

MONTHLY REVENUE REPORT

November 2003

The revenue collected from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.54 billion in November 2003, representing a 0.3% increase from the taxes collected last year at this time. Helping boost tax collections in November was the State education property tax, whose collections were up about \$35 million due to the new accelerated due date. Without this one-time revenue, collections from these major taxes were down an estimated 2.0% in November. This decline in collections reflects the fact that Michigan's economy still has not experienced any appreciable improvement. Based on the revised economic and revenue estimates adopted at the October 2003 Consensus Revenue Estimating Conference, economic activity is not expected to begin to improve until the first part of 2004. As a result, tax collections were expected to be down in November. In addition to the one-time increase in State education property tax revenue, the real estate transfer, casino wagering, sales, tobacco, and net income taxes posted gains in November. Revenue collections declined for the use, single business, insurance, estate, and severance taxes.

Net income tax collections totaled \$527 million in November, which was up 0.4% from last year's level. Net income tax collections equal gross collections (withholding, quarterly, and annual payments) less refunds. Gross collections were down 0.3% in November, which marked the 10th time in the past 12 months that gross collections fell below the year-ago level. These declines were due to the weak economy and the resulting declines in employment, and to the cut in the income tax rate, which is currently 4.0% compared with 4.1% last year at this time. More than offsetting the decline in November's gross income tax collections was a 14.8% decline in the income tax overpayments that were refunded to taxpayers.

Sales tax collections totaled \$473 million in November. Compared with last year's level, November collections were up a slight 0.3%. This marks the second month in a row that sales tax collections have topped the year-ago level. Sales tax collections from motor vehicle transactions were down 8.4%, but sales tax collections from all other taxable retail sales were up 1.8%. This marks the third consecutive month that non-motor vehicle sales tax collections have posted an increase.

Single business tax collections totaled \$128 million in November, which was down 28.0% from last year's level. This decline followed a 9.1% decrease in October. As a result, the revenue collected from the quarterly payment that was due October 31, and was received in October and November, was down 17.2%. This marks the weakest level of single business tax collections since the January 2003 quarterly payment (paid in January and February) was down 20.7%. The continuing decline in single business tax collections reflects two key factors: 1) the continued weak employment levels that are negatively affecting the total compensation paid to workers, which is the major component of the single business tax base, and 2) the pickup in business investment, which also reduces tax liabilities due to the investment tax credit.

Among some of the other major taxes in November, real estate transfer tax collections were up a very strong 51.5% to \$36 million, which marked the highest monthly collections level in the almost nine-year history of this tax. Tobacco tax revenue was up 0.3% and the casino tax was up 5.5%. Use tax revenue fell 1.4% from last year's level and insurance tax revenue fell 11.6%. Severance tax revenue was a negative \$3.9 million due to a large refund that more than offset the revenue collected in November.

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 November 2003, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the consensus revenue estimates for FY 2003-04.

