

# MONTHLY REVENUE REPORT

## July 2004

The revenue collected from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.53 billion in July, which was down an adjusted 2.0% from last year's level. This percentage change from last year's level excludes State education property tax collections because this tax is on a new payment schedule and is being assessed at a higher tax rate this year compared with last year. Therefore, comparisons between current and year-ago State education property tax collections are not meaningful. While six of the major taxes, including the income and use taxes, experienced an increase in collections in July, these gains were more than offset by declines in collections from the sales, single business, insurance, and estate taxes. July marked the second month in a row in which tax revenue failed to top the year-ago level; however, based on noneconomic timing issues and the Senate Fiscal Agency's estimated monthly breakdown of the revenue estimates adopted at the May 2004 Consensus Revenue Estimating Conference, tax collections in both June and July were very close to the anticipated levels. On a fiscal year-to-date basis, the revenue from these major taxes is up 0.5% (excluding State education property tax collections).

Net income tax collections (gross collections less refunds) totaled \$497 million in July, which was up 2.8% from last year's level. Gross income tax revenue, which includes income tax withholding, quarterly, and annual payments, was up 5.8% in July. Withholding payments, which accounted for over 97% of gross income tax payments in July, were up 6.3%. Income tax payments refunded to taxpayers totaled \$40 million in July, which was up significantly from the \$24 million that was refunded last year at this time. This increase in July refunds largely reflects the fact that refund payments are being processed more slowly this year compared with last year. So far this fiscal year, net income tax collections are up 2.4%.

Sales tax collections totaled \$538 million in July, representing a 6.9% decline from last year's level. This decline followed a 4.4% increase in June. Much of the weakness in July sales tax collections was due to a 24.6% drop in collections from motor vehicle transactions; however, sales tax collections from all other taxable retail sales also were down 2.8% in July. On a fiscal year-to-date basis, sales tax collections are down 0.8%.

Use tax collections totaled \$113 million in July, which was up 5.7% from last year's level. This marked the seventh time in the past nine months that use tax collections topped the previous year's level. The use tax is assessed primarily on motor vehicle transactions between individuals, hotel and motel room charges, telephone bills, vehicle leases, and out-of-State purchases by Michigan businesses. So far this fiscal year, use tax collections are up 6.0%.

Single business tax revenue totaled \$199 million in July, which was down 10.1% from the year-ago level. This marked the fourth consecutive month that single business tax collections have fallen from year-ago levels. After being up 4.0% on a fiscal year-to-date basis at the end of March, single business tax revenue collected through the end of July is now down 5.6%.

Tobacco tax revenue totaled \$86 million in July, which was up \$8 million, or 10.3%, from last year's level. This increase can be attributed to a one-time speedup in the amount of tobacco products smokers purchased during the last few days of June to avoid the tax increase that took effect on July 1. Tobacco taxes are collected by tobacco wholesalers and the tax they collect during any particular month does not have to be paid to the Treasury Department until the middle of the following month. As a result, the tobacco tax revenue collected in July represents tobacco tax sales that occurred in June. The higher revenue from the 75 cents per pack increase in the cigarette tax and the 12 percentage point increase in the tax on the wholesale price of other tobacco products, both of which became effective July 1, 2004, is not reflected in July collections, but will be included in August tax collections. So far this fiscal year, tobacco tax revenue is down 0.3%.

