

MONTHLY REVENUE REPORT

February 2004

The revenue collected from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.05 billion in February, which was down 16.4% from last year's level. However, this sharp decline was entirely due to the State education property tax, whose collections fell significantly due to the new payment schedule that was implemented last summer. Excluding State education property tax collections, the revenue from Michigan's major taxes was up 4.6% in February. This marked the first increase in the revenue generated by these major taxes, excluding the State education property tax, since August 2003. During February, tax collections were up for the income, single business, insurance, casino wagering, and oil and gas severance taxes, while in addition to the large decline in State education property tax revenue, collections fell for the sales, use, tobacco, and estate taxes. On a fiscal year-to-date basis, tax collections for these major taxes, excluding the State education property tax, are down 1.3%.

Gross income tax collections (withholding, quarterly, and annual payments) totaled \$543 million in February, which was up 1.4% from last year's level. The amount of overpayments refunded to taxpayers totaled \$309 million in February. As a result, net income tax collections (gross collections less refunds) totaled \$234 million, which was up 1.4%. So far in FY 2003-04, net income tax collections are down 1.0%.

Sales tax revenue totaled \$428 million in February, which was down 1.9% from last year's level. Sales tax collections from motor vehicle transactions were down 29.9%, but collections from all other taxable retail sales were up 4.6% in February. February sales tax collections marked the lowest level for the month of February since 1999. On a fiscal year-to-date basis, sales tax collections are down 3.1%.

Single business tax collections totaled \$151 million in February, which was up 61.0% from the year-ago level. This increase more than made up for the 2.9% decline in January and the total combined collections for January and February were up 17.8% or \$52 million. This strong level of collections in February pushed collections on a fiscal year-to-date basis above the comparable year-ago level by 1.6%.

State education property tax revenue totaled only \$16 million in February, compared with \$265 million in February 2003, which represents a decline of 94.0%. This very steep decline was not due to economic factors, but reflects the change in the due date and the resulting new pattern in monthly collections. In 2003, the tax previously being collected through the winter tax bill (which is due in February) was accelerated to the summer tax bill (due in September). As a result, State education property tax collections fell significantly in February and monthly collections will continue to lag well below year-ago collections until summer property tax bills are paid.

Among the other major taxes, collections in February were up for the insurance tax, by 29.6%; casino wagering tax, by 7.0%; and the oil and gas severance tax, by 52.0%. Tax collections were down for the use tax, by 4.9%, and tobacco taxes, by 2.4%. Tax collections from the real estate transfer tax were unchanged from their year-ago level.

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 February 2004, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the revised revenue estimates for FY 2003-04, which were adopted at the January 14, 2004, Consensus Revenue Estimating Conference.

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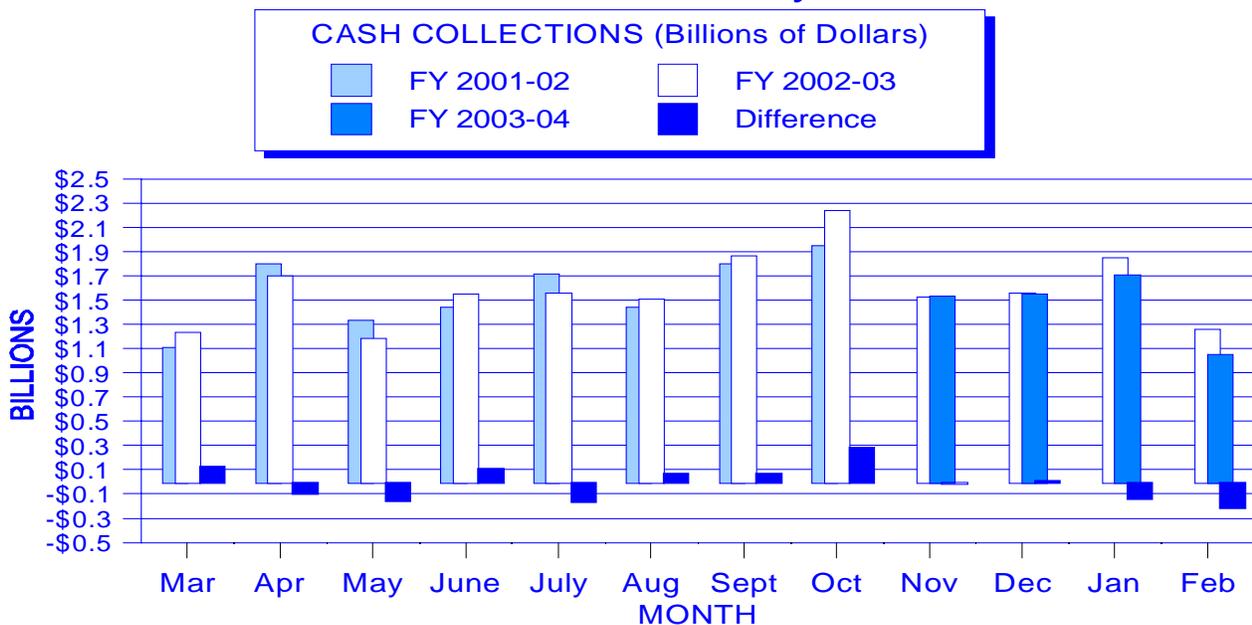


**MICHIGAN REVENUE UPDATE
FEBRUARY 2004
(dollars in millions)**

Type of Revenue	February 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	\$543.0	1.4%	\$2,475.3	(1.5)%	\$7,456.5	1.3%
Refunds	<u>(309.0)</u>	<u>1.4</u>	<u>(387.8)</u>	<u>(4.1)</u>	<u>(\$1,636.7)</u>	<u>5.6</u>
Net Income Tax	\$234.0	1.4%	\$2,087.5	(1.0)%	\$5,819.8	0.2%
Sales Tax	428.4	(1.9)	2,022.8	(3.1)	6,620.7	3.1
Motor Vehicles	58.4	(29.9)	258.6	(10.5)	---	---
All Other Sales Tax	370.0	4.6	1,764.2	(1.9)	---	---
Use Tax	93.6	(4.9)	399.0	1.9	1,257.5	2.3
Tobacco Taxes	68.0	(2.4)	285.1	(0.9)	876.8	(1.6)
Single Business Tax	151.3	61.0	571.9	1.6	1,878.7	1.9
Insurance Tax	29.3	29.6	85.9	(2.3)	247.0	6.9
State Education Property Tax	16.0	(94.0)	238.7	(53.1)	1,745.2	(18.0)
Real Estate Transfer Tax	17.6	0.0	99.7	31.2	274.7	(0.3)
Estate/Inheritance Tax	4.5	(72.6)	25.7	(42.8)	70.0	(29.0)
Casino Wagering Tax	7.6	7.0	30.4	3.4	94.5	4.0
Oil & Gas Severance Tax	3.8	52.0	8.1	(42.6)	43.0	(10.2)
Total	\$1,054.1	(16.4)%	\$5,854.8	(5.6)%	\$18,927.9	(0.7)%
Total Excluding State Education Tax	\$1,038.1	4.2%	\$5,616.1	(1.3)%	\$17,182.7	1.4%
Addendum:						
Gross Lottery Sales ⁴⁾	\$172.7	29.2%	\$806.3	13.2%	\$1,860.0	10.6%
Net to School Aid Fund ⁴⁾	\$ 60.7	22.5%	\$276.4	6.9%	\$ 635.0	8.4%

- 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 adopted at the January 14, 2004, Consensus Revenue Estimating Conference.
- 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*
March 2002 to February 2004**



*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.