

# MONTHLY REVENUE REPORT

## November 2005

The revenue collected from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.69 billion in November 2005, which was down 7.1% from the year-ago level. This relatively sharp decline was not due to any adverse economic developments, but directly reflects the impact of noneconomic factors that altered the timing of tax collections between October and November. The decline in November followed a strong increase of 7.6% in October. Total taxes collected during October and November were up 4.3% from the comparable year-ago period.

Tax collections can vary greatly from month-to-month due to factors that affect the timing of when taxes that are collected by businesses are remitted to the State. A couple of these noneconomic factors had particularly strong negative impacts on tax collections in November. First, income tax withholding payments in any particular month are affected by the number of Mondays in that month. Mondays are a key day for businesses to remit income tax payments they have withheld from their workers' paychecks. Income tax withholding payments in November fell below last year's level because there were four Mondays this year compared with five Mondays last year. Second, when a month ends on a weekend, some of the month-end collections spill over into the next month. Last year October ended on a weekend and this created a boost in November collections for the sales, use, and single business taxes. This year October did not end on a weekend, so November did not receive any such boost in collections. As a result of these two timing factors, income tax withholding payments, along with sales, use, and single business tax collections, fell short of their year-ago levels in November.

Net income tax revenue (gross collections less refunds) totaled \$492.7 million in November, which was down 4.6% from last year's level. This decline followed an 8.1% increase in October. The two months together experienced a 1.9% increase. Gross income tax collections dropped below the year-ago level by 4.9% largely due to a 5.3% decline in the amount of income tax that was withheld from workers' paychecks. Helping offset at least a portion of this decline in gross collections was a decline in the amount of income tax payments that were refunded to taxpayers. Income tax refunds fell from \$21.7 million in November 2004 to \$19.0 million in November 2005, a decline of 12.4%.

Sales tax collections dropped 4.9% to \$556.3 million in November, after being up 5.2% in October. Sales tax collections from motor vehicle transactions were down 12.6% in November, which marked the 22<sup>nd</sup> time in the past 24 months that motor vehicle sales tax collections have dropped below the year-ago level. Sales tax collections from all other taxable retail sales were down 4.0% in November, marking the first decline during the past five months. Total sales tax collections during October and November were unchanged from the year-ago level.

Single business tax collections totaled \$122.2 million, which was down 22.6% from last year's level. This large decline does not accurately reflect the true level of single business tax payments at the present time. During the past 14 months, single business tax collections topped the year-ago level by 2.4% and total collections in October and November were up 12.5%.

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 2005. Also presented are the revenue estimates for FY 2005-06, which were adopted at the August 2005 Consensus Revenue Estimating Conference.



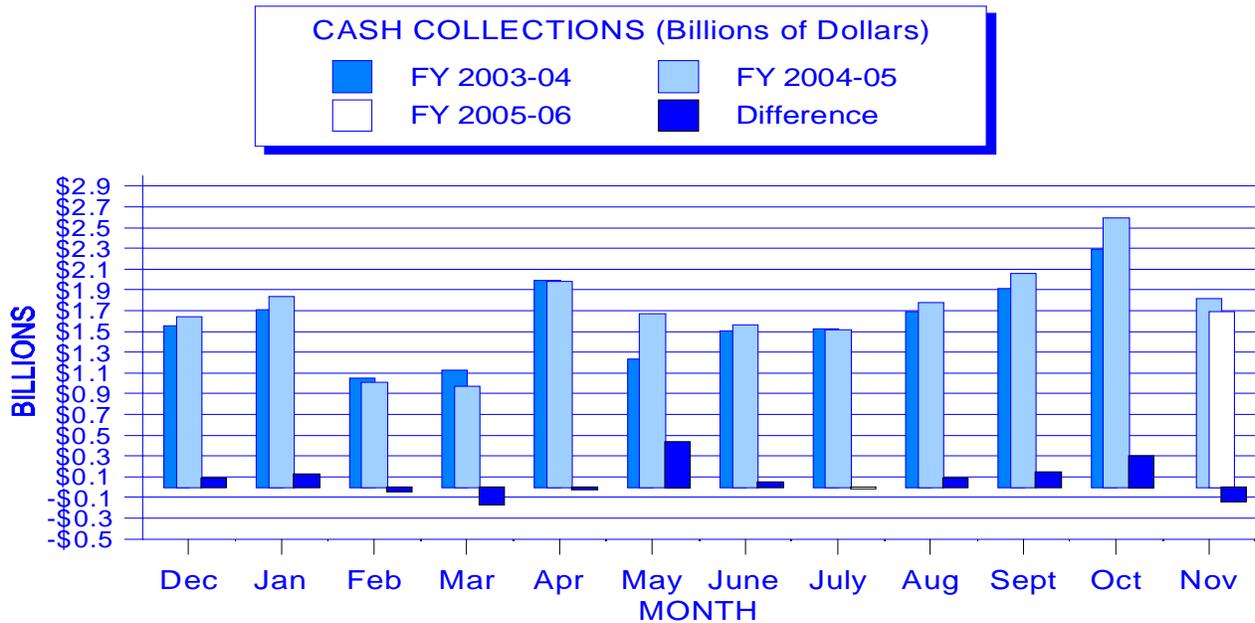
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**MICHIGAN REVENUE UPDATE  
NOVEMBER 2005  
(dollars in millions)**

Type of Revenue	November Collections		FY 2005-06 to Date <sup>2)</sup>		FY 2005-06 Estimate <sup>3)</sup>	
	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From FY 2003-04
Gross Income Tax	\$511.7	(4.9)%	\$511.7	(4.9)%	\$7,901.4	2.9%
Refunds	(19.0)	(12.4)	(19.0)	(12.4)	(\$1,725.0)	3.9
Net Income Tax	\$492.7	(4.6)%	\$492.7	(4.6)%	\$6,176.4	2.7%
Sales Tax	556.3	(4.9)	556.3	(4.9)	6,905.0	4.2
Motor Vehicles	50.8	(12.6)	50.8	(12.6)	----	----
All Other Sales Tax	505.5	(4.0)	505.5	(4.0)	----	----
Use Tax	109.8	(3.1)	109.8	(3.1)	1,445.5	4.3
Tobacco Taxes	96.4	0.8	96.4	0.8	1,145.5	(1.6)
Single Business Tax	122.2	(22.6)	122.2	(22.6)	1,913.8	1.5
Insurance Tax	26.9	8.9	26.9	8.9	240.0	1.6
State Education Property Tax	233.0	(15.3)	233.0	(15.3)	1,956.9	5.6
Real Estate Transfer Tax	27.4	(14.4)	27.4	(14.4)	316.0	0.0
Estate/Inheritance Tax	0.2	(90.0)	0.2	(90.0)	8.0	(73.3)
Casino Wagering Tax	12.0	3.0	24.7	100.8	149.0	1.4
Oil & Gas Severance Tax	10.1	188.6	10.1	188.6	60.0	(7.7)
<b>Total</b>	<b>\$1,687.0</b>	<b>(7.1)%</b>	<b>\$1,699.7</b>	<b>(6.4)%</b>	<b>\$20,316.1</b>	<b>3.0%</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$178.4	11.0%	\$355.7	6.5%	\$2,142.2	4.0%
Net to School Aid Fund <sup>4)</sup>	\$ 58.8	19.5%	\$119.1	13.3%	\$ 654.3	2.1%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2005-06 year-to-date collections begin with November 2005 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the August 17, 2005, Consensus Revenue Estimating Conference.
- 4) Lottery revenue is not accrued, so FY 2005-06 collections will include October 2005 to September 2006.

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