Jay Wortley, Senior Economist

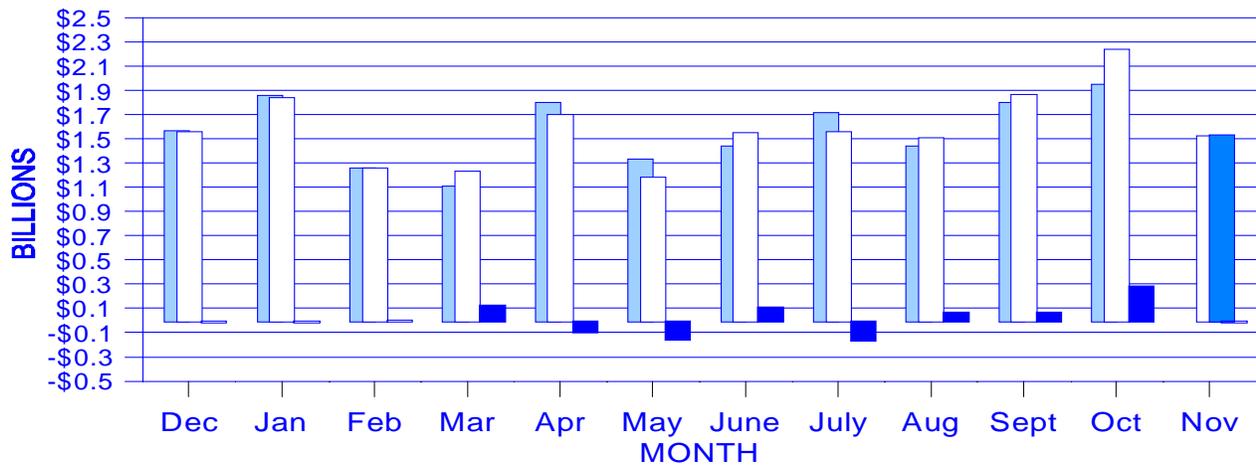
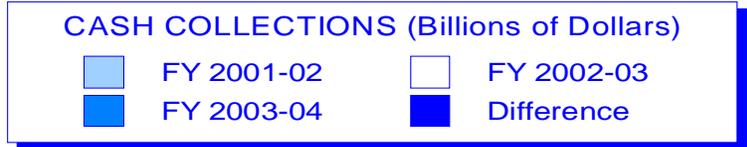


**MICHIGAN REVENUE UPDATE
NOVEMBER 2003
(dollars in millions)**

Type of Revenue	November Collections		FY 2003-04 to Date ²⁾		FY 2003-04 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2002-03
Gross Income Tax	\$549.3	(0.3)%	\$549.3	(0.3)%	\$7,379.2	0.2%
Refunds	(21.9)	(14.8)	(21.9)	(14.8)	(1,607.6)	3.8
Net Income Tax	\$527.4	0.4%	\$527.4	0.4%	\$5,771.6	(0.8)%
Sales Tax	473.0	0.3	473.0	0.3	6,653.1	3.7
Motor Vehicles	63.6	(8.4)	63.6	(8.4)	---	---
All Other Sales Tax	409.4	1.8	409.4	1.8	---	---
Use Tax	92.3	(1.4)	92.3	(1.4)	1,244.3	1.1
Tobacco Taxes	76.2	0.3	76.2	0.3	876.8	(1.5)
Single Business Tax	128.1	(28.0)	128.1	(28.0)	1,904.9	3.4
Insurance Tax	26.0	(11.6)	26.0	(11.6)	250.0	6.9
State Education Property Tax	168.9	45.4	168.9	45.4	1,738.1	(16.9)
Real Estate Transfer Tax	36.2	51.5	36.2	51.5	257.0	(1.2)
Estate/Inheritance Tax	5.0	(42.5)	5.0	(42.5)	70.0	(31.6)
Casino Wagering Tax	7.7	5.5	7.7	5.5	94.5	3.8
Oil & Gas Severance Tax	(3.9)	(250.0)	(3.9)	(250.0)	43.0	(24.6)
Total	\$1,536.9	0.3%	\$1,536.9	0.3%	\$18,903.3	(0.7)%
Addendum:						
Gross Lottery Sales ⁴⁾	\$137.6	(13.5)%	\$292.6	2.9%	\$1,797.0	5.6%
Net to School Aid Fund ⁴⁾	\$48.0	(141.1)%	\$102.0	(0.3)%	\$620.0	5.6%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2003-04 year-to-date collections begin with November 2003 collections to reflect accrual accounting.
- 3) Revenue estimates adopted at the October 14, 2003, Consensus Revenue Estimating Conference.
- 4) Lottery revenue is not accrued, so FY 2003-04 lottery revenue will include October 2003 to September 2004.

**Actual Revenue Collections for Major State Taxes*
December 2001 to November 2003**



*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.