

MONTHLY REVENUE REPORT

January 2004

Tax collections continued to lag behind year-ago levels in January. The revenue collected from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.71 billion in January, which was down 7.3% from last year's level. Some of this decline was due to the new payment schedule for the State education property tax. In past years, some of the State education property tax assessed on taxpayers' winter tax bill was collected in January, but because all of the State education property tax is now collected on the summer property tax bill, State education property tax collections were down 83.8% in January, compared with last year's level. Adjusting for this timing change in the collection of the State education property tax, tax collections from Michigan's major taxes were down 2.5% in January. In addition to the State education property tax, other taxes that posted decreases in January collections included the sales, single business, insurance, estate, and gas and oil severance taxes. Increases were realized in the income, use, tobacco, real estate transfer, and casino taxes. Based on accrual accounting, January represents the end of the first quarter of FY 2003-04, and tax collections for the quarter were down 2.8% compared with the year-ago level.

Net income tax revenue totaled \$756 million in January, which was up 0.9%. While gross collections (withholding, quarterly and annual payments) were down 1.4%, income tax refunds paid to taxpayers were almost \$25 million lower this year compared with last year, which resulted in the modest increase in net collections (gross collections less refunds) in January. During the first quarter of FY 2003-04, net income tax collections were down 1.3%.

Sales tax collections fell 9.4% in January to \$492 million. This marks the seventh time in the past 12 months that sales tax collections have fallen below year-ago levels. In January, sales tax collections derived from motor vehicle transactions were down 17.8%, while the collections from all other taxable retail sales were down 7.9%. During the first quarter of FY 2003-04, sales tax revenue trailed the year-ago level by 3.4%.

Single business tax collections totaled \$190 million in January, which was down 2.9% from last year's level. Given that businesses had to pay a quarterly payment that was due January 31, which fell on a weekend this year, it is estimated that a greater amount than normal of these payments spilled over into February collections. As a result, some of the decline experienced in January is expected to be made up in February. During the first three months of FY 2003-04, single business tax collections were down 10.3%.

Real estate transfer tax revenue totaled \$26 million in January, which topped last year's level by 47.5%. This large increase followed increases of 26.5% in October, 51.5% in November, and 17.5% in December. These large increases reflect strong sales of both new and existing homes, which continue to be supported by low mortgage rates. During the first quarter of FY 2003-04, real estate transfer tax collections were up 40.6%.

Among some of the other major taxes, collections declined in January for the insurance tax, down 12.2%; estate tax, down 14.2%; and oil and gas severance tax, down 39.3%. Taxes whose revenues increased in January included the use tax, up 0.2%; tobacco taxes, up 6.7%; and the casino wagering tax, up 1.3%.

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 January 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.

Jay Wortley, Senior Economist

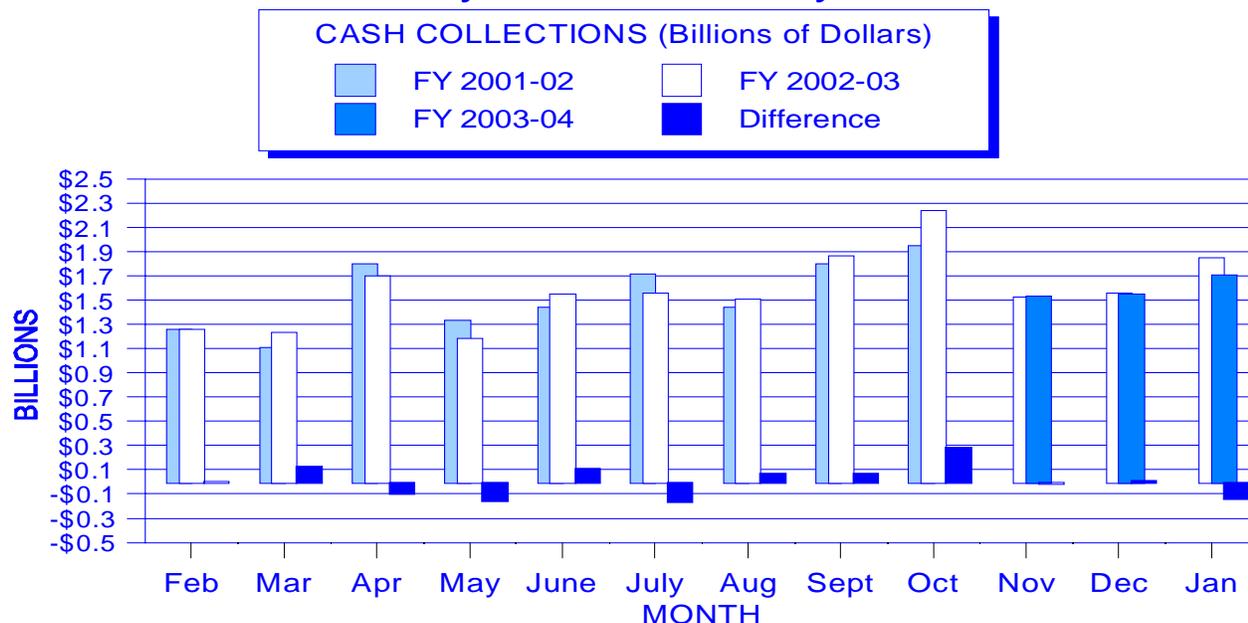


**MICHIGAN REVENUE UPDATE
JANUARY 2004
(dollars in millions)**

Type of Revenue	January 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	\$794.7	(1.4)%	\$1,932.3	(2.3)%	\$7,456.5	1.3%
Refunds	<u>(38.7)</u>	<u>(32.6)</u>	<u>(78.8)</u>	<u>(20.9)</u>	<u>(\$1,636.7)</u>	<u>5.6</u>
Net Income Tax	\$756.0	0.9%	\$1,853.5	(1.3)%	\$5,819.8	0.2%
Sales Tax	492.1	(9.4)	1,594.4	(3.4)	6,620.7	3.1
Motor Vehicles	68.5	(17.8)	200.2	(10.3)	---	---
All Other Sales Tax	423.6	(7.9)	1,394.2	(2.3)	---	---
Use Tax	101.2	0.3	305.4	4.2	1,257.5	2.3
Tobacco Taxes	76.2	6.7	217.1	(0.4)	876.8	(1.6)
Single Business Tax	190.1	(2.9)	420.6	(10.3)	1,878.7	1.9
Insurance Tax	29.4	(12.2)	56.6	(13.3)	247.0	6.9
State Education Property Tax	17.5	(83.8)	222.7	(8.7)	1,745.2	(18.0)
Real Estate Transfer Tax	26.4	47.5	82.1	40.6	274.7	(0.3)
Estate/Inheritance Tax	10.9	(14.2)	21.2	(25.6)	70.0	(29.0)
Casino Wagering Tax	7.6	1.3	22.8	2.2	94.5	4.0
Oil & Gas Severance Tax	3.7	(39.3)	4.3	(62.9)	43.0	(10.2)
Total	\$1,711.1	(7.3)%	\$4,800.7	(2.8)%	\$18,927.9	(0.7)%
Addendum:						
Gross Lottery Sales ⁴⁾	\$ 179.5	12.2%	\$ 633.5	9.5%	\$1,860.0	10.6%
Net to School Aid Fund ⁴⁾	\$ 56.5	(3.5)%	\$ 215.6	3.2%	\$ 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*
February 2002 to January 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.