

MONTHLY REVENUE REPORT

April 2008

Tax collections generated by Michigan's General Fund and School Aid Fund earmarked taxes totaled \$2.3 billion in April 2008, representing an 11.5% increase from the year-ago level. This strong rate of growth overstates the true current underlying growth in tax collections due to several factors, including: 1) the income tax rate is up 11.5% compared with the year-ago level, 2) April tax revenue includes an unexpected audit-related payment for about \$25.0 million, and 3) a shift in the timing of collections appears to have inflated April collections for a couple of taxes. Adjusting for these noneconomic factors reveals that tax collections were up in the 3.0% to 4.0% range in April. Tax collections topped the monthly estimate by about \$100.0 million, but after adjusting for these noneconomic factors, April revenue was up from the estimated level by about \$30.0 million.

So far in FY 2007-08, tax collections are up about 7.1%; however, based on the Senate Fiscal Agency's revised economic forecast and revenue estimates, the higher-than-expected tax collections in April will be more than offset by weaker-than-expected economic growth during the second half of FY 2007-08. Compared with the January 2008 consensus estimate for the revenue from General Fund and School Aid Fund earmarked taxes in FY 2007-08, the Senate Fiscal Agency's revised estimate is down \$48.0 million.

Income tax revenue totaled \$944.5 million in April, which was up 14.7% from last year's level. Most of this growth was due to a 20.6% increase in income tax annual payments, while the higher tax rate generated an extra \$65.0 million in withholding and quarterly payments. On a fiscal year-to-date basis, income tax revenue is up 15.0%, which is about \$40.0 million above the January consensus estimate.

Sales tax receipts in April totaled \$526.9 million, which was down 8.5% from last year's level. All of this decline can be attributed to timing factors. Sales tax collections from motor vehicle purchases were up 3.9% from the year-ago level, while the collections from all other taxable retail sales were down 10.2%. So far in FY 2007-08, sales tax revenue is up 2.3%, which is about \$80.0 million above the January consensus estimate.

Single business tax revenue totaled \$95.6 million in April. The single business tax was repealed at the end of 2007, so the majority of the receipts still being collected are annual payments for the 2007 tax year. April collections were down over 70.0% from last year's level.

Michigan business tax revenue totaled \$407.0 million in April. The first quarterly payment under this new tax was due April 15. These April receipts were on target with the Senate Fiscal Agency's estimate for the month, but it appears that collections in May will fall below the estimate by about \$50.0 million.

Tobacco tax revenue in April, totaled \$81.3 million, which was down 12.2%. So far in FY 2007-08, tobacco tax revenue is down 6.4% or about \$12.0 million below the estimate. This ongoing weakness in tobacco tax revenue is probably due in part to the high price of gasoline, which is forcing smokers to reduce their spending on cigarettes.

Real estate transfer tax receipts fell 33.9% in April to \$12.1 million, reflecting the very weak housing market. On a fiscal year-to-date basis, the revenue from this tax is down 20.4%.

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 April 2008. Also presented are the consensus revenue estimates for FY 2007-08, which were adopted at the January 11, 2008, Consensus Revenue Estimating Conference.



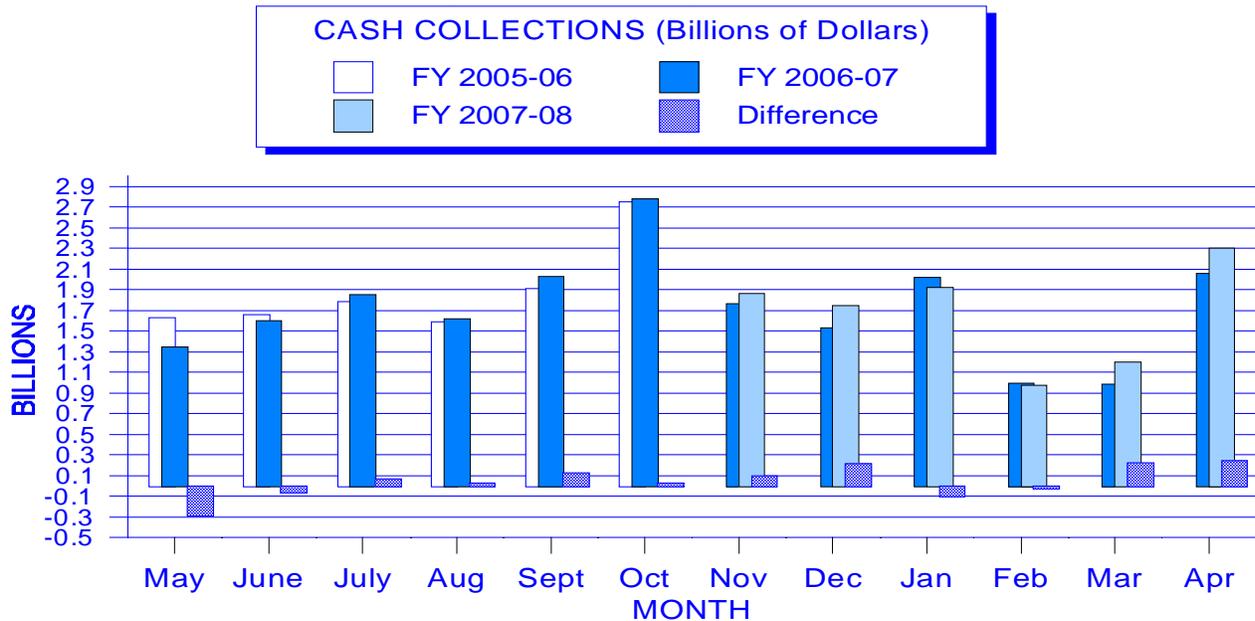
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MICHIGAN REVENUE UPDATE
APRIL 2008
(dollars in millions)

