

MONTHLY REVENUE REPORT

July 2009

Michigan's General Fund and School Aid Fund earmarked taxes generated \$1.74 billion in July, which was down 10.4% from last year's level. This marked the seventh time during the first nine months of FY 2008-09 that monthly tax collections have declined from the year-ago level in excess of 10.0%. The taxes that experienced the most significant declines in July included the sales, use, Michigan Business, and income taxes. The only taxes that posted an increase in collections were the insurance, State Education, and real estate transfer taxes. July tax collections fell short of the Senate Fiscal Agency's estimate for July by about \$50.0 million.

On a fiscal year-to-date basis, tax collections are down 13.0% from the comparable year-ago level. This sharp decline is well distributed among the major taxes. In fact, the insurance tax is the only major tax whose collections are up so far in FY 2008-09 from the comparable year-ago level. Compared with the Senate Fiscal Agency's monthly breakdown of the May 2009 consensus revenue estimates for these major taxes, collections to date are below the estimate by about \$170.0 million. General Fund revenue and School Aid Fund revenue both are running below their estimates by about \$85.0 million.

Net income tax revenue totaled \$526.7 million in July, which was down 7.2% from last year's level. Gross collections (income tax withholding, quarterly, and annual payments) dropped 7.4% to \$555.0 million and refund payments declined 12.1% to \$28.3 million. So far in FY 2008-09, net income tax revenue is down 19.8%.

Sales tax receipts totaled \$515.9 million in July, which was down \$80.0 million or 13.4% from the year-ago level. It appears that all of this weakness in sales tax collections was due to a sharp contraction in consumer spending on items other than motor vehicles. Sales tax receipts from motor vehicle transactions topped the year-ago level by 11.2%, while sales tax collections from all other taxable retail transactions were down 16.7% in July. The increase in motor vehicle sales tax revenue in July marked the eighth consecutive monthly increase. There was no indication that the Federal "cash for clunkers" incentive program had any meaningful impact on sales tax receipts in July. On a fiscal year-to-date basis, overall sales tax collections are down 9.9%, motor vehicle sales tax receipts are up 12.7%, and all other sales tax revenue is down 12.6%.

Michigan Business and Single Business Taxes generated \$327.9 million in July, which was down 19.1% from last year's level. The newness of the Michigan Business Tax continues to make it difficult to assess the monthly collection levels. At least some of the shortfall in July reflects the fact that refunds are now being issued under this new tax, but were not being issued last year at this time. So far in FY 2008-09, the combined MBT and SBT collections are up 1.1%.

Real estate transfer tax collections posted an increase of 2.6% in July to \$17.5 million. This marks the first month since April 2006 that real estate transfer tax receipts have topped the year-ago level; however, a transaction involving a large industrial property is the primary reason for this increase. If the data are adjusted for this one particular property transfer, real estate transfer tax revenue would still have been down in July, but not by as much as it has been down in recent months. Despite the increase in July, real estate transfer tax receipts are still down 33.6% on a fiscal year-to-date basis.

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 2009. Also presented are the consensus revenue estimates for FY 2008-09, which were adopted at the May 2009 Consensus Revenue Estimating Conference.

