

# MONTHLY REVENUE REPORT

## February 2006

Michigan's major General Fund and School Aid Fund earmarked taxes generated \$1.01 billion in revenue during February, which was up 0.3% from last year's level. These major taxes are identified on the back of this report. The modest increase in February followed declines in November and December and a sharp increase in January. Using a three-month moving average to help smooth out the monthly fluctuations in tax collections, reveals that February collections were up 2.1%, representing the ninth increase in the past 12 months. Taxes experiencing an increase in collections in February compared with their year-ago level include the sales, use, tobacco, casino, and severance taxes; however, most of these increases were offset by declines in income, single business, insurance, State education, and real estate transfer tax collections. On a fiscal year-to-date basis, tax collections are down 0.5% compared with the year-ago level. Compared with the consensus revenue estimates, tax collections are tracking very closely with the estimates, for both the General Fund and School Aid Fund.

Net income tax collections (Gross collections less refunds) totaled \$114.3 million in February, which was down 5.2% from last year's level. Gross collections (withholding, estimated, and annual payments) totaled \$507.3 million, which represented an increase of 1.1%; however, refunds paid to taxpayers increased 3.1% to \$393.0 million. After increasing during each of the last seven months of FY 2004-05, net income tax collections have declined during three of the last four months, but are still up 1.6% so far in FY 2005-06.

Sales tax receipts totaled \$485.6 million in February, representing a 2.4% increase from the year-ago level. This increase occurred despite an 11.6% decline in sales tax collections derived from motor vehicle transactions, which marks the 22<sup>nd</sup> decline in the past 24 months. Sales tax collections from all other taxable retail transactions posted a 4.1% increase in February. On a fiscal year-to-date basis, total sales tax collections are even with the year-ago level, sales tax collections from motor vehicle sales are down 12.7%, and sales tax receipts from all other taxable retail sales are up 1.4%.

Single business tax collections totaled \$114.3 million in February, which was down 7.0% from last year's level. The monthly revenue stream generated by the single business tax tends to be very volatile due to economic fluctuations and the timing of quarterly tax payments. The drop in February followed a 3.9% increase in January and total collections during these two months were even with last year's level. On a fiscal year-to-date basis, single business tax collections are down 8.3%, largely due to weak collections in November and December.

Casino tax revenue totaled \$13.2 million in February, which topped last year's level by \$1.0 million or 8.2%. This strong increase in casino tax receipts was probably due in part to extra business generated by the Super Bowl. So far in FY 2005-06, casino tax revenue is up 8.2%.

Among some of the other major taxes, use tax revenue was up 11.1% in February, tobacco tax collections were up 4.5%, and oil and gas severance tax receipts increased 41.3%, while insurance tax revenue fell 21.3%, State education tax collections fell 4.3%, and real estate transfer tax revenue declined a modest 0.4%.

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 2006, along with their fiscal year-to-date collections and growth rates. Also presented are the revised revenue estimates for FY 2005-06, which were adopted at the January 2006 Consensus Revenue Estimating Conference.



