

MONTHLY REVENUE REPORT

MAY 2011

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1.5 billion in May, up 28.3% from last year's level. The strong increase above year-ago levels was almost entirely the result of growth in sales tax and Michigan Business Tax (MBT) collections, combined with a substantial decline in individual income tax refund requests. May tax collections were approximately \$141.4 million above the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in May 2011.

Collections earmarked to the General Fund were \$85.6 million above the expected level for May, while School Aid Fund tax collections were \$47.4 million above the forecasted level. These figures also reflect the year-to-date figures because the revenue forecast was revised with the May 2011 consensus revenue estimates.

Net income tax revenue totaled \$513.6 million in May 2011, compared with \$415.1 million in May 2010, a year-over-year increase of 23.7%. Income tax withholding payments, which represented the majority of gross income tax revenue, were 8.7% above the year-ago level but only \$5.0 million above the expected level given the forecast of employment and wages gains during 2011. On a year-to-date basis, withholding receipts are 7.2% above the year-ago level. Income tax refunds totaled \$117.7 million in May, compared to \$133.5 million one year ago. Year-to-date refunds are down 8.4% (\$180.3 million) from the year-ago level, and \$47.0 million less than the expected level under the revised May estimates.

Sales tax receipts totaled \$587.0 million in May, up 28.7% from a year ago, although revenue was expected to be up significantly due to timing issues associated with April 2011 ending on a weekend. Year-to-date sales tax collections are up 8.5%. The significant year-over-year increases in both sales tax collections and withholding receipts reflect high levels of economic activity, particularly during February and March, in the motor vehicle manufacturing sector. Not only have record increases in weekly hours and the corresponding stronger earnings resulted in greater withholding, but those earnings have translated into higher levels of sales. May sales tax collections were \$51.4 million above the SFA's predicted level.

Net Michigan Business Tax revenue totaled \$194.2 million in May, up 124.4% from last year's level and \$28.8 million above the SFA's monthly expectation. Comparing year-to-date MBT revenue with the previous year does not currently provide meaningful information, due to refunds issued in November 2010, as indicated in earlier issues of this report. If November collections are excluded, year-to-date MBT revenue is up 13.9% from last year.

Real estate transfer tax receipts were down 15.7% from the year-ago level in May, reflecting continued weakness in the housing market. Year-to-date real estate transfer tax collections are 2.8% below the year-ago level. State Education Tax revenue was 2.5% above the May 2010 level, although the majority of revenue from this property 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 May 2011. Also presented are the consensus revenue estimates for FY 2010-11 adopted at the May 2011 Consensus Revenue Estimating Conference.



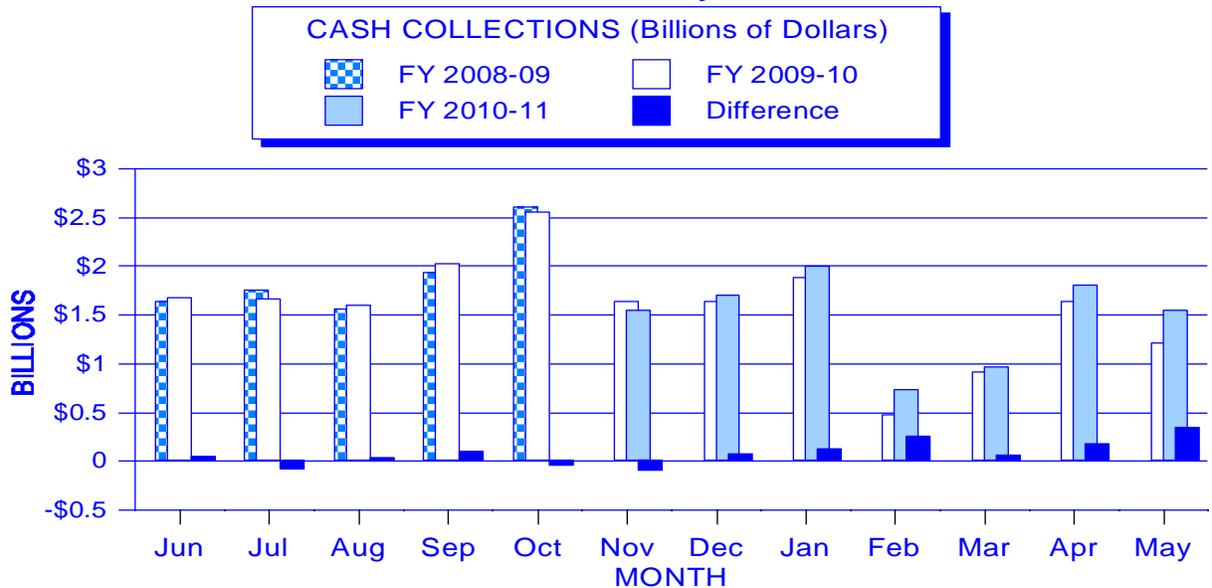
David Zin, Chief Economist

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

Type of Revenue	April 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	\$631.3	15.1%	\$5,224.8	9.7%	\$8,460.2	6.7%
Refunds	(117.7)	(11.8)	(1,971.4)	(8.4)	(2,238.7)	(6.8)
Net Income Tax	513.6	23.7	3,253.3	24.7	\$6,221.5	12.5
Sales Tax	587.0	28.7	3,807.9	8.5	6,498.6	5.2
Motor Vehicles	70.5	2.6	455.6	2.5	---	---
All Other Sales Tax	516.5	33.4	3,352.3	9.4	---	---
Use Tax	98.3	23.6	665.5	4.5	1,149.0	(5.5)
Tobacco Taxes	74.9	(11.4)	533.9	(5.8)	961.0	(4.5)
Single Business Tax	(6.6)	(183.2)	(5.7)	(114.4)	0.0	(100.0)
Michigan Business Tax	194.2	124.4	1,143.9	2.8	2,060.0	10.7
Insurance Tax	0.5	(39.7)	134.2	(1.5)	265.5	3.2
State Education Property Tax	34.1	2.5	391.1	(1.4)	1,852.0	(4.1)
Real Estate Transfer Tax	7.3	(15.7)	63.9	(2.8)	125.0	2.8
Casino Wagering Tax ⁴⁾	9.7	47.3	67.4	9.5	114.0	2.6
Oil & Gas Severance Tax	5.2	5.5	35.0	(4.2)	67.0	14.5
Other Taxes ⁵⁾	22.8	35.6	167.2	(2.9)	335.8	(2.9)
Total	\$1,541.0	28.3%	\$10,257.6	9.8%	\$19,649.4	4.3%
Addendum:						
Gross Lottery Sales ⁴⁾	\$179.5	1.1%	\$1,594.8	(1.7%)	\$2,405.3	1.7%
Net to School Aid Fund ⁴⁾	\$ 46.8	(15.7%)	\$ 493.5	2.3%	\$ 733.6	4.6%

- 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 May 16, 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*
June 2009 to May 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.