

MONTHLY REVENUE REPORT

September 2007

The revenue collected from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$2.0 billion in September 2007, which was up 6.2% from last year's level. While this marked the strongest rate of growth since April, it overstates the true underlying rate of tax revenue growth in September because of the following two noneconomic factors: 1) Use tax collections topped the year-ago level by 42.8% because use tax collections were artificially low in September 2006 due to a large use tax refund payment, and 2) State education tax collections were up 12.1% in September 2007 largely due to volatility in the monthly collection pattern that is typical for this tax during this time of the year. Adjusting for these two factors lowers September's growth rate to an estimated 2.5%, which is more in line with the growth rates experienced during the previous two months. This adjusted growth rate primarily reflects increases in income and single business tax collections, which were partially offset by decreases in sales, tobacco, real estate transfer, and casino tax collections.

While Michigan's fiscal year ended September 30th, tax collections for FY 2006-07 are not yet complete. Taxes collected in October and November that became a liability before the end of September will be accrued back to FY 2006-07. These tax accruals are particularly significant for the single business and State education taxes. Comparing tax collections through September with the monthly breakdown of the May 2007 consensus revenue estimates, it appears that tax collections are currently running ahead of the estimates by about \$65.0 million to \$70.0 million. In addition, lottery revenue is exceeding the May estimate by about \$35.0 million. Therefore, at this time, the revenue generated by the General Fund and School Aid Fund taxes and lottery sales is about \$100.0 million above the FY 2006-07 consensus estimates for tax and lottery revenue.

Income tax revenue totaled \$702.8 million in September, which was up 6.4%. Gross income tax collections, which include withholding, quarterly, and annual payments, were up 6.3% to \$725.9 million. Partially offsetting these gross income tax payments was \$23.1 million in income tax refund payments to taxpayers. On a fiscal year-to-date basis, income tax revenue is up 3.8%, which is well ahead of the FY 2006-07 consensus estimated growth rate of 1.8%.

Sales tax receipts totaled \$505.9 million in September, which was down a slight 0.4% from last year's level. Sales tax collections from motor vehicle sales were down 1.5% in September and sales tax collections from all other taxable retail sales were down 0.2%. So far in FY 2006-07, sales tax revenue is down 1.3%, which is very close to the 1.1% decline estimated for FY 2006-07.

Single business tax revenue totaled \$107.9 million in September, which was up 19.2% from the year-ago level. In August, single business tax revenue was down 21.2%. On a fiscal year-to-date basis, single business tax receipts are down 6.2%.

Among the other major taxes in September, oil and gas severance tax revenue increased 3.8% from the year-ago level, tobacco tax collections fell 0.7%, real estate transfer tax receipts declined 26.3%, and casino tax revenue decreased 8.5%.

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 September 2007, along with their fiscal year-to-date collections and growth rates. Also presented are the consensus revenue estimates for FY 2006-07, which were adopted at the May 2007 Consensus Revenue Estimating Conference.



