

MONTHLY REVENUE REPORT

August 2002

Tax collections declined in August, which marked the seventh time in the past eight months that tax collections have fallen below year-ago levels. The revenue collected from 12 of Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.47 billion in August, which was down 3.6% from last year's level. The only taxes that posted an increase in August were the State education property tax, the real estate transfer tax, and the tobacco tax. All of the other major taxes, including the income, sales, use, and single business taxes, were below their year-ago levels. So far in FY 2001-02, the revenue collected from these 12 major taxes is down 2.9%. In order to reach the FY 2001-02 consensus estimate of a 1.5% decline, tax collections in September, together with the October and November collections that will be accrued back to FY 2001-02, would have to top last year's level by a very strong 5.1%.

Gross income tax collections totaled \$536 million, which was down 0.4% from last year's level. The income tax withheld from workers' paychecks, which accounted for 96% of gross income tax collections in August, was basically unchanged from last year, while quarterly and annual payments were down 7.7% and 11.3%, respectively. On a fiscal year-to-date basis, gross income tax collections are down 6.9%, compared with the FY 2001-02 consensus estimate of a 4.9% decline.

Sales tax collections totaled \$530 million in August, representing a 2.4% decrease from last year's level. This marked the seventh time in the past eight months that sales tax collections have fallen below year-ago levels. The decline in August would have been even larger had it not been for a 15.6% increase in the sales tax collected from motor vehicle transactions. This increase was, however, more than offset by a 6.1% drop in the sales tax collected from all other taxable retail sales. So far in FY 2001-02, sales tax collections are up only 0.1%, which is well short of the FY 2001-02 consensus estimate of a 2.2% increase.

Single business and insurance tax collections fell 32.4% in August to \$126.7 million; however, this steep decline greatly overstates the current weakness in these business tax collections. This sharp decline is primarily due to a shift in when taxpayers paid their quarterly payment, which was due July 31st. This year a greater proportion of these payments was received in July and less was received in August, compared with last year. A more accurate view of current business tax collections is revealed by combining July and August collections, which were down 5.5% from the comparable year-ago level. On a fiscal year-to-date-basis, single business and insurance tax collections are down 5.3%, which compares with the consensus estimate for FY 2001-02, of a 4.0% decline.

Tobacco tax collections were up 77.4% to \$59 million, but this very large increase was due to two temporary factors: 1) collections in August 2001 were artificially low by about \$20 million because some taxes due in August were not paid until September, and 2) August 2002 tobacco tax revenue, which basically reflects tobacco sales that occurred in July, was temporarily boosted because smokers increased their purchases of cigarettes and other tobacco products to help avoid the increase in tobacco taxes, which went into effect on August 1st.

The table on the back of this report identifies the 12 major taxes included in this report, and provides their respective revenue levels and growth rates for August 2002, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the FY 2001-02 consensus revenue estimates adopted at the May Consensus Revenue Estimating Conference.