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



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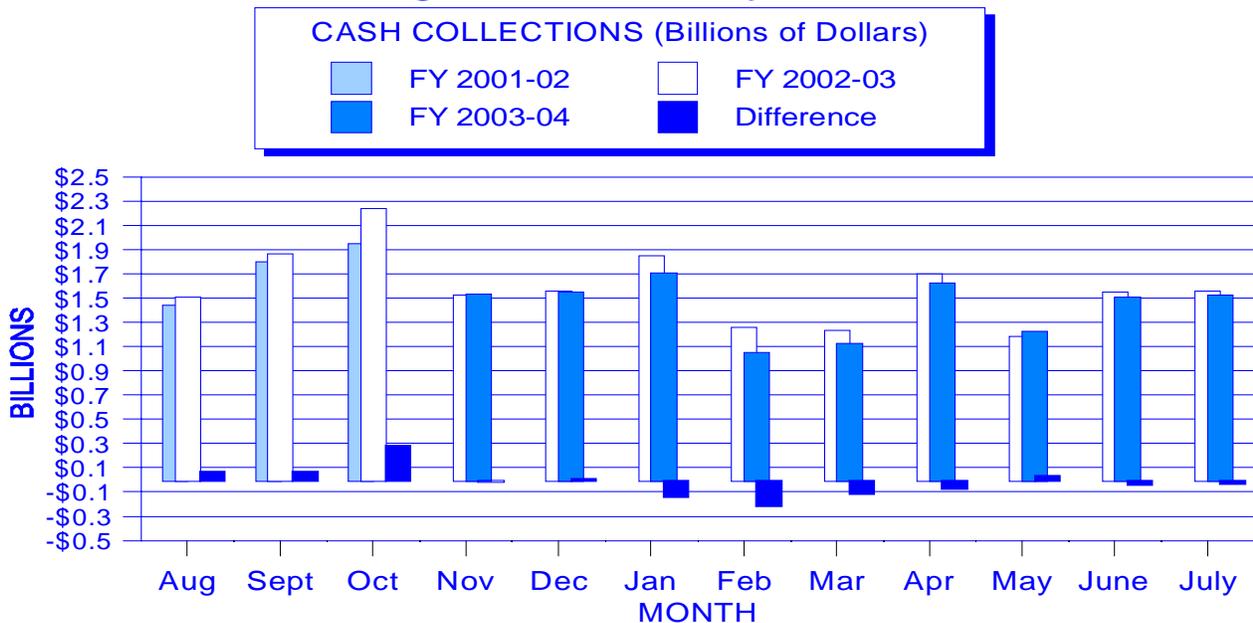
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**MICHIGAN REVENUE UPDATE  
JULY 2004  
(dollars in millions)**

Type of Revenue	July Collections		FY 2003-04 to Date <sup>2)</sup>		FY 2003-04 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 2002-03
Gross Income Tax	\$ 536.8	5.8%	\$ 5,715.1	1.5%	\$7,502.5	1.9%
Refunds	(40.0)	68.8	(1,440.2)	(1.0)	(\$1,640.9)	5.8
Net Income Tax	\$496.8	2.8%	\$4,274.9	2.4%	\$5,861.6	0.9%
Sales Tax	538.1	(6.9)	4,736.8	(0.8)	6,500.7	1.2
Motor Vehicles	80.9	(24.6)	663.8	(13.9)	---	---
All Other Sales Tax	457.2	(2.8)	4,073.0	1.8	---	---
Use Tax	112.8	5.7	970.9	6.0	1,282.5	4.3
Tobacco Taxes	86.0	10.3	652.7	(0.3)	876.8	(1.6)
Single Business Tax	199.2	(10.1)	1,333.4	(5.6)	1,823.7	(1.0)
Insurance Tax	25.7	(19.9)	174.2	(2.5)	247.0	6.9
State Education Property Tax	17.6	(9.3)	330.9	(65.3)	1,745.2	(18.0)
Real Estate Transfer Tax	32.0	51.7	233.5	26.5	297.7	8.1
Estate/Inheritance Tax	5.4	(38.6)	65.6	(16.9)	65.0	(34.1)
Casino Wagering Tax	7.6	1.3	72.3	5.9	98.5	8.4
Oil & Gas Severance Tax	5.4	58.8	34.6	(12.4)	56.0	16.9
<b>Total</b>	<b>\$1,526.6</b>	<b>(2.1)%</b>	<b>\$12,879.8</b>	<b>(4.1)%</b>	<b>\$18,854.7</b>	<b>(1.1)%</b>
<b>Total Excluding State Education Tax</b>	<b>\$1,509.0</b>	<b>(2.0)%</b>	<b>\$12,548.9</b>	<b>0.5%</b>	<b>\$17,109.5</b>	<b>1.0%</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$194.2	63.1%	\$1,663.9	19.6%	\$1,865.9	10.9%
Net to School Aid Fund <sup>4)</sup>	\$ 58.9	43.8%	\$ 544.4	11.0%	\$ 637.0	8.7%

- 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) Revenue estimates adopted at the May 18, 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\*  
August 2002 to July 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.