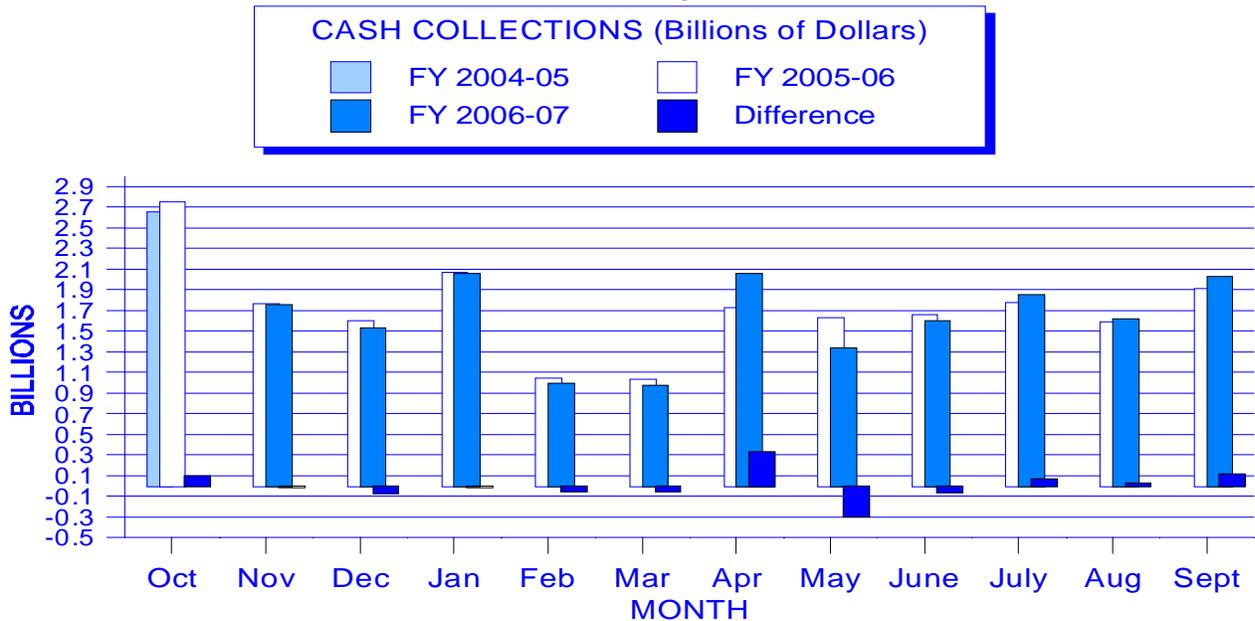
Jay Wortley, Senior Economist

**MICHIGAN REVENUE UPDATE
SEPTEMBER 2007
(dollars in millions)**

Type of Revenue	September Collections		FY 2006-07 to Date ²⁾		FY 2006-07 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2005-06
Gross Income Tax	\$725.9	6.3%	\$7,534.5	3.7%	\$8,037.8	2.4%
Refunds	(23.1)	2.2	(1,665.9)	3.5	(1,700.7)	4.6
Net Income Tax	\$702.8	6.4%	\$5,868.6	3.8%	\$6,337.1	1.8%
Sales Tax	505.9	(0.4)	5,961.2	(1.3)	6,562.3	(1.1)
Motor Vehicles	59.0	(1.5)	665.6	1.1	---	---
All Other Sales Tax	446.9	(0.2)	5,295.6	(1.6)	---	---
Use Tax	97.7	42.8	1,242.6	0.9	1,394.5	1.4
Tobacco Taxes	106.4	(0.7)	1,038.0	(3.4)	1,137.0	(2.7)
Single Business Tax	107.9	19.2	1,562.9	(6.2)	1,810.3	(1.7)
Insurance Tax	0.5	400.0	185.2	(6.2)	216.0	(1.6)
State Education Property Tax	426.1	12.1	1,087.3	11.4	2,069.1	3.3
Real Estate Transfer Tax	21.3	(26.3)	218.1	(23.1)	226.2	(24.0)
Casino Wagering Tax ⁴⁾	10.7	(8.5)	159.4	3.6	163.0	4.8
Oil & Gas Severance Tax	5.5	3.8	61.4	(21.8)	62.0	(23.9)
Other Taxes ⁵⁾	41.7	(12.6)	388.5	(4.0)	457.2	2.5
Total	\$2,026.5	6.2%	\$17,773.2	0.1%	\$20,434.7	(0.1)%
Addendum:						
Gross Lottery Sales ⁴⁾	\$168.3	(15.7)%	\$2,342.8	5.9%	\$2,290.3	3.6%
Net to School Aid Fund ⁴⁾	\$ 49.8	(15.5)%	\$ 745.8	8.9%	\$ 710.0	3.2%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2006-07 year-to-date collections begin with November 2006 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the May 18, 2007, Consensus Revenue Estimating Conference.
- 4) Lottery and casino revenue is not accrued, so FY 2006-07 collections will include October 2006 to September 2007.
- 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*
October 2005 to September 2007**



*Comparison of actual collections. Major taxes include the beer, casino, estate, income, industrial facilities, insurance, liquor, oil & gas severance, real estate transfer, sales, SBT, State education, tobacco (cigarette & other tobacco products), use, utility property, and wine taxes, and penalties and interest revenue.