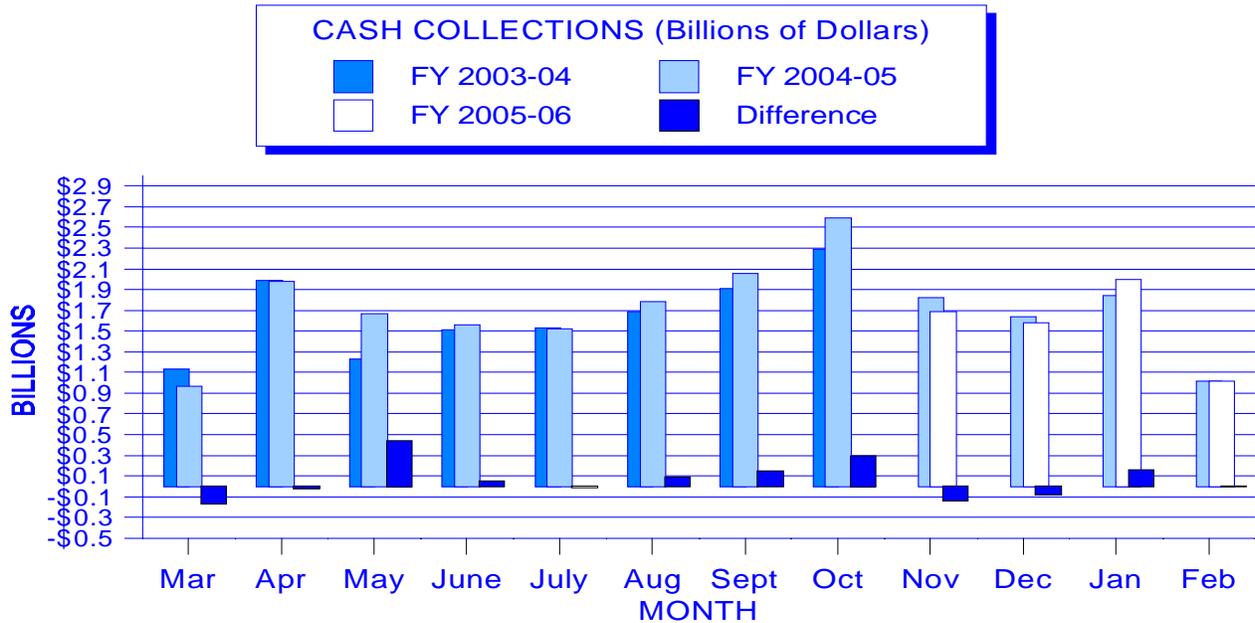
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**MICHIGAN REVENUE UPDATE  
FEBRUARY 2006  
(dollars in millions)**

Type of Revenue	February Collections		FY 2005-06 to Date <sup>2)</sup>		FY 2005-06 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 2004-05
Gross Income Tax	\$ 507.3	1.1%	\$2,549.5	1.6%	\$7,866.7	1.9%
Refunds	(393.0)	3.1	(490.8)	1.5	(1,696.0)	5.3
Net Income Tax	114.3	(5.2)	2,058.7	1.6	6,170.7	1.0
Sales Tax	485.6	2.4	2,196.7	0.0	6,799.8	3.0
Motor Vehicles	46.4	(11.6)	196.4	(12.7)	---	---
All Other Sales Tax	439.2	4.1	2,000.3	1.4	---	---
Use Tax	115.1	11.1	444.4	(0.6)	1,442.3	2.9
Tobacco Taxes	90.9	4.5	380.3	0.9	1,161.5	(1.6)
Single Business Tax	114.3	(7.0)	558.8	(8.3)	1,817.9	(5.0)
Insurance Tax	27.4	(21.3)	87.2	(0.1)	255.0	2.2
State Education Property Tax	22.4	(4.3)	364.1	(4.7)	2,010.0	5.0
Real Estate Transfer Tax	25.2	(0.4)	108.6	6.4	310.0	(1.1)
Estate/Inheritance Tax	0.0	(100.0)	(0.2)	(101.7)	5.0	(95.1)
Casino Wagering Tax <sup>4)</sup>	13.2	8.2	51.3	8.2	149.4	2.5
Oil & Gas Severance Tax	6.5	41.3	32.8	55.5	84.0	25.9
<b>Total</b>	<b>\$1,014.9</b>	<b>0.3%</b>	<b>\$6,282.7</b>	<b>(0.5)%</b>	<b>\$20,205.6</b>	<b>1.1%</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$194.9	17.3%	\$932.4	9.3%	\$2,150.0	5.1%
Net to School Aid Fund <sup>4)</sup>	\$ 62.1	8.9%	\$299.1	12.3%	\$ 685.0	2.6%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2005-06 year-to-date collections begin with November 2005 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the January 12, 2006, Consensus Revenue Estimating Conference.
- 4) Lottery and casino revenue is not accrued, so FY 2005-06 collections will include October 2005 to September 2006.

**Actual Revenue Collections for Major State Taxes\*  
March 2004 to February 2006**



\*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 property, real estate transfer, and casino wagering taxes.