

MONTHLY REVENUE REPORT

May 2009

The revenue collected from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1.3 billion in May, which was down 13.4% from last year's level. This marked the fourth consecutive month that tax collections have declined in excess of 10.0%. While collections for almost all of the major taxes experienced declines in May from their year-ago levels, the most significant declines were experienced by the sales, use, and income taxes. Compared with the Senate Fiscal Agency's monthly breakdown of the revised consensus estimates for FY 2008-09, May collections fell below the monthly estimate by \$62.0 million and this shortfall was due primarily to weaker-than-expected sales and use tax collections. On a fiscal year-to-date basis, tax collections are down 12.9% or \$1.5 billion from last year's level.

Income tax revenue totaled \$400.6 million in May, representing a 12.9% decline from the year-ago level. Gross income tax collections (withholding, quarterly, and annual payments) totaled \$545.1 million, which was down 8.0% from last year. At the same time, income tax refund payments rose 9.0% to \$144.5 million. So far in FY 2008-09, income tax revenue is below the year-ago level by 21.5% or almost \$850.0 million.

Sales tax revenue totaled \$406.6 million in May, which was down a sharp 22.2% from the year-ago level. A consistent historical monthly series for the sales tax is available back to FY 1984-85 and the decline in May marks the largest percentage decline in monthly sales tax collections during this 24-year period. Somewhat puzzling is the fact that sales tax collections from motor vehicle transactions were up 4.5% in May, while the tax collected from all other taxable sales was down 26.0%. Sales tax collections were expected to decline \$54.0 million in May from last year's level, but they were actually down \$116.1 million, which means sales tax receipts fell short of the monthly target by \$62.1 million. The economic recession is hurting sales tax revenue in several ways including: 1) people are cutting back on their spending because they either have lost their job or feel insecure about their job, and 2) businesses, which pay a large share of the sales tax, are also cutting back on their spending. On a fiscal year-to-date basis, sales tax receipts are down 9.6% or \$364.0 million from the comparable year-ago level.

Michigan Business Tax receipts totaled \$195.9 million in May. These business tax collections were up significantly from the \$64.7 million collected one year ago, but this large increase primarily reflects the ramping up of the collections from this new tax. Collections in May came in very close to the monthly estimate.

Tobacco tax revenue totaled \$84.0 million in May, which was down 5.9% from last year's level. Most of this decline is likely due to the large increase in the Federal tobacco tax that went into effect on April 1. The Federal tax increase is having a negative impact on Michigan's \$2-per-pack cigarette tax because it boosted the price of cigarettes and therefore is having a negative impact on cigarette sales and Michigan's tax receipts. In addition, some smokers probably increased their inventory of cigarettes before the Federal tax hike went into effect to at least initially avoid the tax increase. Given that tax collections in May largely reflect cigarettes sold in April, the increase in cigarette sales before April 1 most likely had a negative impact on sales in April and tax revenue in May. So far in FY 2008-09, tobacco tax revenue is even with last year's level.

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



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MICHIGAN REVENUE UPDATE

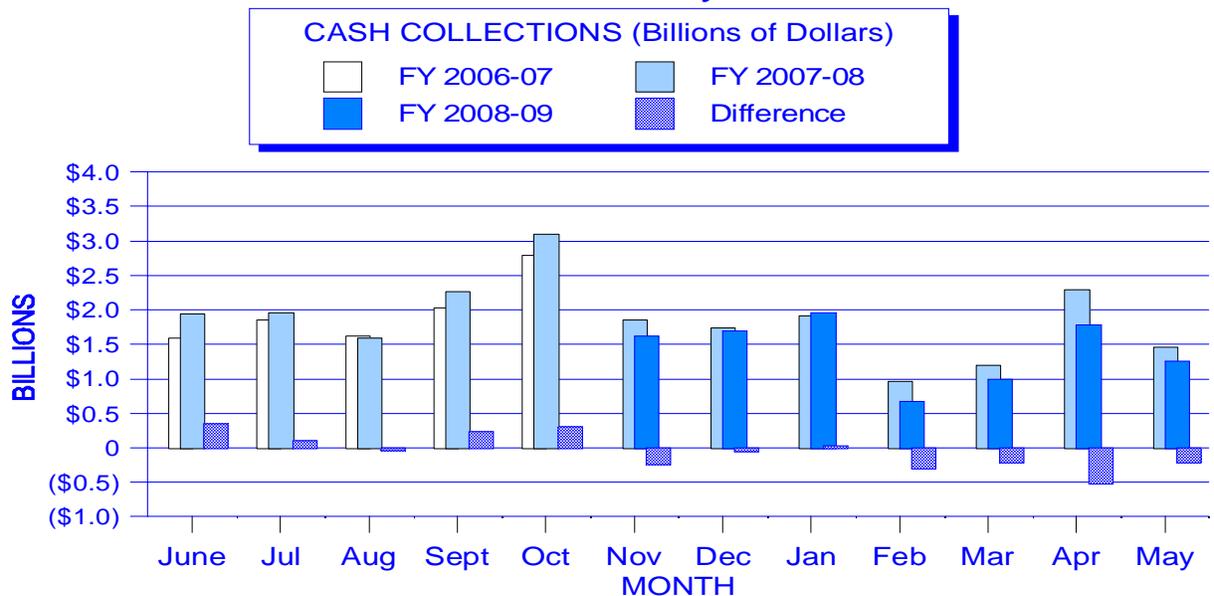
MAY 2009

(dollars in millions)

Type of Revenue	May 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	\$545.1	(8.0)%	\$5,009.3	(9.9)%	\$8,168.9	(9.4)%
Refunds	(144.5)	9.0	(1,903.0)	18.6	(2,111.3)	17.9
Net Income Tax	\$400.6	(12.9)%	\$3,106.3	(21.5)%	\$6,057.6	(16.2)%
Sales Tax	406.6	(22.2)	3,421.8	(9.6)	6,211.7	(8.3)
Motor Vehicles	67.8	4.5	437.2	10.2	---	---
All Other Sales Tax	338.8	(26.0)	2,984.6	(11.9)	---	---
Use Tax	82.0	(31.0)	601.8	(23.0)	1,152.5	(16.3)
Tobacco Taxes	84.0	(5.9)	582.3	0.2	1,015.6	(5.4)
Single Business Tax	13.6	(87.6)	(115.9)	(116.3)	(158.2)	(127.6)
Michigan Business Tax	195.9	202.8	1,502.9	---	2,318.0	22.5
Insurance Tax	1.2	(55.6)	137.7	3.5	243.8	9.2
State Education Property Tax	34.6	5.2	367.8	(27.3)	2,006.0	(3.5)
Real Estate Transfer Tax	8.1	(36.7)	60.7	(40.6)	100.0	(41.1)
Casino Wagering Tax ⁴⁾	9.5	(14.4)	66.3	(14.0)	113.5	(12.5)
Oil & Gas Severance Tax	2.8	(73.6)	30.6	(41.3)	61.0	(37.2)
Other Taxes ⁵⁾	22.9	2.6	196.1	(11.9)	365.0	(12.2)
Total	\$1,261.8	(13.4)	\$9,958.4	(12.9)	\$19,486.5	(11.6)
Addendum:						
Gross Lottery Sales ⁴⁾	\$225.9	(0.7)%	\$1,612.8	0.9%	\$2,031.6	(7.1)%
Net to School Aid Fund ⁴⁾	\$ 96.3	24.7%	\$ 505.4	(1.6)%	\$ 688.1	(7.1)%

- 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 May 15, 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*
June 2007 to May 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.