

MONTHLY REVENUE REPORT

October 2009

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$2.6 billion in October, down 15.7% from last year's level, making October the ninth consecutive month in which tax collections were below the year-ago level. October tax collections were approximately \$31.3 million below the level expected in the Senate Fiscal Agency's estimate for October. Even though FY 2008-09 ended on September 30, 2009, the tax revenue collected in October that became a liability before October 1, will be accrued back to FY 2008-09. These revenue accruals, along with other year-end accounting adjustments, are currently being calculated and final revenue for FY 2008-09 should be known early in 2010.

Based on cash collections from November 2008 to October 2009, tax revenue fell below the May 2009 consensus revenue estimate by approximately \$102.5 million, down 12.8% from the comparable year-ago level. Collections earmarked to the General Fund are below the consensus estimate by \$7.0 million and School Aid Fund tax collections are down about \$116.1 million. Most of the decline in year-over-year School Aid Fund collections relative to figures published last month reflects shortfalls in sales tax revenue, an adjustment to account for the earmark of Michigan Business Tax revenue, and the timing of State Education Tax receipts.

Net income tax revenue totaled \$538.6 million in October, down 13.8% from the October 2008 level. Income tax collections have fallen below the year-ago level for 11 consecutive months. Income tax withholding payments fell 11.1% below the year-ago level in October, to \$547.9 million, as lower levels of employment continued to have a negative impact on income tax collections. So far in FY 2008-09, net income tax collections trail last year's level by 18.2% and are below the consensus estimate by about \$108.7 million.

Sales tax receipts totaled \$453.2 million in October, 17.6% lower than the year-ago level. Sales tax collections from motor vehicle transactions were at their lowest level since February 2009 and down 7.5% from the year-ago level. October's decline in sales tax revenue relative to last year reflects the weak Michigan economy depressing consumer and business spending, as well as lingering effects on vehicle sales due to the Federal government's "cash for clunkers" program during August, which likely accelerated some purchases that would have otherwise occurred later in 2009. Sales tax collections are down from the consensus revenue estimate by an estimated \$159.1 million.

Michigan Business Tax revenue totaled \$293.3 million in October, down 33.9% from last year's level. Estimated payments, which were down 42.6% from October 2008, accounted for the majority of the year-over-year decline. Total fiscal year-to-date Michigan Business Tax and Single Business Tax collections are down approximately 8.7% from last year's level.

Real estate transfer tax receipts rose 15.7% from the year-ago level in October, to \$16.2 million, the second strongest month of collections in FY 2008-09, and the third strongest since February 2008. On a fiscal year-to-date basis, real estate transfer tax collections are down 27.5% but, due largely to the higher-than-expected collections in the last four months, real estate transfer tax revenue is up from the consensus estimate by approximately \$27.2 million.

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 2009. Also presented are the consensus revenue estimates for FY 2008-09, which were adopted at the May 2009 Consensus Revenue Estimating Conference.



