

MONTHLY REVENUE REPORT

May 2005

Tax collections were very strong in May. The revenue collected from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.67 billion in May, which topped last year's level by 36.3%. This strength in tax collections was widespread as nine of the 12 taxes tracked in this report experienced an increase in collections and eight of these taxes increased by more than 20.0%. While tax collections were up in May, the 36.3% increase overstates the true underlying level of tax collections due to several factors that affect the timing of tax collections between months. Using a three-month moving average to help smooth the monthly fluctuations in collections reveals that tax collections were still up a fairly strong 6.6% in May after declining 5.9% in April. Tax collections in May were up for both the General Fund and the School Aid Fund. On a fiscal year-to-date basis, the revenue generated by these major taxes is up 7.4%.

Net income tax collections (gross collections less refunds) totaled \$486.1 million in May, which was up 47.8% from the year-ago level. This strong revenue gain was due to an increase in gross collections and a decrease in refund payments. Gross collections (withholding, quarterly, and annual payments) were up 20.5% in May. Withholding payments were up 9.9% in May due in part to the fact that May had an extra Monday, which is a key payment day for withholding. Annual payments were up 236.3% in May, but most of this was due to a shift in when payments were received between April and May compared with last year. However, total annual payments received in April and May were still up a very strong \$117.3 million or 31.8% compared with last year. Income tax refunds were 24.9% below last year's level. The sharp increase in May's net income tax collections largely offset some declines experienced earlier this year, and as a result, net income tax collections so far in FY 2004-05 are up a slight 0.6%.

Sales tax collections totaled \$579.8 million in May, which was up 23.3%. This strong increase was due in part to noneconomic monthly fluctuations in sales tax collections. When a month ends on a weekend, some sales tax revenue spills over into the next month. In 2005, April ended on a weekend, which boosted sales tax collections in May, whereas in 2004, May ended on a weekend, which reduced sales tax collections in May. Sales tax collections from motor vehicle transactions fell 12.6% to \$66.7 million; however, the sales tax collected from all other taxable retail sales was up 30.2% to \$513.1 million. On a fiscal year-to-date basis, sales tax collections are up 5.5%.

Single business tax collections totaled \$287.9 million, which topped last year's level by 95.2%. While single business tax collections are above the year-ago level, the May increase greatly overstates the actual level of strength in these business tax receipts due to shifts in the timing of monthly collections. Single business tax annual and quarterly payments are due at the end of April and these payments are received by the Treasury Department during both April and May. This year's collections were skewed toward May compared with last year's pattern. Comparing total collections in April and May with last year's level eliminates this monthly fluctuation and reveals that single business tax collections were still up a strong 22.7% this year compared with last year. So far in FY 2004-05, single business tax collections are up 12.0%.

Also experiencing sharp increases in revenue collections in May were the use tax, up 12.5%, and the insurance tax, up 98.6%. In addition, tax increases enacted during the past year helped boost casino tax collections 40.7% and tobacco tax revenue 30.6%.

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 April 2005, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the revenue estimates for FY 2004-05, which were adopted at the May 2005 Consensus Revenue Estimating Conference.



