

MONTHLY REVENUE REPORT

September 2013

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$2.3 billion in September 2013, a 10.0% increase from last year's level. September tax collections were approximately \$169.3 million above the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in May 2013. Unusual events under the repealed Michigan Business Tax (MBT) and individual income tax refunds accounted for more than 60.0% of the month's deviation from estimate. Although the fiscal year ended September 30, because the State uses accrual accounting October collections will be included in FY 2012-13 revenue, as will some other transactions and adjustments in November.

Collections earmarked to the General Fund were \$171.4 million above the expected level for September, while School Aid Fund tax collections were \$1.5 million below the forecasted level. The remaining \$0.7 million in below-forecast collections reflected other funds, most notably constitutional revenue sharing. Through September, year-to-date General Fund collections are \$219.4 million higher, School Aid Fund collections \$164.8 million higher, and other funds collectively \$10.3 million greater than the level expected based on the May 2013 consensus revenue estimates. Of the \$219.4 million in higher General Fund collections, \$192.4 million can be attributed to the repealed MBT. Forecasted MBT revenue in FY 2012-13 is based substantially on expectations of several large refunds. The timing of when these refunds will be claimed and processed significantly affects the accuracy of monthly MBT estimates. A number of large refunds are still expected and may be booked as part of the accrual process at book-closing which would lower General Fund revenue collections.

Net income tax revenue was 13.2% above the year-ago level, with withholding payments (which represented the majority of gross income tax revenue) 6.1% above the year-ago level and \$26.4 million above the predicted level. Income tax refunds totaled a positive \$10.9 million (representing a net inflow of revenue) as a result of transfers associated with the Federal funding of the home heating credit. Absent these transfers, income tax refunds would have totaled \$25.7 million (net outflow of revenue), exceeding the estimate for the month.

Sales tax receipts totaled \$657.7 million, 16.7% above the level in September 2012. However, the strength in year-over-year collections reflected calendar issues. On a year-to-date basis, sales tax collections are up 3.3% from last year, and are \$93.8 million above expectations.

While Corporate Income Tax (CIT) collections totaled \$96.3 million, and were \$29.2 million above the expected level, year-to-date CIT collections are still \$43.1 million below the expected level. Revenue from the repealed MBT totaled a negative \$12.2 million (a net loss of revenue to the State due to refunds exceeding collections), despite \$32.9 million in payments from penalties. Partially reflecting the large penalty payments, MBT revenue was \$66.4 million above the expected level in September and year-to-date MBT revenue was \$192.4 million above forecast.

While State Education Property Tax (SET) collections for September 2013 were down 14.1% from last year, SET revenue is influenced by when counties submit payments. The combined August 2013 and September 2013 collective revenue is down 4.3% from last year and year-to-date revenue is only \$13.6 million below the estimate.

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 2013. Also presented are the revised consensus revenue estimates for FY 2011-12, which were adopted at the May 2013 Consensus Revenue Estimating Conference.



