

MONTHLY REVENUE REPORT

March 2008

The revenue collected from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1.2 billion in March 2008, which topped last year's level by \$218.7 million or 22.3%. Tax collections were expected to post a strong gain in March, due largely to the positive effects of several noneconomic factors, but actual collections exceeded the Senate Fiscal Agency's March estimate by about \$40.0 million. Given that tax collections were short of the monthly estimates at the end of February by a similar amount, tax collections through March are essentially right on target with the January consensus revenue estimate. The largest increases in March were posted by the income and sales taxes, but most of these increases were due to noneconomic factors. Adjusting for these noneconomic factors reveals that March tax collections were still about 5.0% above last year's level. On a fiscal year-to-date basis, the revenue from these General Fund and School Aid Fund taxes is up 5.9%.

Net income tax revenue in March totaled \$275.7 million, which was up 77.3% from last year's level. This very large increase was due to three factors: 1) The increase in the income tax rate, which was not in effect last year at this time, boosted income tax revenue about \$69.0 million in March, 2) an extra payday in March compared with last year generated an additional \$22.0 million, and 3) refund payments to taxpayers dropped below last year's level by about \$20.0 million due to timing issues and not an actual decline in refunds. After adjusting for these noneconomic issues, net income tax revenue was up about 5.8% in March. On a fiscal year-to-date basis, net income tax revenue is up 15.2%.

Sales tax receipts totaled \$524.2 million, representing an 11.7% increase from the year-ago level. As with the income tax, most of this increase was due to a noneconomic factor that most likely will be offset by lower-than-normal collections in April. Last year, March ended on a weekend, and as a result, some sales tax collections that otherwise would have been counted as March revenue, were not received until the first week in April. This year, March did not end on a weekend, so there was no shift in month-end sales tax collections into April. Adjusting for this shift in the timing of sales tax receipts reveals that sales tax collections were up about 2.0% in March. So far in FY 2007-08, sales tax revenue is up 4.7%.

Single business tax revenue fell 13.9% in March to \$56.5 million and most of this decline reflects the recent repeal of this tax. A portion of the single business tax revenue collected in March normally includes early remittances of the estimated tax payment due on business activity that occurred during the first quarter of the calendar year. Because the single business tax was repealed effective January 1, 2008, this year March collections did not include any estimated payments for business activity during the first quarter of 2008. Single business tax collections are expected to continue to fall below year-ago collection levels, by increasing amounts, as 2008 progresses. On a fiscal year-to-date basis, single business tax revenue is down 11.1% from last year's level.

Michigan business tax collections totaled \$54.6 million in March, which represents early remittances of the estimated tax due on business activity during the first quarter of 2008. The first quarterly estimated payment under the Michigan business tax is not due until April 20. The new Michigan business tax is expected to generate \$1.88 billion in FY 2007-08, but the small amount of revenue collected so far provides absolutely no indication of the accuracy of this revenue estimate.

The current economic situation is having a diverse impact on severance tax and real estate transfer tax collections. The high price of oil helped boost severance tax revenue 46.6% in March, and on a fiscal year-to-date basis severance tax collections are up 35.5%. On the other hand, the current weakness in the housing market pulled down real estate transfer tax collections 11.3% in March and, so far in FY 2007-08, the revenue from this tax is down 17.8%.

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 March 2008. Also presented are the consensus revenue estimates for FY 2007-08, which were adopted at the January 11, 2008 Consensus Revenue Estimating Conference.



