

MONTHLY REVENUE REPORT

September 2001

Tax collections were up slightly in September, but this did little to close the negative gap between FY 2000-01 actual collections and the consensus revenue estimates. The revenue collected from 12 of Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.68 billion in September, which was up 0.9% from the year-ago level. Revenue gains in the income, use, tobacco, State education property, real estate transfer, and estate taxes were slightly greater than the declines posted in the sales, single business, and oil and gas severance taxes. This modest increase in tax collections in September marks only the fourth time in FY 2000-01 that monthly revenues have topped the year-ago level. Tax revenue collected so far in FY 2000-01, is down 2.3% from the comparable year-ago level, which is below the 1.3% revenue decline estimated for FY 2000-01 at the May 2001 Consensus Revenue Estimating Conference.

While FY 2000-01 ended on September 30, the fiscal year is not yet over for tax collections. Based on Generally Accepted Accounting Principles, tax liabilities incurred before October 1, but not paid until October or November will be accrued back to FY 2000-01. As a result, for most taxes, a large portion of the revenue received in October will be accrued back to FY 2000-01, and for some taxes, such as the single business and State education property taxes, a portion of November collections also will be accrued back to FY 2000-01. When the October and November accruals are finalized, it is estimated that the revenue collected from these 12 major taxes in FY 2000-01 will fall short of the May 2001 consensus estimate by about \$200 million.

Gross income tax collections totaled \$701 million in September, which was up 1.8% from last year's level. The income tax withheld from workers' paychecks was up 6.9%, but quarterly estimated and annual payments were down 10.5% and 7.8%, respectively. On a fiscal year-to-date basis, gross income tax collections are down 3.7% from the year-ago level.

Sales tax revenue fell 2.9% to \$491 million in September. The decline in September collections was due at least in part to the dramatic slowdown in retail activity that occurred for several days immediately following the terrorist attacks in New York City and Washington, D.C.. Sales tax collections derived from motor vehicle sales were down 5.0% in September, and sales tax collections from all other taxable retail transactions were down 2.6%. So far this fiscal year, sales tax collections are up 0.2% from last year's level.

Single business and insurance tax collections totaled \$79 million in September, which was down 17.0% from last year's collections. Almost 5.0 percentage points of this decline can be attributed to the reduction in the tax rate, which fell from 2.1% last year at this time to the current 2.0%. The rest of the decline reflects the slowdown in business activity that has occurred this year compared with last year. On a fiscal year-to-date basis, single business and insurance tax collections are down 10.3%.

Tobacco tax collections totaled \$76 million, representing a very large 24.6% increase. This uncharacteristically strong rate of growth in tobacco tax collections was due to a one-time shift in the timing of when these tax receipts were paid. This increase in September basically offsets a large decline in tobacco tax collections that occurred in August. So far this fiscal year, tobacco tax revenue is down 0.8%.

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 September 2001, along with their fiscal year-to-date revenue collections and growth rates. Also presented are their respective consensus revenue estimates for FY 2000-01.

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MICHIGAN REVENUE UPDATE

SEPTEMBER 2001

(dollars in millions)



Type of Revenue	September Collections		FY 2000-01 to Date ²⁾		FY 2000-01 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago
Income Tax						
Withholding	\$517.5	6.9%	\$6,054.1	(1.7)%	\$6,622.7	(1.9)%
Quarterly Payments	172.5	(10.5)	772.6	(9.6)	833.3	(3.4)
Annual Payments	10.6	(7.8)	669.5	(12.5)	691.5	(12.6)
Gross Income Tax	\$ 700.6	1.8%	\$7,496.2	(3.7)%	\$8,147.5	(3.1)%
Sales Tax	491.3	(2.9)	5,765.4	0.2	6,407.8	2.1
Use Tax	118.4	9.0	1,212.1	(1.3)	1,338.2	(1.3)
Tobacco Tax	76.5	24.6	549.6	(0.8)	591.8	(2.1)
Single Business & Insurance Taxes	79.3	(17.0)	2,023.6	(10.3)	2,300.5	(8.6)
State Education Property Tax	167.9	2.1	1,113.3	7.6	1,463.4	5.9
Real Estate Transfer Tax	26.5	16.2	232.9	3.9	252.0	(2.0)
Estate/Inheritance Tax	14.1	34.3	143.7	(6.0)	185.0	4.3
Oil & Gas Severance Tax	2.4	(51.0)	54.9	36.2	63.0	43.5
Total	\$1,677.0	0.9%	\$18,591.7	(2.3)%	\$20,749.2	(1.3)%
Addendum:						
Gross Lottery Sales ⁴⁾	\$107.4	(26.8)%	\$1,614.9	(4.5)%	\$1,643.8	(3.0)%
Net Lottery to School Aid ⁴⁾	\$ 37.6	(27.7)%	\$ 586.3	(4.3)%	\$ 600.0	(3.0)%

1) Total collections are unadjusted cash collections unless otherwise noted.
2) FY 2000-01 year-to-date collections begin with November 2000 collections to reflect accrual accounting.
3) Revenue estimates adopted at the May 15, 2001, Consensus Revenue Estimating Conference.
4) Lottery revenue is not accrued, so FY 2000-01 lottery revenue will include October 2000 to September 2001.

