

# MONTHLY REVENUE REPORT

## July 2007

The revenue generated from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1.85 billion in July, which was up 3.5% from last year's level. This increase was well distributed among the major taxes. Collections generated by the income, sales, use, single business, and oil and gas severance taxes not only topped their year-ago levels, but also came in stronger than was expected for the month. The only major General Fund and School Aid Fund taxes that experienced a decline in tax collections in July were the tobacco, State education, and real estate transfer taxes. July tax revenue earmarked to the General Fund was up 4.3% from last year's level, while School Aid Fund earmarked revenue was up 2.7%. So far in FY 2006-07, tax collections are down 0.9%; however, tax collections continue to track well with the May 2007 consensus revenue estimates.

Net income tax collections (gross collections less refunds) totaled \$571.8 million in July, which was up 1.1% from last year's level. Gross collections increased 1.8% to \$597.5 million, as income tax withholding payments increased 1.5% to \$579.8 million and quarterly payments increased 30.9% to \$8.9 million. This marked the ninth consecutive month that income tax withholding payments have topped the year-ago level. Offsetting some of the gain in gross income tax collections was a 17.9% increase in the amount of income tax refunds paid to taxpayers in July. So far in FY 2006-07, net income tax revenue is up 3.2%.

Sales tax revenue totaled \$631.9 million in July, representing an increase of 7.7% from last year's level. While this represented only the third time in the past nine months that sales tax collections have posted an increase, a large increase was expected in July due to the fact that June ended on a weekend, which caused some sales tax collections to spill over into July. The \$67.5 million that was collected from motor vehicle transactions was down 11.2% from last year's level. Sales tax receipts from all other taxable retail transactions totaled \$564.4 million and were 10.5% above the 2006 level. Despite the strong increase in July, sales tax collections so far in FY 2006-07 continue to trail last year's level by 1.7%.

Single business tax receipts totaled \$244.5 million in July, which was up 5.7% from last year's level. This marked only the second time in the past nine months that these business tax receipts have topped last year's level. On a fiscal year-to-date basis, single business tax collections are down 7.1%.

State education and real estate transfer tax collections were down significantly in July. Collections from the State education tax declined to \$24.8 million in July from \$31.9 million last year, a decrease of 22.3%; however, this decline was due to a \$6.6 million refund that was paid to a taxpayer as a settlement to a multiyear tax dispute. Real estate transfer tax collections totaled \$17.2 million in July, which was 32.3% below last year's level. This large decline reflects the current weakness in the housing market.

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 2007, along with their fiscal year-to-date collections and growth rates. Also presented are the consensus revenue estimates for FY 2006-07, which were adopted at the May 2007 Consensus Revenue Estimating Conference.



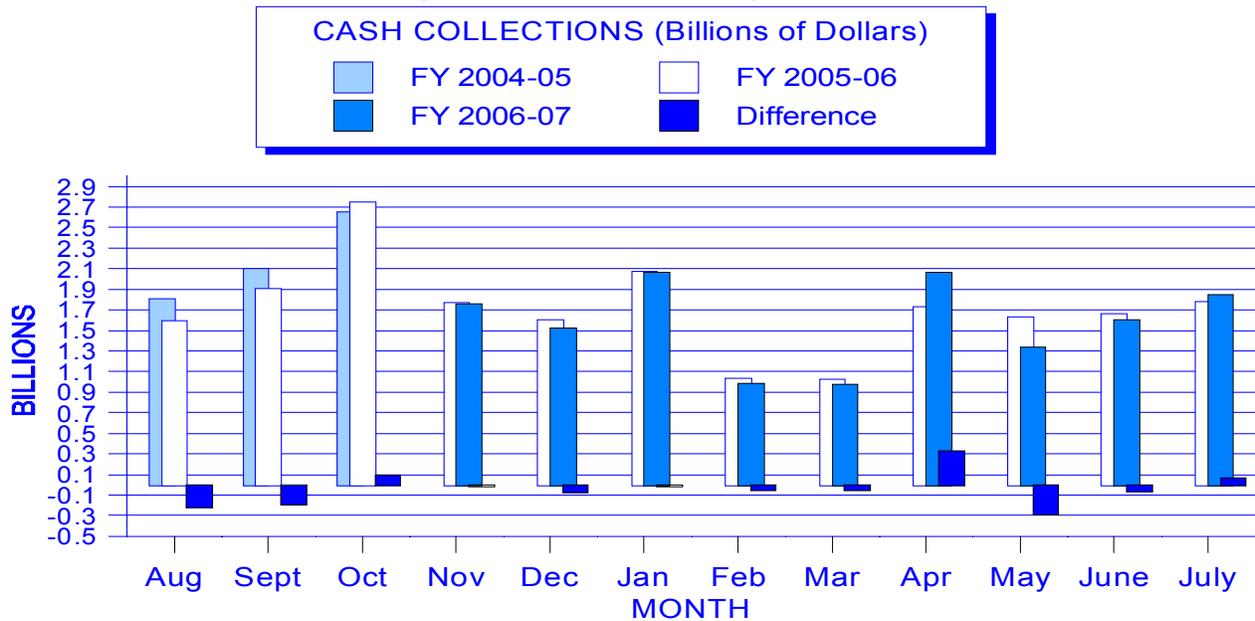
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**MICHIGAN REVENUE UPDATE  
JULY 2007  
(dollars in millions)**

