

MONTHLY REVENUE REPORT

MARCH 2011

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$963.8 million in March, up 6.4% from last year's level. With the exception of use taxes, tobacco taxes, and the State Education Tax, collections from all major taxes were above year-ago levels. March tax collections were approximately \$254.2 million above the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in January 2011, with the majority of the deviation reflecting higher income tax withholding and sales tax collections combined with lower income tax refunds.

Collections earmarked to the General Fund were \$178.6 million above the expected level for March, while School Aid Fund tax collections were \$64.5 million above the forecasted level. Year-to-date collections to the General Fund are \$250.9 million above the predicted level, while School Aid Fund collections are \$63.3 million above.

Net income tax revenue totaled \$35.5 million in March 2011, compared with a negative \$2.6 million in March 2010. Income tax collections have been above the year-ago level for eight consecutive months. Income tax withholding payments, which represented the majority of gross income tax revenue, were 6.7% above the year-ago level and \$66.7 million above the expected level, as employment and wages have increased with the improvements in the economy. Income tax refunds totaled \$673.5 million in March, compared with \$658.3 million one year ago. However, year-to-date refunds are down 8.4% (\$122.9 million) from year-ago levels, accounting for almost half of the amount by which by both total and General Fund revenue is above forecast.

Sales tax receipts totaled \$569.0 million in March, up 3.7% from the year-ago level. March marked the sixth consecutive month sales tax revenue has been above the year-ago level, and year-to-date sales tax collections are up 6.9%. March sales tax collections were \$68.4 million above the SFA's predicted level.

Net Michigan Business Tax (MBT) revenue totaled \$120.3 million in March, up 25.8% from last year's level. Comparing year-to-date MBT revenue with the previous year does not currently provide meaningful information because of a substantial number of refunds that posted in November. As indicated in earlier issues of this report, a substantial delay occurred in processing many MBT refund requests received during 2010. Those delays were largely resolved in November collections, and the overwhelming majority of November refunds will post against FY 2009-10 revenue. However, the revenue tracking used for this report includes November refunds in FY 2010-11 collections and the refunds thus will distort year-to-date revenue when compared with FY 2009-10. If November collections are excluded, year-to-date MBT revenue is up 3.7% from last year.

Real estate transfer tax receipts were up 30.8% from the year-ago level in March and represented the first year-over-year increase since June 2010. State Education Property Tax revenue was 4.5% below the March 2010 level, although the majority of revenue from this tax is received between August and November.

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 March 2011. Also presented are the consensus revenue estimates for FY 2010-11 adopted at the January 2011 Consensus Revenue Estimating Conference.