Jay Wortley, Senior Economist

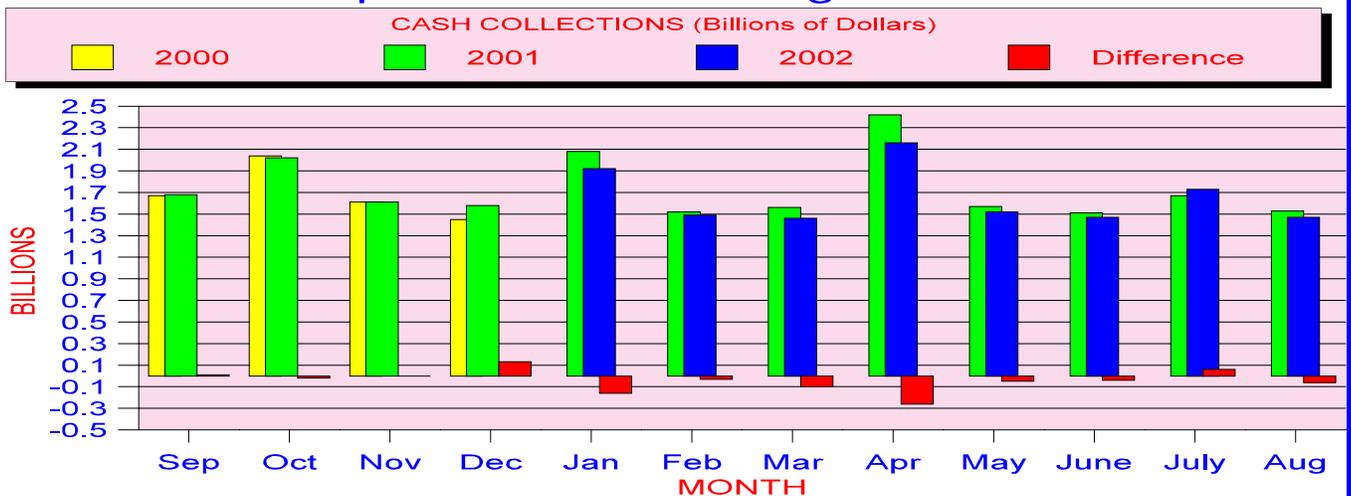


**MICHIGAN REVENUE UPDATE
AUGUST 2002
(dollars in millions)**

Type of Revenue	August Collections		FY 2001-02 to Date ²⁾		FY 2001-02 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago
Income Tax						
Withholding	\$514.7	0.1%	\$5,358.0	(3.2)%	\$6,508.6	(1.3)%
Quarterly Payments	7.2	(7.7)	480.7	(19.9)	661.5	(15.5)
Annual Payments	14.1	(11.3)	487.0	(26.1)	509.4	(26.6)
Gross Income Tax	\$536.0	(0.4)%	\$6,325.7	(6.9)%	\$7,679.5	(4.9)%
Sales Tax	529.7	(2.4)	5,276.9	0.1	6,494.0	2.2
Motor Vehicles	106.9	15.6	876.9	12.8	---	---
All Other Sales Tax	422.8	(6.1)	4,400.0	(2.1)	---	---
Use Tax	107.4	(8.1)	1,088.3	(0.5)	1,368.0	2.6
Tobacco Tax	58.9	77.4	500.3	5.7	589.0	(1.2)
Single Business & Insurance Taxes	126.7	(32.4)	1,842.1	(5.3)	2,133.4	(4.0)
State Education Property Tax	73.6	8.1	1,033.8	9.4	1,558.0	4.6
Real Estate Transfer Tax	27.3	14.2	206.9	0.2	241.0	(4.7)
Estate/Inheritance Tax	10.9	(20.4)	117.3	(9.5)	127.0	(18.3)
Oil & Gas Severance Tax	2.4	(47.8)	26.5	(49.5)	33.0	(45.1)
Total	\$1,472.9	(3.6)%	\$16,417.8	(2.9)%	\$20,222.9	(1.5)%
Addendum:						
Gross Lottery Sales ⁴⁾	\$148.2	(4.7)%	\$1,560.7	3.5%	\$1,654.2	3.1%
Net Lottery to School Aid ⁴⁾	\$ 50.3	(11.2)%	\$ 559.9	2.0%	\$ 605.0	3.1%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2001-02 year-to-date collections begin with November 2001 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the May 16, 2002, Consensus Revenue Estimating Conference.
- 4) Lottery revenue is not accrued, so FY 2001-02 lottery revenue will include October 2001 to September 2002.

**Actual Revenue Collections for 12 Major State Taxes*
September 2000 to August 2002**



*Comparison of actual collections. The 12 taxes include the income (withholding, quarterly payments and annual payments), sales, use, tobacco, SBT, insurance retaliatory, estate, oil and gas severance, State education, and real estate transfer taxes.