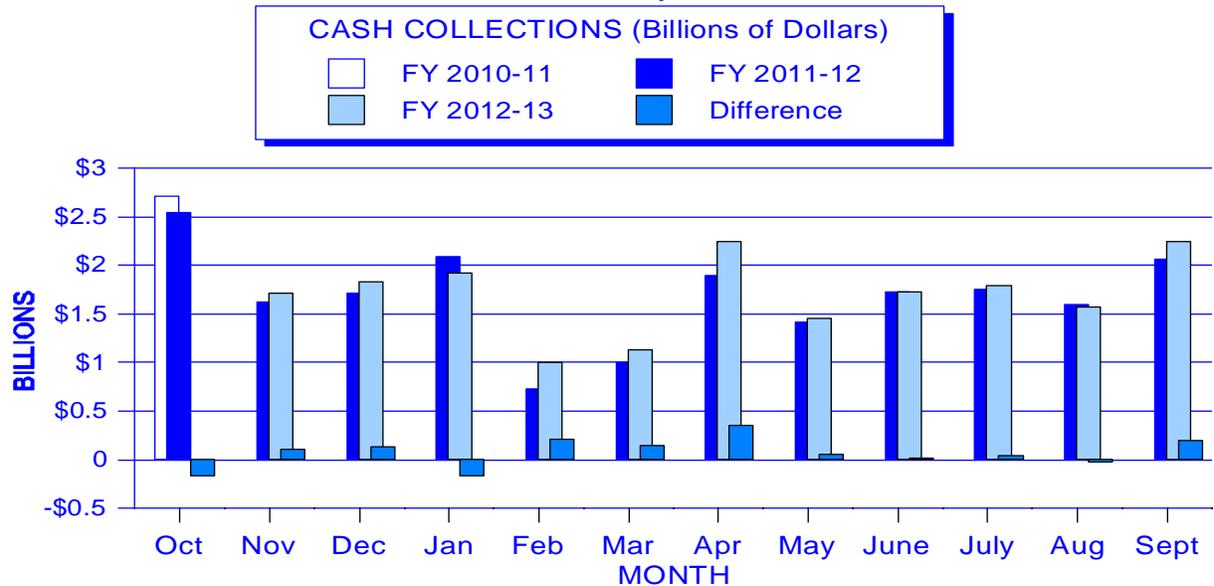
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**MICHIGAN REVENUE UPDATE
SEPTEMBER 2013
(dollars in millions)**

Type of Revenue	September Collections		FY 2012-13 to Date ²⁾		FY 2012-13 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2011-12
Gross Individual Income Tax	\$869.7	8.3%	\$9,302.2	10.8%	\$9,796.8	8.2%
Refunds	10.9	(143.0)	(1,617.6)	(24.0)	(\$1,625.3)	(23.9)
Net Income Tax	880.6	13.2	7,684.6	22.7	\$8,171.5	18.1
Sales Tax	657.7	16.7	6,577.7	3.3	7,100.7	2.1
Motor Vehicles	74.4	13.4	807.9	4.8	---	---
All Other Sales Tax	583.4	17.1	5,769.8	3.1	---	---
Use Tax	117.9	42.2	1,149.0	7.2	1,244.5	3.1
Tobacco Taxes	84.4	(5.9)	873.8	(1.4)	950.0	(1.4)
Corporate Income Tax	96.3	---	750.9	---	920.0	68.2
Michigan Business Tax	(12.2)	(221.9)	(175.5)	(119.0)	(490.0)	(161.4)
Insurance Tax	3.5	53.3	226.6	(1.0)	297.0	2.3
State Education Property Tax	328.1	(14.1)	889.4	2.8	1,792.0	0.1
Real Estate Transfer Tax	19.9	17.6	175.6	38.7	190.5	26.9
Casino Wagering Tax ⁴⁾	8.1	4.3	101.2	(3.6)	109.7	(5.3)
Oil & Gas Severance Tax	5.5	30.3	54.4	10.5	53.0	(1.1)
Other Taxes ⁵⁾	53.1	(110.8)	262.6	35.5	320.8	13.9
Total	\$2,243.1	5.3%	\$18,570.1	5.9%	\$20,659.7	3.4%
Addendum:						
Gross Lottery Sales ⁴⁾	\$223.6	31.8%	\$2,505.9	3.8%	\$2,365.1	(2.0%)
Net to School Aid Fund ⁴⁾	79.9	35.5%	\$764.0	(0.8%)	\$745.0	(4.3%)

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2012-13 year-to-date collections begin with November 2012 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the May 15, 2013, Consensus Revenue Estimating Conference.
- 4) Lottery and casino revenue is not accrued, so FY 2012-13 collections will include October 2012 to September 2013.
- 5) Other Taxes include beer, wine, liquor, single business tax, industrial facilities, utility property, and estate taxes, and penalties and interest.

**Actual Revenue Collections for Major State Taxes*
October 2011 to September 2013**



*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.