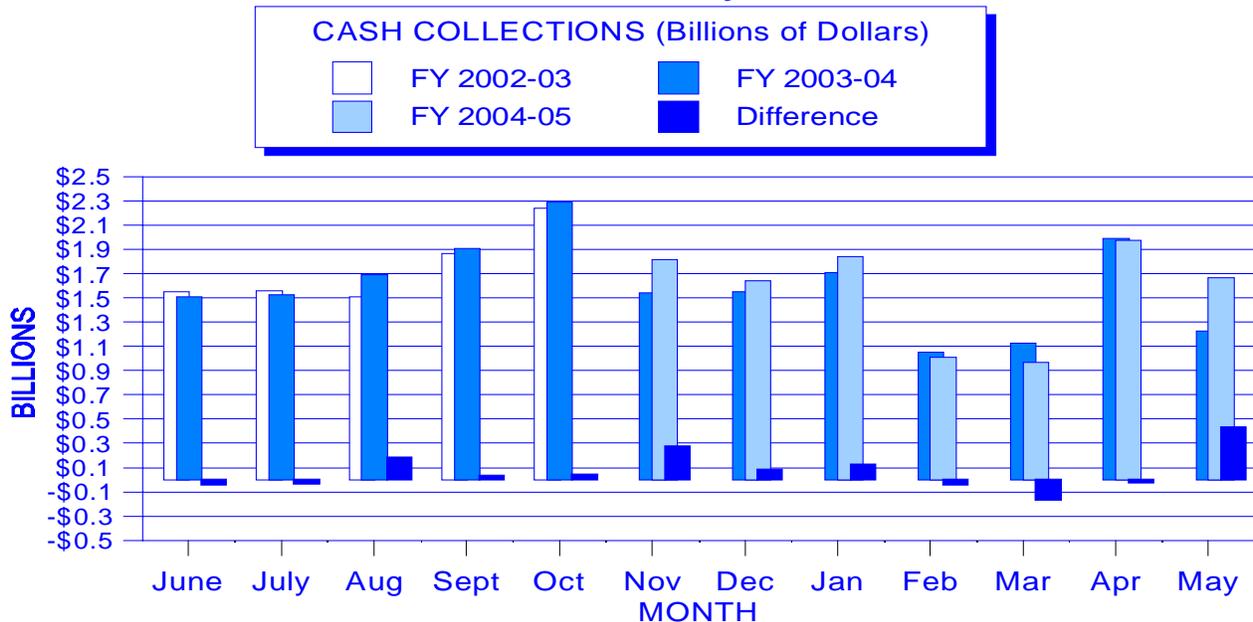
Jay Wortley, Senior Economist

**MICHIGAN REVENUE UPDATE
MAY 2005
(dollars in millions)**

Type of Revenue	May Collections		FY 2004-05 to Date ²⁾		FY 2004-05 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2003-04
Gross Income Tax	\$ 634.5	20.5%	\$ 4,733.3	4.3%	\$ 7,630.4	2.2%
Refunds	(148.4)	(24.9)	(1,479.9)	13.4	(1,660.7)	4.2
Net Income Tax	\$ 486.1	47.8%	\$ 3,253.4	0.6%	\$ 5,969.7	1.6%
Sales Tax	579.8	23.3	3,769.2	5.5	6,636.8	2.5
Motor Vehicles	66.7	(12.6)	435.1	(12.7)	---	---
All Other Sales Tax	513.1	30.2	3,334.1	8.4	---	---
Use Tax	126.7	12.5	802.5	8.9	1,385.6	5.2
Tobacco Taxes	93.4	30.6	651.8	32.7	1,179.2	18.8
Single Business Tax	287.9	95.2	1,176.6	12.0	1,845.7	1.0
Insurance Tax	28.8	98.6	151.7	(0.5)	229.3	(0.4)
State Education Property Tax	27.7	23.1	447.6	52.7	1,851.6	1.5
Real Estate Transfer Tax	26.5	(19.7)	171.9	(3.4)	320.0	0.8
Estate/Inheritance Tax	2.3	(85.4)	19.2	(62.7)	36.0	(52.3)
Casino Wagering Tax	12.8	40.7	85.1	52.2	147.0	47.7
Oil & Gas Severance Tax	2.9	(9.4)	34.9	48.5	63.0	10.3
Total	\$1,674.9	36.3%	\$10,563.9	7.4%	\$19,663.9	3.0%
Addendum:						
Gross Lottery Sales ⁴⁾	\$158.2	7.2%	\$1,392.0	6.7%	\$2,050.2	3.9%
Net to School Aid Fund ⁴⁾	\$ 54.9	11.3%	\$ 437.3	1.4%	\$ 638.0	(1.1)%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2004-05 year-to-date collections begin with November 2004 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the May 19, 2005, Consensus Revenue Estimating Conference.
- 4) Lottery revenue is not accrued, so FY 2004-05 lottery revenue will include October 2004 to September 2005.

**Actual Revenue Collections for Major State Taxes*
June 2003 to May 2005**



*Comparison of actual collections. Major taxes include the net income (gross collections less refunds), sales, use, tobacco (cigarette tax and other tobacco products tax), SBT, insurance retaliatory, estate, oil and gas severance, State education, real estate transfer, and casino wagering taxes.