

MONTHLY REVENUE REPORT

OCTOBER 2011

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$2.7 billion in October, up 5.1% from last year's level. Despite an unanticipated \$64.0 million use tax refund, October tax collections were \$45.0 million above the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in May 2011. Increases in income, sales, real estate transfer, and business tax collections were strong and more than offset small year-over-year declines in most other taxes. Final FY 2010-11 revenue generally reflects collections from November 2010 through October 2011, but final revenue will be adjusted through the accrual process and should be known in mid-December.

Collections earmarked to the General Fund were \$46.7 million above the expected level for October, while School Aid Fund tax collections were \$6.0 million below the forecasted level. The remaining above-forecast revenue is directed to other funds. On a year-to-date basis, General Fund collections are \$204.5 million higher, and School Aid Fund collections \$266.9 million higher, than expected based on the May 2011 consensus revenue estimates.

Net income tax revenue totaled \$632.6 million in October 2011, a 13.0% increase over last year's level that reflects calendar factors that boosted withholding receipts. Withholding payments (which represented the majority of gross income tax revenue) were 11.7% above the year-ago level. On a year-to-date basis, net income tax revenue is up 14.3%, largely due to substantially lower refund requests. Income tax refunds for the fiscal year-to-date are down \$185.2 million from the same time last year. For the year to date, net income tax collections are \$121.4 million above the estimated level from the May consensus.

Sales tax receipts also were boosted by calendar factors and totaled \$570.2 million in October, up 17.7% from the year-ago level. Year to date, sales tax collections are 8.7% above last year's level and are \$274.3 million above the May consensus estimates. The strong growth in sales tax collections appears to reflect higher levels of consumption as well as higher energy prices, especially from energy costs such as natural gas and electricity. October marks the sixth consecutive month in which sales tax growth has exceeded growth in income tax withholding. Year-to-date income tax withholding is up 5.7%, compared with the 8.7% increase in sales tax receipts.

Michigan Business Tax revenue totaled \$316.9 million in October, a 29.6% increase from last year's level. Comparing year-to-date MBT revenue with the previous year does not currently provide meaningful information due to refunds issued in November 2010, as indicated in earlier issues of this report. If November collections are excluded, year-to-date MBT revenue is up 15.0% from last year.

Real estate transfer tax receipts were 46.0% above the year-ago level, but are still down 3.2% on a year-to-date basis. State Education Property Tax revenue was down 4.4% from October 2010, but is down only 1.2% on a year-to-date basis. Despite the declines in State Education Property Tax revenue, year-to-date collections are \$62.5 above the May consensus estimates.

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 September 2011. Also presented are the consensus revenue estimates for FY 2010-11 adopted at the May 2011 Consensus Revenue Estimating Conference.

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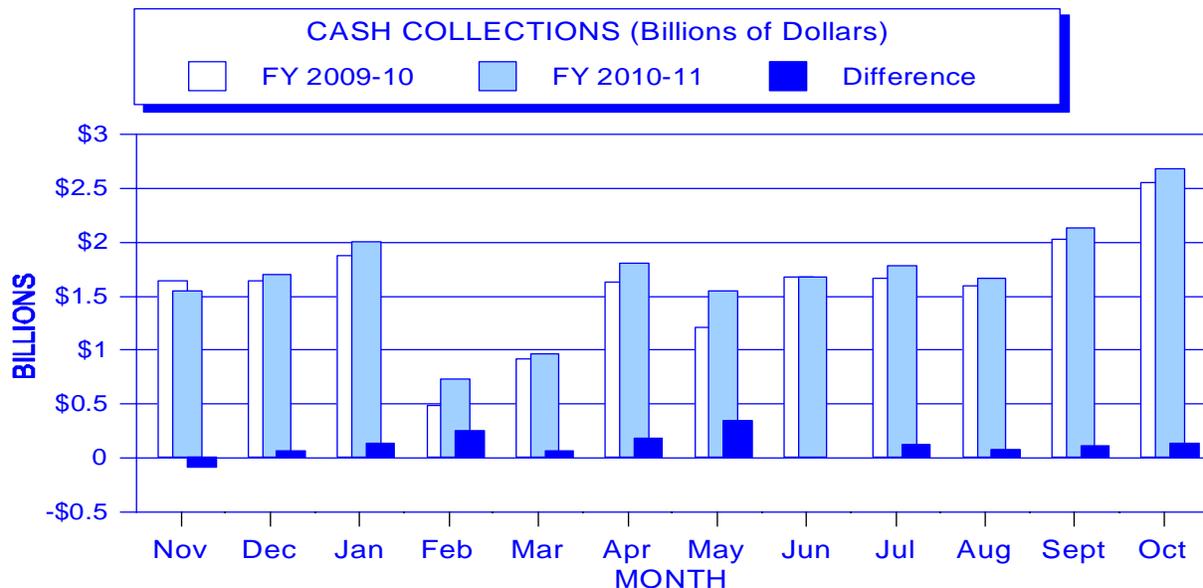


**MICHIGAN REVENUE UPDATE
OCTOBER 2011
(dollars in millions)**

Type of Revenue	October Collections		FY 2010-11 to Date ²⁾		FY 2010-11 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2009-10
Gross Income Tax	\$680.8	11.7%	\$8,527.0	7.7%	\$8,460.2	3.3%
Refunds	(48.2)	(2.9)	(2,184.2)	(7.8)	(2,238.7)	2.0
Net Income Tax	632.6	13.0	6,342.9	14.3	\$6,221.5	3.8
Sales Tax	570.2	17.7	6,772.9	8.7	6,498.6	2.9
Motor Vehicles	65.9	0.8	810.9	(0.2)	---	---
All Other Sales Tax	504.2	20.3	5,962.0	10.0	---	---
Use Tax	25.1	(72.8)	1,104.4	(6.5)	1,149.0	13.0
Tobacco Taxes	84.0	(1.0)	968.7	(3.2)	961.0	(3.2)
Single Business Tax	20.0	1.4	3.9	(91.2)	0.0	(100.0)
Michigan Business Tax	316.9	29.6	2,181.7	8.9	2,060.0	13.4
Insurance Tax	64.6	5.6	276.1	6.0	265.5	5.5
State Education Property Tax	914.6	(4.4)	1,914.5	(1.2)	1,852.0	(3.7)
Real Estate Transfer Tax	17.2	46.0	123.7	0.8	125.0	2.8
Casino Wagering Tax ⁴⁾	10.1	1,336.9	114.2	13.3	114.0	0.8
Oil & Gas Severance Tax	3.6	(22.7)	60.9	3.6	67.0	12.9
Other Taxes ⁵⁾	20.8	(1.4)	307.7	(11.1)	335.8	0.6
Total	\$2,679.6	5.1%	\$20,171.6	7.1%	\$19,649.4	4.3%
Addendum:						
Gross Lottery Sales ⁴⁾	\$187.7	(6.5)%	\$2,340.0	(6.5)%	\$2,413.2	2.0%
Net to School Aid Fund ⁴⁾	\$ 61.6	(8.1)%	\$ 722.0	(8.1)%	\$ 733.6	1.8%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2010-11 year-to-date collections begin with November 2010 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the May 16, 2011, Consensus Revenue Estimating Conference.
- 4) Lottery and casino revenue is not accrued, so FY 2010-11 collections will include October 2010 to September 2011.
- 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 2009 to October 2011**



*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.