

MONTHLY REVENUE REPORT

DECEMBER 2012

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1.8 billion in December, up 7.3% from last year's level. December tax collections were approximately \$102.6 million above the level expected in the Senate Fiscal Agency's estimate for the month, with above-forecast revenue from the Michigan Business Tax (MBT) and Corporate Income Tax (CIT) more than accounting for the additional revenue. Monthly forecasts for December were based on the consensus revenue estimates adopted in May 2012 rather than the January 2013 consensus revenue estimates because the January estimates are based on actual December collections. The January 2013 estimates will be used beginning with the report on January revenue.

Collections earmarked to the General Fund were \$102.2 million above the expected level for December, while School Aid Fund tax collections were \$0.1 million above the forecasted level. The remaining revenue, which was above forecasted levels, was directed to other funds, most notably constitutional revenue sharing. On a year-to-date basis, General Fund collections are \$130.0 million higher, and School Aid Fund collections \$11.9 million higher, than the level expected based on the May 2012 consensus revenue estimates.

Net income tax revenue totaled \$767.9 million in December 2012, a 14.9% increase over last year's level. Withholding payments (which represented the majority of gross income tax revenue) were up 13.3% above the year-ago level. Generally, withholding receipts have been expected to be higher since the tax changes enacted in May 2011.

Sales tax receipts totaled \$648.4 million in December, an 8.4% increase from the prior year. One reason year-over-year sales tax growth was so strong was because December 2011 ended on a weekend, affecting the processing of tax receipts. Adjusting for the calendar issue, sales tax collections in December were up only 1.0% from the prior year. Sales tax collections from sales of motor vehicles were down 4.5% from December 2011.

Michigan Business Tax revenue totaled \$41.0 million in December, reflecting the switch from the MBT to the new CIT. Despite the year-over-year decline, MBT collections were \$86.2 million above the level expected for the month based on the May 2012 revenue estimates, and year-to-date collections are \$95.4 million higher. Because FY 2012-13 MBT revenue is expected to be dominated by refund requests, individual monthly deviations from forecasted levels will largely reflect the timing of when refunds are filed and processed. Corporate Income Tax collections totaled \$95.3 million in December and were \$26.6 million above the forecasted level. Year-to-date CIT collections are \$45.6 million above the level expected based on the May 2012 consensus revenue estimates.

The improving housing market pushed real estate transfer tax receipts up 95.9% from the level in December 2011, to \$11.6 million, the highest level for a December since December 2007. State Education Property Tax revenue was up 41.1% from December 2011. Although the overwhelming majority of revenue is received during August through November of each fiscal year, year-over-year increases in November and December offset year-over-year declines experienced in September and October collections, and reflect the timing of when counties remitted payments to the State.

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 2012. Also presented are the consensus revenue estimates for FY 2012-13, which were adopted at the May 2012 Consensus Revenue Estimating Conference.



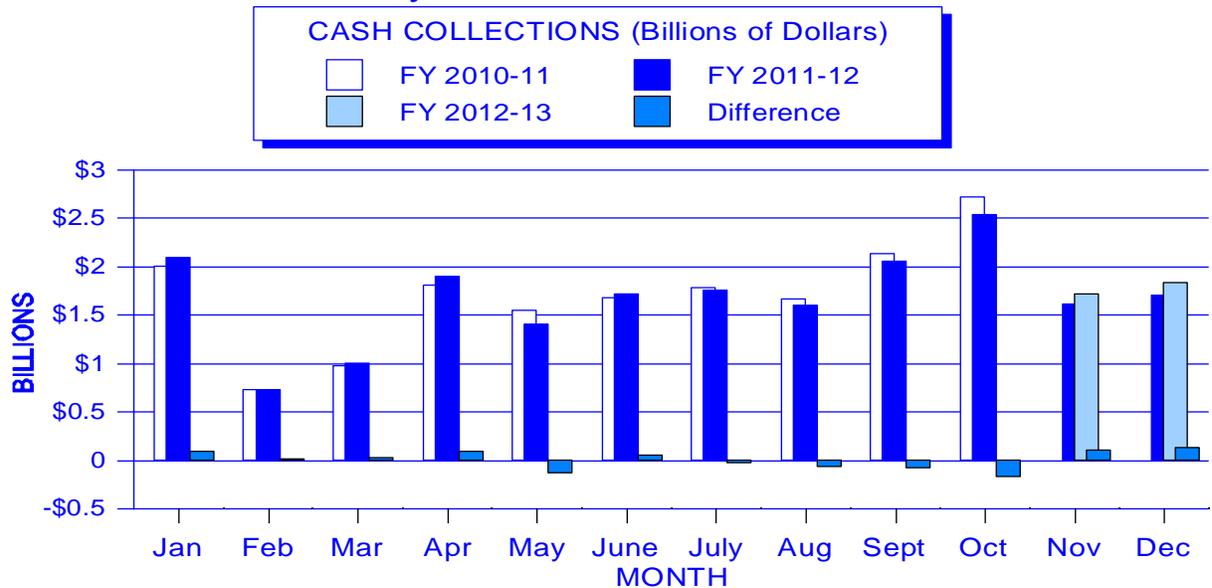
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**MICHIGAN REVENUE UPDATE
DECEMBER 2012
(dollars in millions)**

Type of Revenue	December Collections		FY 2012-13 to Date ²⁾		FY 2012-13 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2011-12
Gross Income Tax	\$785.6	14.7%	\$1,409.9	12.0%	\$9,459.5	4.3%
Refunds	(17.6)	3.6	(30.4)	(1.2)	(1,552.0)	(26.2)
Net Income Tax	767.9	14.9	1,379.5	12.3	\$7,907.5	13.5
Sales Tax	648.4	8.4	1,214.9	4.1	7,194.1	2.4
Motor Vehicles	57.6	(4.5)	120.2	(3.8)	---	---
All Other Sales Tax	590.8	9.8	1,094.7	5.1	---	---
Use Tax	108.1	9.3	216.2	13.0	1,252.0	5.9
Tobacco Taxes	79.2	(1.4)	165.7	4.4	941.6	(2.1)
Corporate Income Tax	95.3	---	121.1	---	838.9	72.7
Michigan Business Tax	41.0	(76.8)	45.7	(82.4)	(552.4)	(177.4)
Insurance Tax	3.4	(28.0)	3.6	(36.2)	311.4	3.8
State Education Property Tax	43.0	41.1	274.2	32.4	1,829.4	1.2
Real Estate Transfer Tax	11.6	95.9	28.8	78.5	133.6	7.0
Casino Wagering Tax ⁴⁾	9.6	(4.4)	18.7	(3.2)	106.3	(7.3)
Oil & Gas Severance Tax	3.6	(34.4)	8.3	(16.3)	61.0	0.5
Other Taxes ⁵⁾	16.6	(32.3)	62.6	22.1	320.8	9.6
Total	\$1,827.6	7.3%	\$3,539.4	6.8%	\$20,344.2	1.4%
Addendum:						
Gross Lottery Sales ⁴⁾	\$185.9	(21.7%)	\$615.7	2.9%	\$2,433.7	0.8%
Net to School Aid Fund ⁴⁾	\$ 58.9	(11.6%)	\$196.5	4.5%	\$ 744.7	(0.7%)

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2012-13 year-to-date collections begin with November 2012 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 2012-13 collections will include October 2012 to September 2013.
- 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*
January 2011 to December 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.