

MONTHLY REVENUE REPORT

MAY 2012

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1.5 billion in May, down 8.1% from the 2011 level. May tax collections were approximately \$13.4 million below the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in May 2012. Calendar issues helped reduce collections from individual income tax withholding and the sales tax compared to year-ago levels and thus the decreases were largely expected. The shortfall from the forecast primarily reflects an outflow of \$15.4 million in net Single Business Tax (repealed in 2006) revenue attributable to refunds and payment adjustments.

Collections earmarked to the General Fund were \$11.3 million below the expected level for May, while School Aid Fund tax collections were \$2.3 million below the forecasted level. The remaining \$0.2 million in unanticipated collections was directed to other funds, most notably constitutional revenue sharing. Because the May 2012 consensus estimates revised the forecasted values for the year, the year-to-date deviations from forecast are effectively the same as the deviations for May.

Net income tax revenue totaled \$527.1 million in May 2012, up 2.6% from May 2011. Withholding payments (which represented the majority of gross income tax revenue) were 2.5% above the year-ago level and \$4.7 million above the predicted level. Generally, withholding receipts during 2012 have been expected to be much higher than in 2011 due to the tax changes enacted in May 2011, many of which were expected to increase withholding. While withholding exhibited limited year-over-year growth, May 2011 withholding receipts were boosted by calendar issues.

Sales tax receipts totaled \$568.9 million in May, \$9.4 million above forecast but down 3.1% from May 2011 due to processing issues related to April 2011 ending on a weekend and boosting May 2011 sales tax collections. On a year-to-date basis, sales tax collections are up 4.3% from last year. Use tax collections totaled \$99.1 million, up 0.8% from May 2011, and year-to-date down 0.9% from last year.

Michigan Business Tax (MBT) revenue totaled \$47.9 million in May, down 75.3% from May 2011 as businesses switch from the MBT to the new Corporate Income Tax. Despite the year-over-year decline, MBT collections were \$13.9 million above the level expected for the month based on the May 2012 revenue estimates. Corporate Income Tax collections totaled \$28.9 million in May.

Other taxes tended to exhibit slight year-over-year declines in May. Tobacco tax collections were down 0.4% from May 2011 while revenue from the casino gaming tax was down 1.4% and severance tax collections were down 9.4% from last May. In contrast, real estate transfer tax receipts were 58.0% above the year-ago level in May and at their highest level since October 2011. The increase was enough to push year-to-date real estate tax collections to exhibit growth for the first time this fiscal year, at 4.2% above last-year's level.

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 2012. Also presented are the revised consensus revenue estimates for FY 2011-12, which were adopted at the May 2012 Consensus Revenue Estimating Conference.

