

# MONTHLY REVENUE REPORT

## December 2008

Michigan's major General Fund and School Aid Fund earmarked taxes generated \$1.7 billion in December 2008, which was down \$50.7 million or 2.9% from the year-ago level. While collections were down for several taxes, the major reason for the decline in December tax collections was a large one-time use tax refund payment. Without this use tax refund payment, and resulting sharp decline in use tax revenue, December tax collections would have been up slightly. In addition to the decline in use tax receipts, collections were down in December for the income, tobacco, single business, State education, real estate transfer, and casino taxes. These declines were partially offset by increases in the collections derived from the sales, insurance, and severance taxes. So far in FY 2008-09, these major taxes have generated \$3.3 billion, which is 8.0% below comparable year-ago level.

Revised revenue estimates were adopted at the January 9, 2009, Consensus Revenue Estimating Conference. General Fund and School Aid Fund earmarked taxes are expected to generate \$20.8 billion in FY 2008-09, which is down \$1.2 billion, or 5.5%, from the FY 2007-08 revenue level.

Income tax revenue totaled \$667.5 million in December, which was 8.6% below last year's level. While some timing factors contributed to this decline, most of it is attributable to a drop in employment and a decline in the earnings received by workers in a number of sectors, including manufacturing. So far in FY 2008-09, income tax revenue is down 2.6%.

Sales tax revenue totaled \$651.6 million in December, representing a 4.8% increase from the year-ago level. December sales tax collections were higher than they otherwise would have been because November ended on a weekend, which pushed some sales tax collections into December. Without the impact of this noneconomic timing factor, December sales tax collections would have been down an estimated 1.7%. Sales tax collections from motor vehicle transactions posted an increase of 26.6%; however, the December 2007 level marked the lowest monthly collections for motor vehicle sales tax since February 1994. On a fiscal year-to-date basis, total sales tax receipts are down 4.2%.

Use tax receipts plummeted 64.9% to \$36.4 million in December. This large decline was due to a sizeable one-time refund payment. Excluding the impact of the refund payment, use tax collections were down about 6.9%. So far in FY 2008-09, use tax collections are down 33.2%.

Michigan business tax revenue totaled \$195.6 million in December and single business tax collections were a negative \$42.6 million. Receipts from the repealed single business tax were negative in December because payments for outstanding single business tax liabilities are winding down more rapidly than are refunds resulting from past overpayments. It is estimated that single business tax revenue will be slightly negative for FY 2008-09.

Real estate transfer tax receipts totaled \$8.5 million in December, which was down 51.1% from last year's level. This marks the lowest monthly collection level since the collection of this tax was fully phased in in May 1995. On a fiscal year-to-date basis, real estate transfer tax revenue is down 39.5%.

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 2008. Also presented are the consensus revenue estimates for FY 2008-09, which were adopted at the January 9, 2009, Consensus Revenue Estimating Conference.