Jay Wortley, Senior Economist

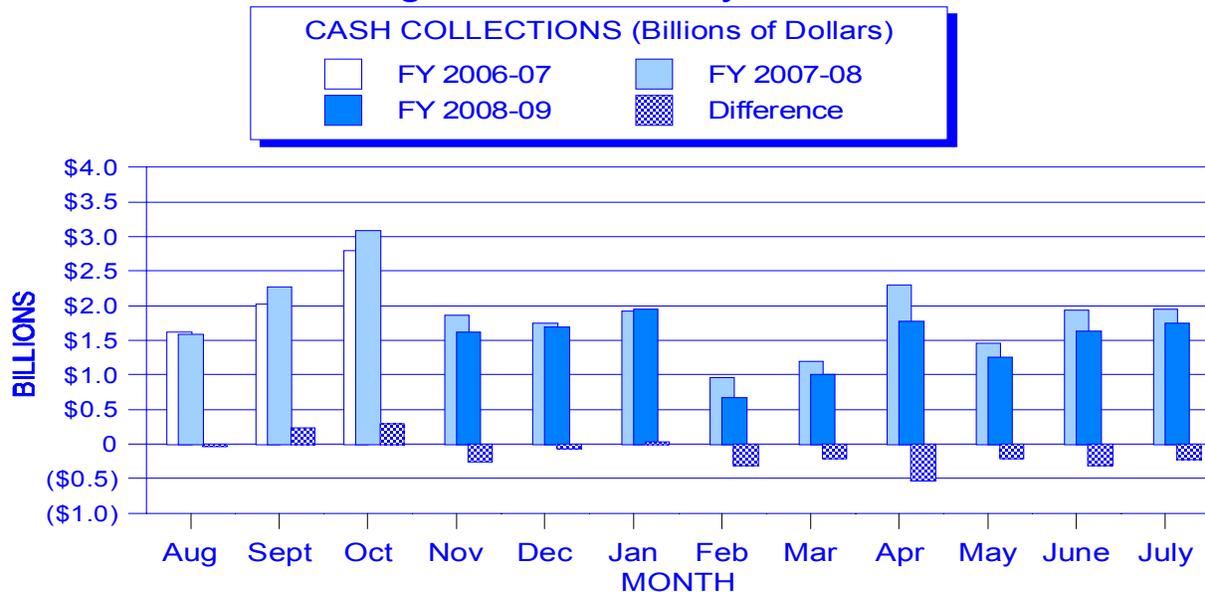


**MICHIGAN REVENUE UPDATE
JULY 2009
(dollars in millions)**

Type of Revenue	July Collections		FY 2008-09 to Date ²⁾		FY 2008-09 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2007-08
Gross Income Tax	\$555.0	(7.4)%	\$6,249.9	(10.4)%	\$8,168.9	(9.4)%
Refunds	(28.3)	(12.1)	(2,004.3)	19.2	(2,111.3)	17.9
Net Income Tax	\$526.7	(7.2)%	\$4,245.6	(19.8)%	\$6,057.6	(16.2)%
Sales Tax	515.9	(13.4)	4,518.3	(9.9)	6,211.7	(8.3)
Motor Vehicles	78.4	11.2	599.3	12.7	---	---
All Other Sales Tax	437.5	(16.7)	3,919.0	(12.6)	---	---
Use Tax	103.7	(14.4)	811.7	(20.9)	1,152.5	(16.3)
Tobacco Taxes	91.8	(0.2)	760.2	(0.8)	1,015.6	(5.4)
Single Business Tax	20.5	---	(131.3)	(119.0)	(158.2)	(127.6)
Michigan Business Tax	307.4	(32.5)	1,999.4	---	2,318.0	22.5
Insurance Tax	58.9	11.3	199.0	6.0	243.8	9.2
State Education Property Tax	35.6	226.6	447.8	(22.3)	2,006.0	(3.5)
Real Estate Transfer Tax	17.5	17.4	86.7	(33.6)	100.0	(41.1)
Casino Wagering Tax ⁴⁾	9.3	(10.6)	84.5	(13.2)	113.5	(12.5)
Oil & Gas Severance Tax	3.9	(66.7)	37.7	(48.8)	61.0	(37.2)
Other Taxes ⁵⁾	52.6	(16.5)	269.0	(13.8)	365.0	(12.2)
Total	\$1,743.8	(10.4)	\$13,328.6	(13.0)	\$19,486.5	(11.6)
Addendum:						
Gross Lottery Sales ⁴⁾	\$214.0	25.2%	\$1,999.8	3.2%	\$2,031.6	(7.1)%
Net to School Aid Fund ⁴⁾	\$56.3	2.8%	\$607.7	(2.3)%	\$688.1	(7.1)%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2008-09 year-to-date collections begin with November 2008 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the May 15, 2009, Consensus Revenue Estimating Conference.
- 4) Lottery and casino revenue is not accrued, so FY 2008-09 collections will include October 2008 to September 2009.
- 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 2007 to July 2009**



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