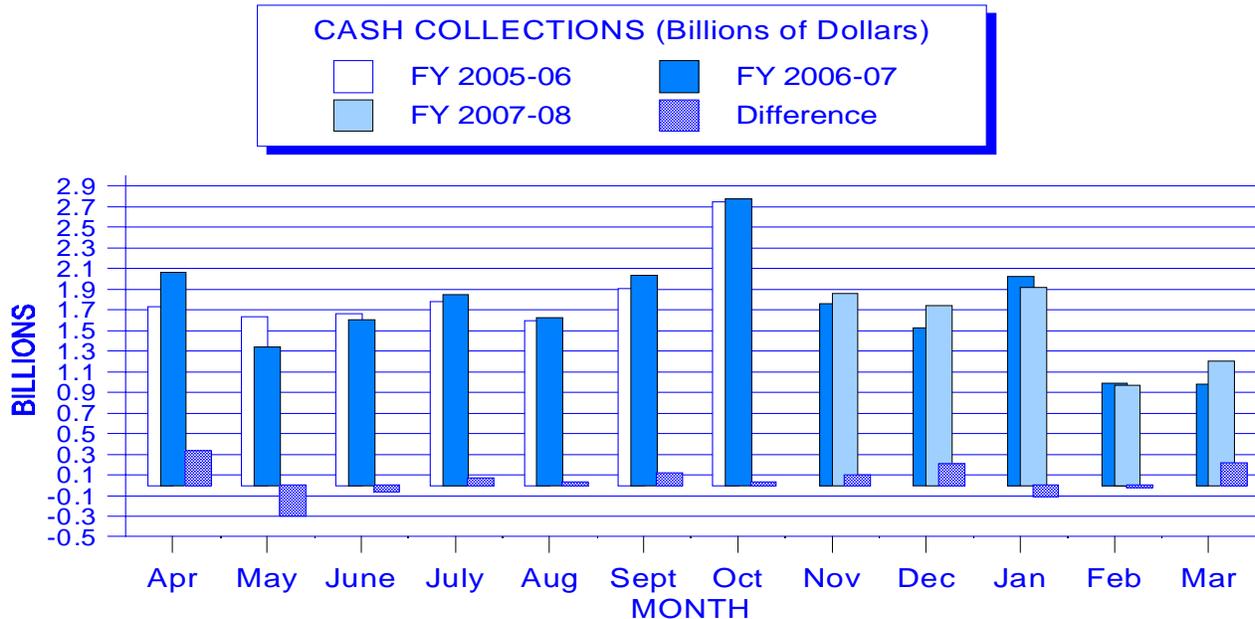
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MICHIGAN REVENUE UPDATE
MARCH 2008
(dollars in millions)

Type of Revenue	March Collections		FY 2007-08 to Date ²⁾		FY 2007-08 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2006-07
Gross Income Tax	\$725.7	16.0%	\$3,593.2	11.7%	\$8,910.5	9.6%
Refunds	(449.8)	(4.3)	(1,042.7)	4.1	(1,828.6)	8.4
Net Income Tax	\$275.9	77.3%	\$2,550.5	15.2%	\$7,081.9	9.9%
Sales Tax	524.2	11.7	2,736.6	4.7	6,529.8	(0.3)
Motor Vehicles	60.9	(3.8)	262.6	(0.5)	---	---
All Other Sales Tax	463.3	14.1	2,474.0	5.3	---	---
Use Tax	105.4	(0.8)	532.5	(4.7)	1,386.0	0.4
Tobacco Taxes	83.7	0.0	430.0	(5.2)	1,106.0	(2.1)
Single Business Tax	56.5	(19.7)	503.9	(11.1)	638.0	(64.9)
Michigan Business Tax	54.6	---	59.4	---	1,884.3	---
Insurance Tax	13.9	39.0	94.6	5.9	244.0	9.0
State Education Property Tax	18.5	22.5	448.0	8.0	2,071.2	(0.5)
Real Estate Transfer Tax	12.5	(11.3)	77.3	(17.8)	211.0	(11.2)
Casino Wagering Tax ⁴⁾	11.3	(24.7)	69.2	(15.7)	135.3	(15.1)
Oil & Gas Severance Tax	8.5	46.6	35.5	35.5	72.0	0.0
Other Taxes ⁵⁾	34.4	(2.8)	173.0	2.8	378.5	(19.5)
Total	\$1,199.4	22.3	\$7,710.5	5.9	\$21,738.0	5.7
Addendum:						
Gross Lottery Sales ⁴⁾	\$189.6	(29.1)%	\$1,192.6	(0.5)%	\$2,225.0	0.1%
Net to School Aid Fund ⁴⁾	\$ 57.2	(35.7)%	\$ 376.9	(2.8)%	\$ 743.0	(0.8)%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2007-08 year-to-date collections begin with November 2007 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the January 11, 2008, Consensus Revenue Estimating Conference.
- 4) Lottery and casino revenue is not accrued, so FY 2007-08 collections will include October 2007 to September 2008.
- 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*
April 2006 to March 2008



*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.