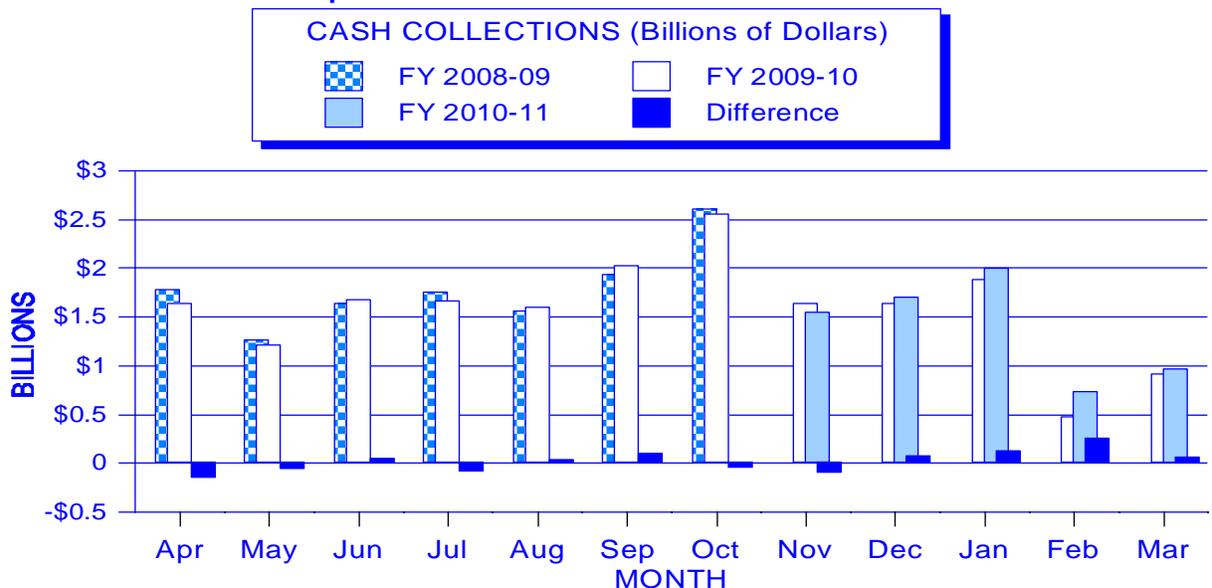
David Zin, Chief Economist

**MICHIGAN REVENUE UPDATE
MARCH 2011
(dollars in millions)**

| Type of Revenue | March Collections | | FY 2010-11 to Date ²⁾ | | FY 2010-11 Estimate ³⁾ | |
|--------------------------------------|---------------------|------------------------|----------------------------------|------------------------|-----------------------------------|--------------------------|
| | Total ¹⁾ | % Change From Year Ago | Total ¹⁾ | % Change From Year Ago | Total ¹⁾ | % Change From FY 2009-10 |
| Gross Income Tax | \$709.0 | 8.1% | \$3,457.4 | 7.5% | \$8,190.5 | 3.3% |
| Refunds | (673.5) | 2.3 | (1,342.0) | (8.4) | (\$2,450.0) | 2.0 |
| Net Income Tax | 35.5 | (1,465.6) | 2,115.4 | 20.9 | \$5,740.5 | 3.8 |
| Sales Tax | 569.0 | 3.7 | 2,724.1 | 6.9 | 6,357.0 | 2.9 |
| Motor Vehicles | 78.4 | 2.0 | 315.0 | 3.9 | --- | --- |
| All Other Sales Tax | 490.6 | 4.0 | 2,409.2 | 7.3 | --- | --- |
| Use Tax | 92.9 | (11.4) | 479.7 | 3.7 | 1,259.4 | 13.0 |
| Tobacco Taxes | 69.7 | (2.1) | 376.9 | (4.9) | 974.3 | (3.2) |
| Single Business Tax | (13.8) | (721.1) | (16.7) | (296.9) | 0.0 | (100.0) |
| Michigan Business Tax | 120.3 | 25.8 | 580.3 | (13.7) | 2,110.0 | 13.4 |
| Insurance Tax | 11.5 | 12.7 | 81.0 | (2.3) | 271.6 | 5.5 |
| State Education Property Tax | 16.9 | (4.5) | 332.0 | (0.7) | 1,860.0 | (3.7) |
| Real Estate Transfer Tax | 11.0 | 30.8 | 47.4 | (2.7) | 125.0 | 2.8 |
| Casino Wagering Tax ⁴⁾ | 10.8 | 41.6 | 47.5 | (0.9) | 112.0 | 0.8 |
| Oil & Gas Severance Tax | 8.4 | 19.6 | 24.8 | (5.4) | 66.0 | 12.9 |
| Other Taxes ⁵⁾ | 31.7 | (8.3) | 124.9 | (8.2) | 348.0 | 0.6 |
| Total | \$963.8 | 6.4% | \$6,917.2 | 6.2% | \$19,223.8 | 2.1% |
| Addendum: | | | | | | |
| Gross Lottery Sales ⁴⁾ | \$210.8 | 6.6% | \$1,186.5 | (1.3%) | \$2,348.8 | (0.7%) |
| Net to School Aid Fund ⁴⁾ | \$66.3 | 10.0% | \$377.6 | 7.9% | \$714.0 | 1.8% |

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2010-11 year-to-date collections begin with November 2010 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the January 14, 2011, Consensus Revenue Estimating Conference.
- 4) Lottery and casino revenue is not accrued, so FY 2010-11 collections will include October 2010 to September 2011.
- 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 2009 to March 2011**



*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.