

MONTHLY REVENUE REPORT

October 2002

The revenue collected from 12 of Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.94 billion in October, which was down 3.6% from the year-ago level. Taxes that experienced an increase in collections in October included the State education property and single business taxes. Taxes experiencing declines in revenue in October included the income, sales, use, estate, real estate transfer, and oil and gas severance taxes. Not included in the above revenues is \$26 million that was collected in October due to the recent increase in the cigarette tax.

Under Generally Accepted Accounting Principles (GAAP), most of October's tax collections will be accrued back to FY 2001-02, which ended September 30, 2002. October revenues will be accrued if the liabilities for these payments were incurred before the end of FY 2001-02. Therefore, based on FY 2001-02 collections to date, which include cash collections from November 2001 through October 2002, revenues for these 12 major taxes are down 2.3%, which is below the 1.5% decline estimated at the May 2002 Consensus Revenue Estimating Conference. Cash collections for FY 2001-02 are down about \$90 million from the May consensus revenue estimates. Final revenue for FY 2001-02 will be determined when all accruals and book-closing adjustments are made, which is scheduled to be completed sometime in December.

Gross income tax collections totaled \$548 million, which was down 6.1% from last year's level. The amount of income tax withheld from workers' earnings declined 5.4% in October, while income tax collections from quarterly and annual payments were down 4.8% and 21.9%, respectively. Based on cash collections from November 2001 to October 2002, FY 2001-02 gross income tax collections were down 6.4% from FY 2000-01, which is below the 4.9% decline estimated at the May revenue conference.

Sales tax collections totaled \$551 million in October, which was down 11.8% from last year. Last year at this time, motor vehicle companies began offering the zero-percent financing incentive, which pushed up motor vehicle sales to historically high levels. This year, motor vehicle sales were well below last year's high levels, and as a result, sales tax collections from motor vehicle transactions were down 22.9% in October compared with last year. Sales tax collections from all other taxable retail sales were down 9.0% in October. Sales tax collections, on a cash basis, were up a slight 0.4% in FY 2001-02, which is below the May consensus estimate of 2.2% growth.

Single business and insurance tax collections totaled \$262 million, which was up 1.4% from last year's level. On a cash basis, the collections from these business taxes were down 3.4% for FY 2001-02, which was slightly higher than the 4.0% decline estimated at the May revenue conference.

State education property tax collections totaled \$392 million in October, which was up 14.2% from last year's level. For FY 2001-02, State education property tax cash collections were up 11.7%, which is well ahead of the May consensus estimate of 4.6% growth.

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 October 2002, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the FY 2001-02 consensus revenue estimates adopted at the May Consensus Revenue Estimating Conference.

Jay Wortley, Senior Economist

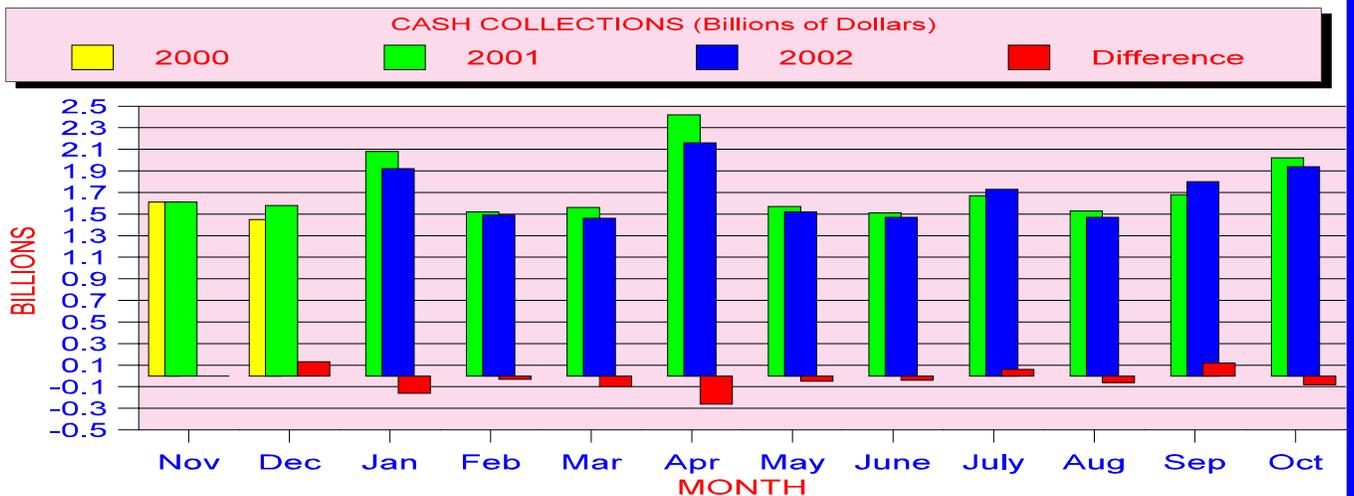


**MICHIGAN REVENUE UPDATE
OCTOBER 2002
(dollars in millions)**

Type of Revenue	October Collections		FY 2001-02 to Date ²⁾		FY 2001-02 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago
Income Tax						
Withholding	\$519.2	(5.4)%	\$6,414.2	(2.9)%	\$6,508.6	(1.3)%
Quarterly Payments	10.0	(4.8)	635.1	(18.9)	661.5	(15.5)
Annual Payments	18.5	(21.9)	515.8	(25.6)	509.4	(26.6)
Gross Income Tax	\$547.7	(6.1)%	\$7,565.1	(6.4)%	\$7,679.5	(4.9)%
Sales Tax	551.1	(11.8)	6,413.5	0.4	6,494.0	2.2
Motor Vehicles	98.1	(22.9)	1,071.2	9.6	---	---
All Other Sales Tax	453.0	(9.0)	5,342.3	(1.3)	---	---
Use Tax	103.7	(9.9)	1,301.6	(1.9)	1,368.0	2.6
Tobacco Tax ⁴⁾	50.0	10.1	600.6	0.9	589.0	(1.2)
Single Business & Insurance Taxes	262.1	1.4	2,205.5	(3.4)	2,133.4	(4.0)
State Education Property Tax	391.6	14.2	1,627.1	11.7	1,558.0	4.6
Real Estate Transfer Tax	21.1	(2.8)	253.9	(0.3)	241.0	(4.7)
Estate/Inheritance Tax	11.0	(38.9)	134.9	(16.6)	127.0	(18.3)
Oil & Gas Severance Tax	3.9	(30.4)	33.0	(45.5)	33.0	(45.1)
Total	\$1,942.2	(3.6)%	\$20,135.2	(2.3)%	\$20,222.9	(1.5)%
Addendum:						
Gross Lottery Sales ⁵⁾	\$125.2	6.3%	\$125.2	6.3%	\$1,654.2	3.1%
Net Lottery to School Aid ⁵⁾	\$46.4	7.0%	\$46.4	7.0%	\$605.0	3.1%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2001-02 year-to-date collections begin with November 2001 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the May 16, 2002, Consensus Revenue Estimating Conference.
- 4) Tobacco tax revenue does not include the revenue collected due to the recent increase in the tobacco taxes.
- 5) Lottery revenue is not accrued, so FY 2002-03 lottery revenue will include October 2002 to September 2003.

**Actual Revenue Collections for 12 Major State Taxes*
November 2000 to October 2002**



*Comparison of actual collections. The 12 taxes include the income (withholding, quarterly payments and annual payments), sales, use, tobacco, SBT, insurance retaliatory, estate, oil and gas severance, State education, and real estate transfer taxes.