

MONTHLY REVENUE REPORT

March 2009

The revenue generated from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$995.0 million in March, which was down 17.0% from the year-ago level. A decline in tax collections was projected for March, but the actual decline was much steeper than expected. In fact, actual tax collections in March fell short of the monthly estimate by \$125.0 million. This marked the third consecutive month that actual collections were at least \$100.0 million below the monthly target. Of the major taxes tracked in this report, only the sales and insurance taxes experienced an increase in collections in March. Among the remaining taxes, the largest percentage declines were experienced by the income, use, single business, real estate transfer, and severance taxes. So far in FY 2008-09, tax collections are down from the comparable year-ago level by 9.9% and are short of the consensus revenue estimate by about \$325.0 million. General Fund tax collections are running below the estimated level by about \$200.0 million so far in FY 2008-09 and School Aid Fund tax revenue is down about \$125.0 million.

Income tax revenue totaled \$86.8 million in March, which was down 68.5% from last year's level. This sharp decline reflects the combination of declining gross collections and increasing refund payments. Income tax revenue from withholding, quarterly, and annual payments fell 13.1% to \$630.3 million in March. This marked the sharpest monthly decline in gross income tax payments so far in FY 2008-09. At the same time, income tax refund payments increased 20.8% to \$543.5 million. This increase in refund payments reflects an increase in the number of taxpayers receiving a refund and an increase in the average refund payment, and both of these increases are being driven in part by the new earned income tax credit. On a fiscal year-to-date basis, net income tax revenue is down 15.0% from last year's level.

Sales tax receipts totaled \$544.8 million in March, which was up 3.9% from the year-ago level; however, this increase reflects a noneconomic timing factor that artificially boosted March collections at the expense of February receipts. Without the impact of this noneconomic factor, sales tax receipts would have been down an estimated 3.8% in March. Sales tax revenue from motor vehicle transactions was up a surprising 23.2% in March, which marked the fourth consecutive month that motor vehicle sales tax revenue topped the year-ago level by more than 10.0%. Sales tax collections from all other taxable retail sales were up 1.4% in March. So far in FY 2008-09, sales tax revenue is down 7.6% from last year's level.

Michigan Business Tax and Single Business Tax combined collections totaled \$111.4 million in March, which was essentially unchanged from the year-ago level. Michigan Business Tax receipts totaled \$135.8 million in March, while Single Business Tax receipts totaled a negative \$24.4 million, as refund payments resulting from prior year overpayments significantly outdistanced the small amount of cash receipts still being received from this repealed tax.

Real estate transfer tax collections totaled \$6.0 million in March, which was down 52.0% from last year's level. This marks a new record low for a monthly collection level. Compared with the peak level for March, which was recorded in 2005 at \$25.3 million, real estate transfer tax collections in March 2009 were down 76.3%. On a fiscal year-to-date basis, real estate transfer tax collections are trailing the year-ago level by 41.9%.

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 2009. Also presented are the consensus revenue estimates for FY 2008-09, which were adopted at the January 9, 2009, Consensus Revenue Estimating Conference.



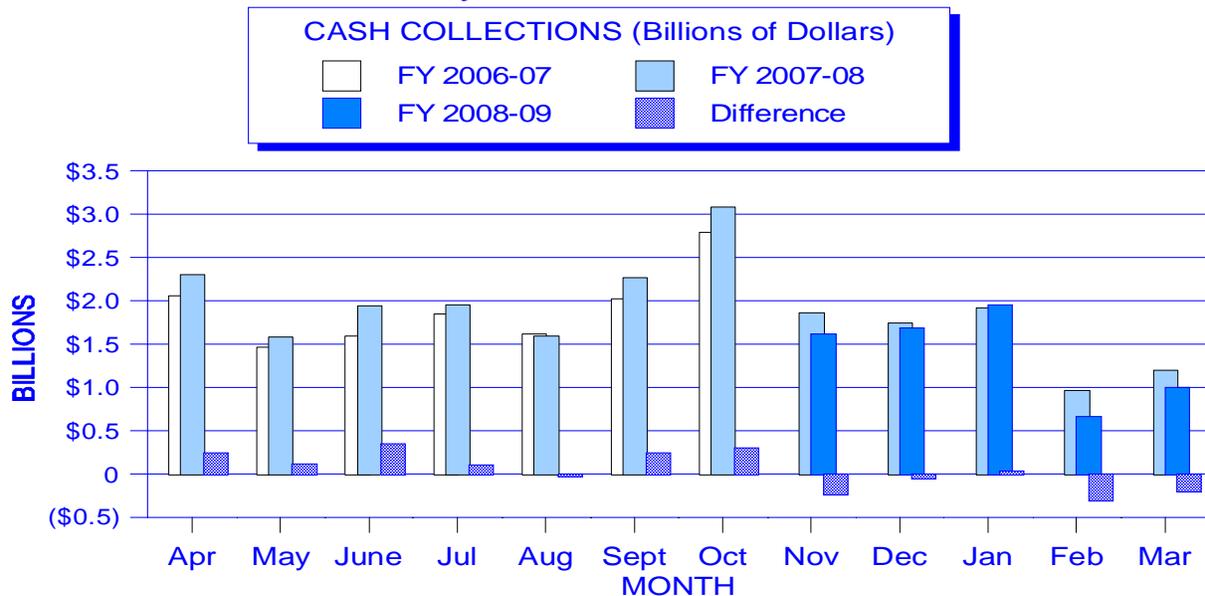
Jay Wortley, Senior Economist

MICHIGAN REVENUE UPDATE
MARCH 2009
(dollars in millions)

Type of Revenue	March 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	\$630.3	(13.1)%	\$3,386.1	(5.8)%	\$8,553.1	(5.1)%
Refunds	(543.5)	20.8	(1,217.8)	16.8	(2,051.9)	14.6
Net Income Tax	86.8	(68.5)	2,168.3	(15.0)	6,501.2	(10.0)
Sales Tax	544.8	3.9	2,528.3	(7.6)	6,491.7	(4.2)
Motor Vehicles	75.0	23.2	296.0	12.7	---	---
All Other Sales Tax	469.8	1.4	2,232.3	(9.8)	---	---
Use Tax	98.3	(6.7)	422.6	(20.6)	1,267.5	(8.0)
Tobacco Taxes	77.7	(7.2)	419.0	2.1	1,043.7	(2.8)
Single Business Tax	(24.4)	(143.2)	(123.1)	(124.4)	(43.2)	(107.5)
Michigan Business Tax	135.8	---	843.9	---	2,586.7	36.7
Insurance Tax	14.7	5.8	87.4	(7.6)	238.8	7.0
State Education Property Tax	18.0	(2.7)	302.1	(32.6)	2,010.2	(3.3)
Real Estate Transfer Tax	6.0	(52.0)	44.9	(41.9)	144.3	(15.0)
Casino Wagering Tax ⁴⁾	9.7	(14.2)	47.8	(13.9)	118.6	(8.6)
Oil & Gas Severance Tax	4.5	(47.1)	25.0	(29.6)	66.0	(32.0)
Other Taxes ⁵⁾	23.1	(32.8)	151.5	(12.4)	389.4	(6.4)
Total	\$995.0	(17.0)%	\$6,917.7	(9.9)%	\$20,814.9	(5.5)%
Addendum:						
Gross Lottery Sales ⁴⁾	\$198.1	4.5%	\$1,193.9	0.1%	\$2,067.0	(5.5)%
Net to School Aid Fund ⁴⁾	62.1	8.7	354.1	(6.1)	700.1	(5.5)

- 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 January 9, 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*
February 2007 to March 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.