% from last year; real estate transfer tax collections increased 17.5% to \$19.5 million; estate tax revenue fell 25.4% to \$5.3 million; oil and gas severance tax revenue jumped up 55.2% to \$4.5 million; tobacco tax collections totaled \$65 million, which was down 8.2%; and casino wagering tax collections were unchanged from last year's level of \$7.5 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 December 2003, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the consensus revenue estimates for FY 2003-04.

Jay Wortley, Senior Economist

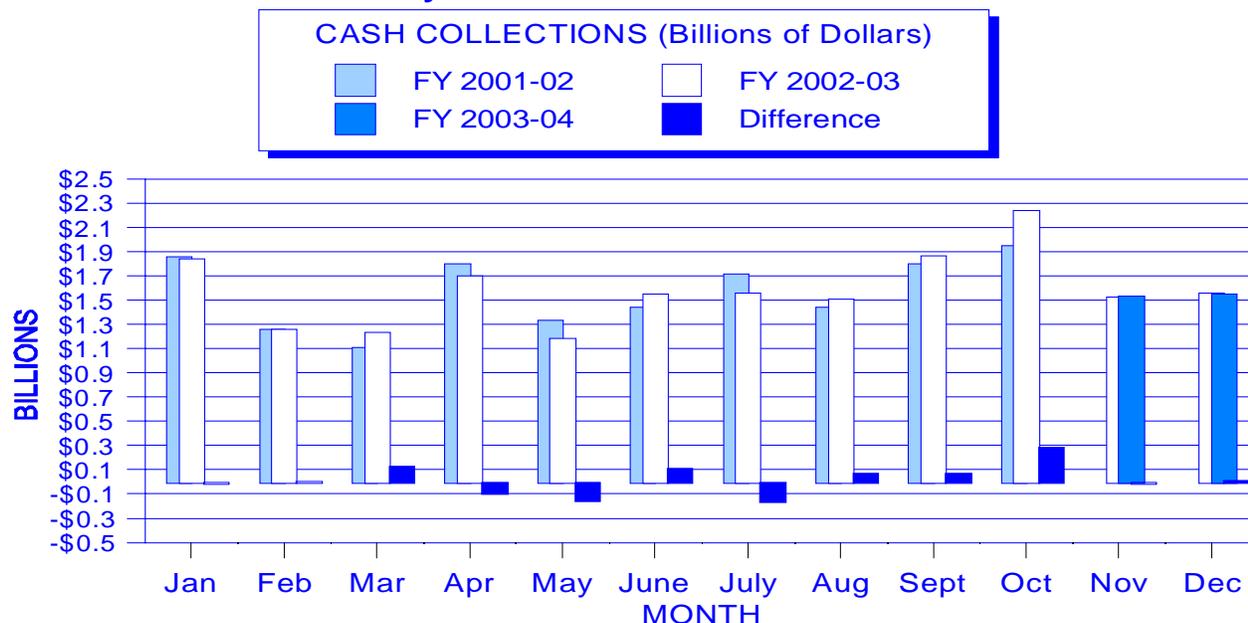


**MICHIGAN REVENUE UPDATE
DECEMBER 2003
(dollars in millions)**

Type of Revenue	December Collections		FY 2003-04 to Date ²⁾		FY 2003-04 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2002-03
Gross Income Tax	\$588.3	(5.3)%	\$1,137.6	(2.9)%	\$7,456.1	1.3%
Refunds	<u>(18.2)</u>	<u>10.3</u>	<u>(40.1)</u>	<u>(5.0)</u>	<u>(\$1,607.6)</u>	<u>3.7</u>
Net Income Tax	\$570.1	(5.7)%	\$1,097.5	(2.9)%	\$5,848.5	0.6%
Sales Tax	629.3	(1.0)	1,102.3	(0.4)	6,659.8	3.7
Motor Vehicles	68.1	(3.3)	131.7	(5.8)	---	---
All Other Sales Tax	561.2	(0.7)	970.6	0.4	---	---
Use Tax	111.9	13.6	204.2	6.3	1,242.6	1.0
Tobacco Taxes	64.7	(8.2)	140.9	(3.8)	878.8	(1.5)
Single Business Tax	102.4	7.3	230.5	(15.6)	1,880.9	2.0
Insurance Tax	1.2	(50.0)	27.2	(14.5)	247.0	6.9
State Education Property Tax	36.3	81.5	205.2	50.7	1,781.1	(16.3)
Real Estate Transfer Tax	19.5	17.5	55.7	37.5	272.0	(1.3)
Estate/Inheritance Tax	5.3	(25.4)	10.3	(34.8)	66.1	(33.0)
Casino Wagering Tax	7.5	0.0	15.2	2.7	94.5	4.0
Oil & Gas Severance Tax	4.5	55.2	0.6	(89.1)	45.0	(6.1)
Total	\$1,552.7	(0.5)%	\$3,089.6	(0.1)%	\$19,016.3	(0.3)%
Addendum:						
Gross Lottery Sales ⁴⁾	\$161.5	20.3%	\$454.0	8.5%	\$1,814.0	6.6%
Net to School Aid Fund ⁴⁾	\$ 57.1	19.1%	\$159.1	5.9%	\$ 623.5	6.4%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2003-04 year-to-date collections begin with November 2003 collections to reflect accrual accounting.
- 3) Senate Fiscal Agency revised revenue estimates released 12, 2004.
- 4) Lottery revenue is not accrued, so FY 2003-04 lottery revenue will include October 2003 to September 2004.

**Actual Revenue Collections for Major State Taxes*
January 2002 to December 2003**



*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.