| Type of Revenue | April Collections | | FY 2007-08 to Date ²⁾ | | FY 2007-08 Estimate ³⁾ | |
|--------------------------------------|---------------------|------------------------|----------------------------------|------------------------|-----------------------------------|--------------------------|
| | Total ¹⁾ | % Change From Year Ago | Total ¹⁾ | % Change From Year Ago | Total ¹⁾ | % Change From FY 2006-07 |
| Gross Income Tax | \$1,374.0 | 11.9% | \$4,967.2 | 11.8% | \$8,910.5 | 9.6% |
| Refunds | (429.5) | 6.2 | (1,472.2) | 4.7 | (1,828.6) | 8.4 |
| Net Income Tax | \$ 944.5 | 14.7% | \$3,495.0 | 15.0% | \$7,081.9 | 9.9% |
| Sales Tax | 526.9 | (8.5) | 3,263.5 | 2.3 | 6,529.8 | (0.3) |
| Motor Vehicles | 69.4 | 48.9 | 332.0 | 0.4 | --- | --- |
| All Other Sales Tax | 457.5 | (13.6) | 2,931.5 | 2.5 | --- | --- |
| Use Tax | 130.0 | 9.6 | 662.5 | (2.2) | 1,386.0 | 0.4 |
| Tobacco Taxes | 81.3 | (12.2) | 511.3 | (6.4) | 1,106.0 | (2.1) |
| Single Business Tax | 95.6 | (70.8) | 599.5 | (33.0) | 638.0 | (64.9) |
| Michigan Business Tax | 407.0 | --- | 466.4 | --- | 1,884.3 | --- |
| Insurance Tax | 35.8 | 63.5 | 130.4 | 17.3 | 244.0 | 9.0 |
| State Education Property Tax | 25.3 | (6.6) | 473.3 | 7.1 | 2,071.2 | (0.5) |
| Real Estate Transfer Tax | 12.1 | (33.9) | 89.4 | (20.4) | 211.0 | (11.2) |
| Casino Wagering Tax ⁴⁾ | 10.5 | (21.6) | 79.7 | (16.5) | 135.3 | (15.1) |
| Oil & Gas Severance Tax | 6.0 | 57.9 | 41.5 | 38.3 | 72.0 | 0.0 |
| Other Taxes ⁵⁾ | 27.4 | (34.1) | 200.4 | (4.5) | 378.5 | (19.5) |
| Total | \$2,302.4 | 11.5% | \$10,012.9 | 7.1% | \$21,738.0 | 5.7% |
| Addendum: | | | | | | |
| Gross Lottery Sales ⁴⁾ | \$178.3 | (0.5)% | \$1,370.9 | (0.5)% | \$2,225.0 | 0.1% |
| Net to School Aid Fund ⁴⁾ | \$ 59.3 | 12.4% | \$ 436.2 | (1.0)% | \$ 743.0 | (0.8)% |

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2007-08 year-to-date collections begin with November 2007 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the January 11, 2008, Consensus Revenue Estimating Conference.
- 4) Lottery and casino revenue is not accrued, so FY 2007-08 collections will include October 2007 to September 2008.
- 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*
May 2006 to April 2008



*Comparison of actual collections. Major taxes include the beer, casino, estate, income, industrial facilities, insurance, liquor, MBT, 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.