

MONTHLY REVENUE REPORT

JULY 2012

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1.8 billion in July, down 1.8% from last year's level. July tax collections were approximately \$29.4 million below the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in May 2012. While sales tax receipts fell short of monthly projections and income tax refunds were greater than expected, the losses were partially offset by higher-than-expected collections under the Michigan Business Tax (MBT).

Collections earmarked to the General Fund were \$17.6 million above the expected level for July, while School Aid Fund tax collections were \$42.1 million below the forecasted level. The remaining \$4.9 million in below-forecast collections reflected other funds, most notably constitutional revenue sharing. Through July, year-to-date General Fund collections are \$93.7 million higher, School Aid Fund collections \$16.5 million lower, and other funds collectively \$1.8 million below, the level expected based on the May 2012 consensus revenue estimates.

Net income tax revenue totaled \$639.4 million in July 2012, up 15.4% from July 2011. Withholding payments (which represented the majority of gross income tax revenue) were 15.2% above the year-ago level and \$8.6 million above the predicted level. Generally, withholding receipts during 2012 have been expected to be much higher than in 2011 due to the tax changes enacted in May 2011, many of which were expected to increase withholding. Income tax refunds were greater than expected for the third month in a row and year-to-date are \$43.2 million above the expected level.

Sales tax receipts totaled \$620.5 million in July, \$46.3 million below forecast but up 9.6% from July 2011. On a year-to-date basis, sales tax collections are up 4.1% from last year. Collections from new vehicle sales were up 13.0% from last year's level. A portion of the strong year-over-year increases reflected calendar issues: July 2011 sales tax collections were depressed because the month ended on a weekend, while collections in July 2012 were boosted because June 2012 ended on a weekend. Use tax collections totaled \$107.1 million, up 14.6% from July 2011, and year-to-date use tax collections are up 1.7% from last year.

Revenue from the MBT totaled \$35.9 million in July, down 87.5% from July 2011 as businesses switch from the MBT to the new Corporate Income Tax. Despite the year-over-year decline, MBT collections were \$51.9 million above the level expected for the month based on the May 2012 revenue estimates. Year-to-date MBT collections are \$88.0 million above the level expected based on the May 2012 consensus revenue estimates. Corporate Income Tax collections totaled \$103.7 million in July, compared to a forecast of \$105.4 million.

Collections from most other major taxes were near the expected level in July. Real estate transfer tax receipts were 60.5% above the year-ago level in July and over the last three months have averaged year-over-year gains of 53.4%. Year-to-date real estate tax collections are up 14.6% from last year and \$6.7 million above the forecasted level based on the May 2012 consensus revenue estimates.

The table on the back of this report identifies the major taxes included in the report, and provides their respective revenue levels and growth rates for July 2012. Also presented are the revised consensus revenue estimates for FY 2011-12, which were adopted at the May 2012 Consensus Revenue Estimating Conference.