David Zin, Chief Economist

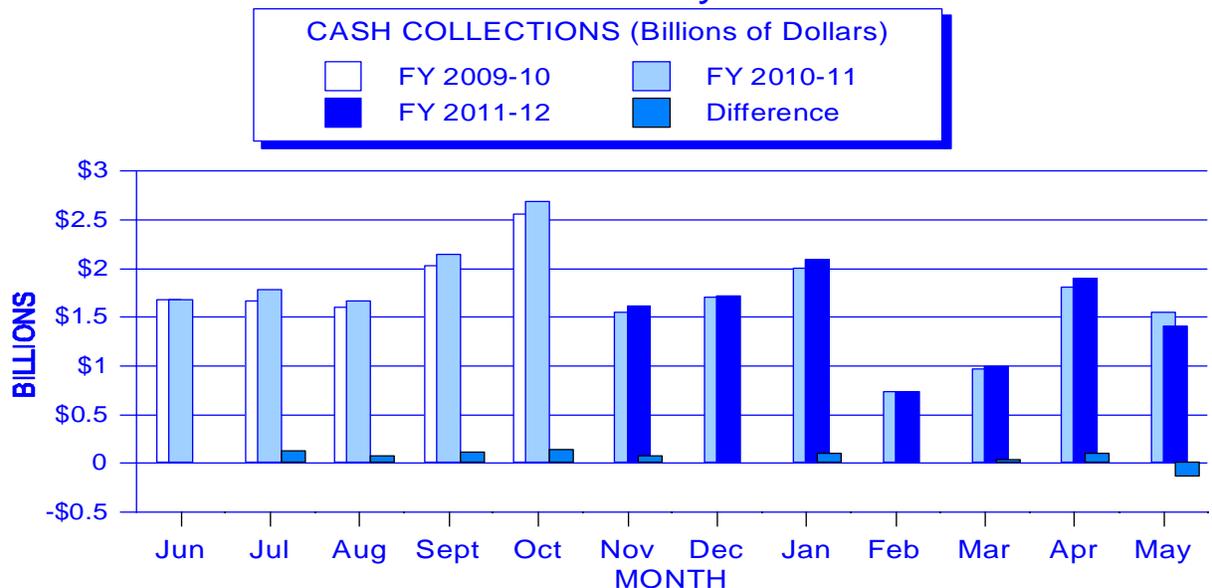


**MICHIGAN REVENUE UPDATE
MAY 2012
(dollars in millions)**

| Type of Revenue | May Collections | | FY 2011-12 to Date ²⁾ | | FY 2011-12 Estimate ³⁾ | |
|--------------------------------------|---------------------|------------------------|----------------------------------|------------------------|-----------------------------------|--------------------------|
| | Total ¹⁾ | % Change From Year Ago | Total ¹⁾ | % Change From Year Ago | Total ¹⁾ | % Change From FY 2010-11 |
| Gross Income Tax | \$652.9 | 3.4% | \$5,466.5 | 4.6% | \$9,069.0 | 6.7% |
| Refunds | (125.8) | 6.9 | (1,973.1) | 0.1 | (2,103.1) | (6.8) |
| Net Income Tax | 527.1 | 2.6 | 3,493.4 | 7.4 | \$6,965.9 | 12.5 |
| Sales Tax | 568.9 | (3.1) | 3,972.2 | 4.3 | 7,023.9 | 5.2 |
| Motor Vehicles | 76.4 | 8.5 | 478.2 | 5.0 | --- | --- |
| All Other Sales Tax | 492.5 | (4.7) | 3,494.0 | 4.2 | --- | --- |
| Use Tax | 99.1 | 0.8 | 659.8 | (0.9) | 1,182.1 | (5.5) |
| Tobacco Taxes | 74.7 | (0.4) | 533.8 | (0.0) | 961.7 | (4.5) |
| Corporate Income Tax | 28.9 | --- | 141.5 | --- | 485.6 | --- |
| Michigan Business Tax | 47.9 | (75.3) | 861.4 | (24.7) | 713.6 | 10.7 |
| Insurance Tax | 3.2 | 496.5 | 152.2 | 13.4 | 300.0 | 3.2 |
| State Education Property Tax | 19.7 | (42.3) | 301.2 | (23.0) | 1,807.1 | (4.1) |
| Real Estate Transfer Tax | 11.6 | 58.0 | 66.6 | 4.2 | 124.9 | 2.8 |
| Casino Wagering Tax ⁴⁾ | 9.6 | (1.4) | 69.6 | 3.3 | 114.7 | 2.6 |
| Oil & Gas Severance Tax | 4.7 | (9.4) | 33.7 | (3.6) | 60.7 | 14.5 |
| Other Taxes ⁵⁾ | 7.2 | (55.1) | 127.7 | (20.9) | 292.7 | 0.6 |
| Total | \$1,402.6 | (9.0%) | \$10,413.1 | 1.5% | \$20,032.9 | (0.8%) |
| Addendum: | | | | | | |
| Gross Lottery Sales ⁴⁾ | \$179.8 | 0.1% | \$1,632.6 | 2.4% | \$2,467.0 | 4.3% |
| Net to School Aid Fund ⁴⁾ | \$ 57.2 | 22.0% | \$ 521.7 | 5.7% | \$ 750.0 | 3.1% |

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2011-12 year-to-date collections begin with November 2011 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the May 16, 2012, Consensus Revenue Estimating Conference.
- 4) Lottery and casino revenue is not accrued, so FY 2011-12 collections will include October 2011 to September 2012.
- 5) Other Taxes include beer, wine, liquor, single business tax, industrial facilities, utility property, and estate taxes, and penalties and interest.

**Actual Revenue Collections for Major State Taxes*
June 2010 to May 2012**



*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.