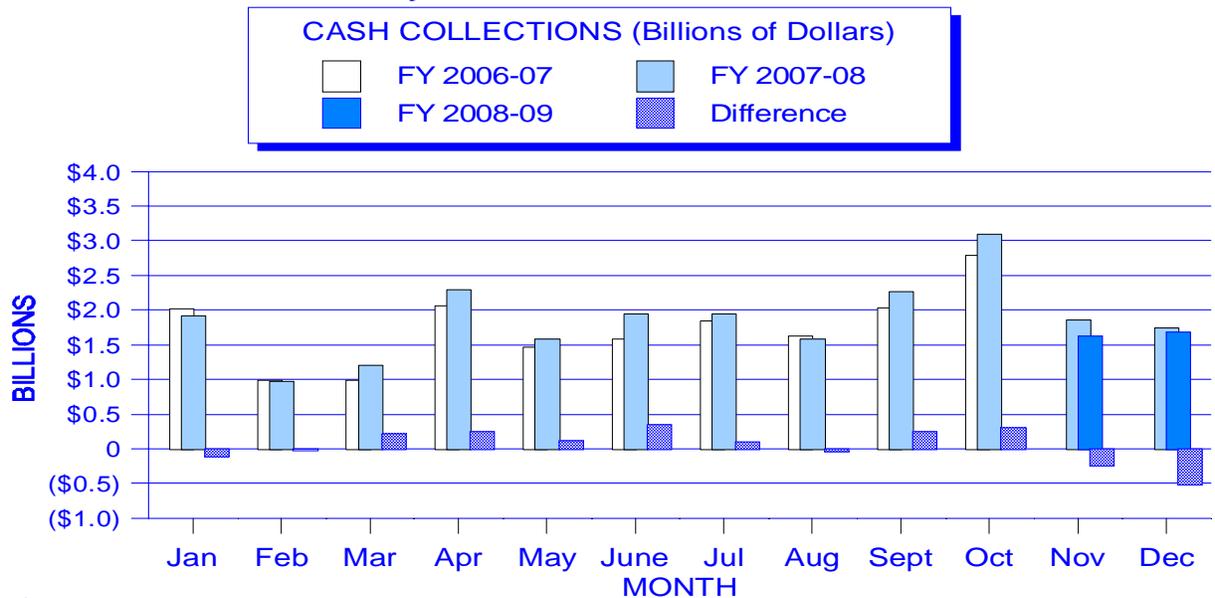
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**MICHIGAN REVENUE UPDATE  
DECEMBER 2008  
(dollars in millions)**

Type of Revenue	December Collections		FY 2008-09 to Date <sup>2)</sup>		FY 2008-09 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 2007-08
Gross Income Tax	\$684.6	(8.3)%	\$1,295.1	(2.7)%	\$8,553.1	(5.1)%
Refunds	(17.1)	5.6	(32.4)	(7.7)	(2,051.9)	14.6
Net Income Tax	667.5	(8.6)	1,262.7	(2.6)	\$6,501.2	(10.0)
Sales Tax	651.6	4.8	1,116.8	(4.2)	6,491.7	(4.2)
Motor Vehicles	56.2	26.6	103.6	6.3	---	---
All Other Sales Tax	595.4	3.1	1,013.2	(5.2)	---	---
Use Tax	36.4	(64.9)	141.6	(33.2)	1,267.5	(8.0)
Tobacco Taxes	81.6	(9.5)	173.3	7.6	1,043.7	(2.8)
Single Business Tax	(42.6)	(151.9)	(34.6)	(118.7)	(43.2)	(107.5)
Michigan Business Tax	195.6	---	250.8	---	2,586.7	36.7
Insurance Tax	5.9	156.5	6.7	(72.7)	238.8	7.0
State Education Property Tax	35.0	(26.5)	244.0	(36.9)	2,010.2	(3.3)
Real Estate Transfer Tax	8.5	(51.1)	22.1	(39.5)	144.3	(15.0)
Casino Wagering Tax <sup>4)</sup>	9.5	(20.2)	19.0	(19.8)	118.6	(8.6)
Oil & Gas Severance Tax	7.2	14.3	12.3	(12.1)	66.0	(32.0)
Other Taxes <sup>5)</sup>	30.2	30.3	90.0	3.3	389.4	(6.4)
<b>Total</b>	<b>\$1,686.4</b>	<b>(2.9)%</b>	<b>\$3,304.7</b>	<b>(8.0)%</b>	<b>\$20,814.9</b>	<b>(5.5)%</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$191.3	1.3%	\$575.0	(1.2)%	\$2,067.0	(5.5)%
Net to School Aid Fund <sup>4)</sup>	\$ 54.2	(15.2)%	\$174.2	(8.8)%	\$ 700.1	(5.5)%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2008-09 year-to-date collections begin with November 2008 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the January 9, 2009, Consensus Revenue Estimating Conference.
- 4) Lottery and casino revenue is not accrued, so FY 2008-09 collections will include October 2008 to September 2009.
- 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\*  
January 2007 to December 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.