David Zin, Chief Economist

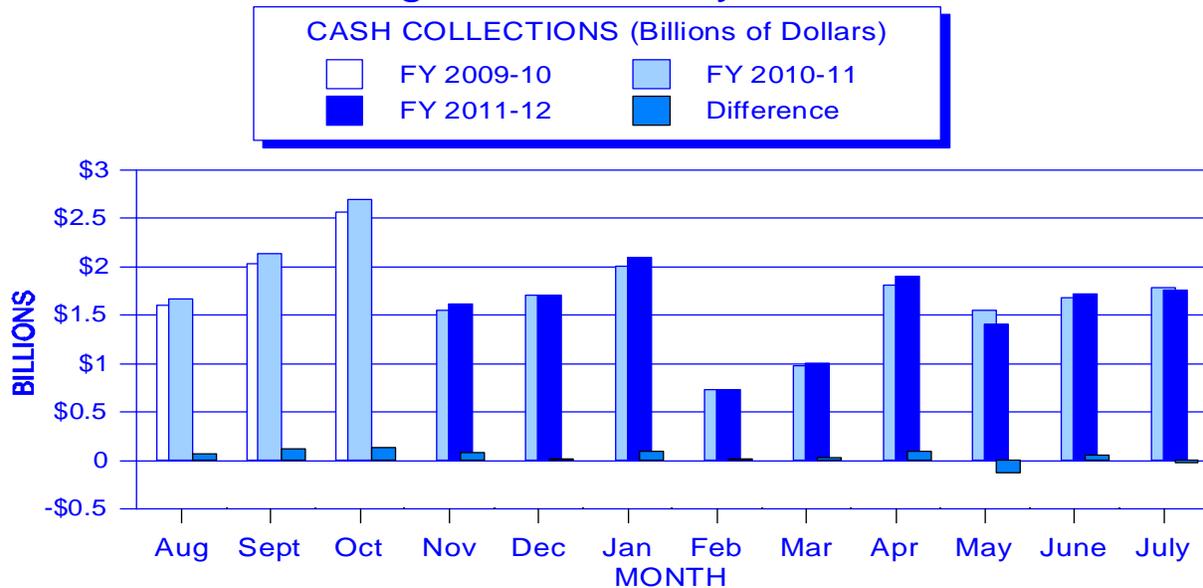


**MICHIGAN REVENUE UPDATE
JULY 2012
(dollars in millions)**

Type of Revenue	July Collections		FY 2011-12 to Date ²⁾		FY 2011-12 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2010-11
Gross Income Tax	\$682.8	14.9	\$6,944.0	6.8	\$9,069.0	3.3
Refunds	(43.3)	8.7	(2,069.8)	0.1	(\$2,103.1)	2.0
Net Income Tax	639.4	15.4	4,874.2	9.8	\$6,965.9	3.8
Sales Tax	620.5	9.6	5,168.9	4.1	7,023.9	2.9
Motor Vehicles	74.7	13.0	625.0	4.9	----	----
All Other Sales Tax	545.8	9.2	4,543.9	4.0	----	----
Use Tax	107.1	14.6	876.6	1.7	1,182.1	13.0
Tobacco Taxes	85.5	(4.6)	709.0	0.6	961.7	(3.2)
Corporate Income Tax	103.7	----	327.1	----	485.6	----
Michigan Business Tax	35.9	(87.5)	925.5	(42.5)	713.6	13.4
Insurance Tax	69.2	7.4	222.9	9.5	300.0	5.5
State Education Property Tax	16.5	(30.4)	347.7	(23.3)	1,807.1	(3.7)
Real Estate Transfer Tax	13.9	60.5	93.9	14.6	124.9	2.8
Casino Wagering Tax ⁴⁾	9.1	(6.8)	87.7	1.6	114.7	0.8
Oil & Gas Severance Tax	3.7	(39.8)	41.2	(13.0)	60.7	12.9
Other Taxes ⁵⁾	46.9	(34.9)	205.7	(18.2)	292.7	(10.0)
Total	\$1,751.4	(1.4)	\$13,880.5	1.3	\$20,032.9	(0.8)
Addendum:						
Gross Lottery Sales ⁴⁾	\$171.1	(18.3)	\$2,023.0	2.5	\$2,467.0	5.4
Net to School Aid Fund ⁴⁾	54.8	(13.7)	643.3	5.3	750.0	1.8

- Total collections are unadjusted cash collections unless otherwise noted.
- FY 2011-12 year-to-date collections begin with November 2011 collections to reflect accrual accounting.
- Consensus revenue estimates adopted at the May 16, 2012, Consensus Revenue Estimating Conference.
- Lottery and casino revenue is not accrued, so FY 2011-12 collections will include October 2011 to September 2012.
- Other Taxes include beer, wine, liquor, single business tax, industrial facilities, utility property, and estate taxes, and penalties and interest.

**Actual Revenue Collections for Major State Taxes*
August 2010 to July 2012**



*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.