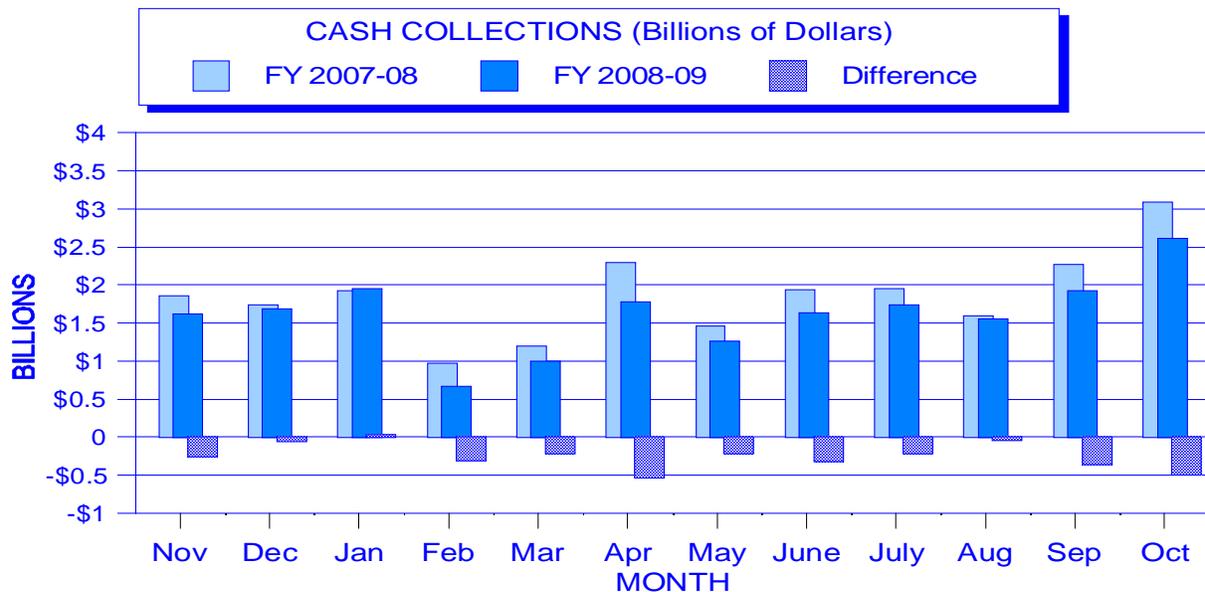
David Zin, Economist

**MICHIGAN REVENUE UPDATE
OCTOBER 2009
(dollars in millions)**

Type of Revenue	October Collections		FY 2008-09 to Date ²⁾		FY 2008-09 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2007-08
Gross Income Tax	\$588.5	(11.5)%	\$8,073.2	(9.7)%	\$8,168.9	(9.4)%
Refunds	(49.9)	23.8	(2,124.3)	18.9	(2,111.3)	17.9
Net Income Tax	538.6	(13.8)	5,948.9	(18.1)	6,057.6	(16.2)
Sales Tax	453.2	(17.6)	6,052.5	(9.3)	6,211.7	(8.3)
Motor Vehicles	62.6	(7.5)	824.5	15.9	---	---
All Other Sales Tax	390.6	(19.0)	5,228.0	(12.3)	---	---
Use Tax	93.4	(15.9)	1,102.0	(19.1)	1,152.5	(16.3)
Tobacco Taxes	92.7	4.3	1,041.8	(1.2)	1,015.6	(5.4)
Single Business Tax	4.7	---	(137.6)	(119.6)	(158.2)	(127.6)
Michigan Business Tax	293.3	(33.9)	2,486.0	---	2,318.0	22.5
Insurance Tax	62.9	17.6	272.4	6.0	243.8	9.2
State Education Property Tax	1,011.4	(11.3)	2,017.2	(16.0)	2,006.0	(3.5)
Real Estate Transfer Tax	16.2	15.7	127.2	(31.6)	100.0	(41.1)
Casino Wagering Tax ⁴⁾	10.6	1.0	112.0	(13.3)	113.5	(12.5)
Oil & Gas Severance Tax	3.3	(62.5)	48.4	(50.4)	61.0	(37.2)
Other Taxes ⁵⁾	24.3	(34.3)	345.8	(11.4)	365.0	(12.2)
Total	\$2,604.6	(15.7)	\$19,416.6	(12.4)	\$19,486.5	(11.6)
Addendum:						
Gross Lottery Sales ⁴⁾	\$209.3	1.8%	\$2,365.1	1.5%	\$2,031.6	(7.1)%
Net to School Aid Fund ⁴⁾	\$59.1	(11.2)%	\$ 717.6	(3.2)%	\$ 688.1	(7.1)%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2008-09 year-to-date collections begin with November 2008 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the May 15, 2009, Consensus Revenue Estimating Conference.
- 4) Lottery and casino revenue is not accrued, so FY 2008-09 collections will include October 2008 to September 2009.
- 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*
November 2007 to October 2009**



*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.