Type of Revenue	July Collections		FY 2006-07 to Date <sup>2)</sup>		FY 2006-07 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 2005-06
Gross Income Tax	597.5	1.8	6,278.8	3.2	\$8,037.8	2.4
Refunds	(25.7)	17.9	(1,621.5)	3.7	(\$1,700.7)	4.6
Net Income Tax	571.8	1.1	4,657.3	3.1	\$6,337.1	1.8
Sales Tax	631.9	7.7	4,879.5	(1.6)	6,562.3	(1.1)
Motor Vehicles	67.5	(11.2)	535.8	1.3	---	---
All Other Sales Tax	564.4	10.5	4,343.7	(2.0)	---	---
Use Tax	134.7	10.0	1,022.7	(1.5)	1,394.5	1.4
Tobacco Taxes	98.1	(9.3)	832.0	(3.7)	1,137.0	(2.7)
Single Business Tax	244.5	5.7	1,372.1	(7.1)	1,810.3	(1.7)
Insurance Tax	34.1	20.1	166.7	(1.5)	216.0	(1.6)
State Education Property Tax	24.8	(22.3)	526.5	7.6	2,069.1	3.3
Real Estate Transfer Tax	17.2	(32.3)	171.4	(25.1)	226.2	(24.0)
Casino Wagering Tax <sup>4)</sup>	13.7	3.0	135.2	4.2	163.0	4.8
Oil & Gas Severance Tax	6.9	11.3	49.5	(25.6)	62.0	(23.9)
Other Taxes <sup>5)</sup>	68.0	5.8	316.4	(0.8)	457.2	2.5
<b>Total</b>	<b>\$1,845.7</b>	<b>3.5</b>	<b>\$14,129.3</b>	<b>(0.9)</b>	<b>\$20,434.7</b>	<b>(0.1)</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$165.8	9.9	1,942.1	4.7	\$2,290.3	3.6
Net to School Aid Fund <sup>4)</sup>	55.4	30.0	620.4	8.0	710.0	3.2

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2006-07 year-to-date collections begin with November 2006 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the May 18, 2007, Consensus Revenue Estimating Conference.
- 4) Lottery and casino revenue is not accrued, so FY 2006-07 collections will include October 2006 to September 2007.
- 5) Other Taxes include beer, wine, liquor, industrial facilities, utility property, and estate taxes, and penalties and interest.

**Actual Revenue Collections for Major State Taxes\*  
August 2005 to July 2007**



\*Comparison of actual collections. Major taxes include the beer, casino, estate, income, industrial facilities, insurance, liquor, oil & gas severance, real estate transfer, sales, SBT, State education, tobacco (cigarette & other tobacco products), use, utility property, and wine taxes, and penalties and interest revenue.