

# MONTHLY REVENUE REPORT

## August 2005

Michigan's major General Fund and School Aid Fund taxes generated \$1.78 billion in revenue in August, which was up 5.5% from the year-ago level. This marked the third increase in the past four months and the sixth increase during the first 10 months of FY 2004-05. The increase in August was well distributed among the major taxes. Increases were posted by the income, sales, use, single business, insurance, real estate transfer, and tobacco taxes. In addition, casino tax revenue was up significantly due to a tax increase that went into effect in September 2004. The only major taxes that experienced a decline in collections during August were the State education, estate, and oil and gas severance taxes. General Fund earmarked tax collections were up 5.8% in August and School Aid Fund earmarked tax collections were up 2.0%. On a fiscal year-to-date basis, the revenue from these major taxes is up 5.8%.

Net income tax collections totaled \$523.0 million in August, which was up 2.4%. Gross income tax collections, which include income tax withholding, quarterly, and annual payments, were up only 0.7%. While the \$23.5 million collected from quarterly and annual payments were up 21.1%, withholding payments, which totaled \$528.7 million, were unchanged from last year's level. Helping make up for this meager increase in gross income tax collections was a 21.5% decline in income tax refunds from \$37.2 million in August 2004 to \$29.2 million in August 2005. So far in FY 2004-05, net income tax collections are up 1.7%.

Sales tax collections totaled \$623.2 million in August, which was up 2.6% from the year-ago level. Sales tax collections from motor vehicle transactions were up 1.1% to \$85.8 million. This marked the first time in the past 16 months that motor vehicle sales tax collections topped the previous year's level. Sales tax collections from all other taxable retail transactions were up 2.9% to \$537.4 million, which was due in part to the run-up in gasoline prices. On a fiscal year-to-date basis, sales tax collections are up 3.4%.

Use tax collections increased 9.4% in August to \$132.4 million. Prior to August, use tax collections, which tend to be very volatile on a monthly basis, increased 12.5% in May, and then fell 1.4% and 5.2% in June and July, respectively. Like the sales tax, use tax collections from motor vehicle transactions were up in August after being below year-ago levels for several months. So far in FY 2004-05 use tax collections are up 6.4%.

Single business tax collections totaled \$190.1 million in August, an increase of 22.3%. While single business tax collections were expected to be up in August due to collection timing issues, the actual increase was stronger than expected. This increase in August more than offset the 16.8% decline in single business tax revenue posted in July. So far in FY 2004-05, single business tax collections are up 9.4%.

Revenue collections were also up in August for the insurance tax, by 15.4%; the real estate transfer tax, by 6.9%; and the tobacco taxes (cigarette tax and other tobacco products tax) by 16.9%. In addition, casino tax collections topped the year-ago level by 47.1%, due to the increase in the tax rate that went into effect September 1, 2004. Tax collections declined in August 1.7% for the State education property tax, 66.1% for the estate tax, and 36.2% for the oil and gas severance tax.

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 August 2005, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the revenue estimates for FY 2004-05, which were adopted at the August 2005 Consensus Revenue Estimating Conference.



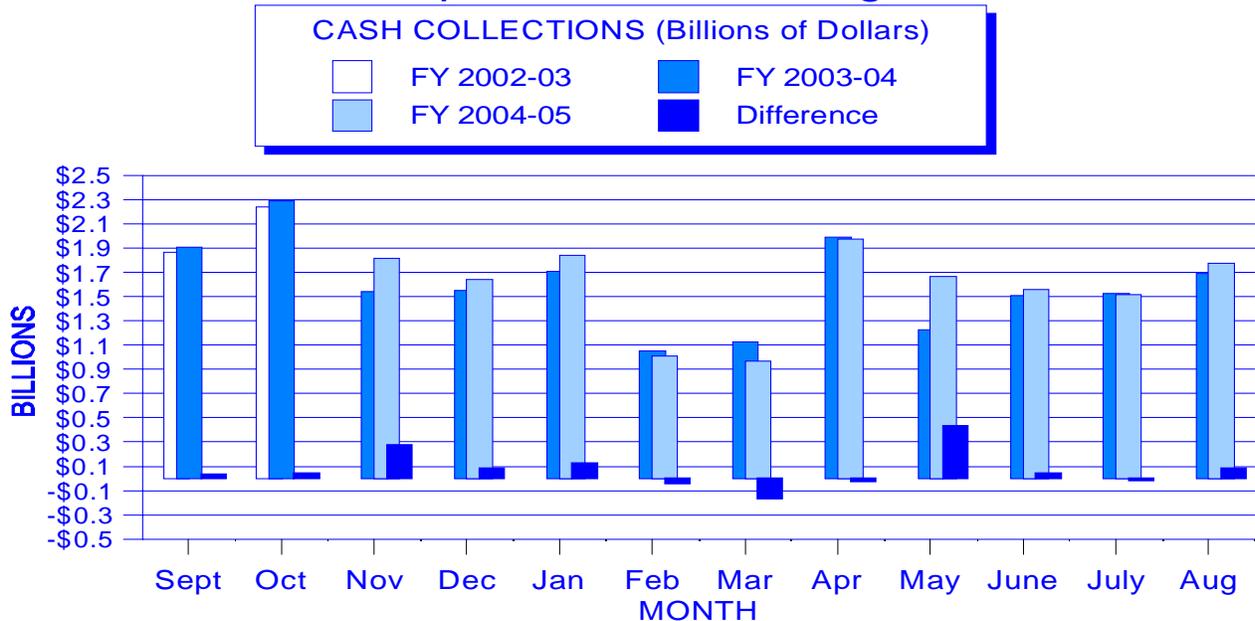
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**MICHIGAN REVENUE UPDATE  
AUGUST 2005  
(dollars in millions)**

Type of Revenue	August Collections		FY 2004-05 to Date <sup>2)</sup>		FY 2004-05 Estimate <sup>3)</sup>	
	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From FY 2003-04
Gross Income Tax	\$552.2	0.7%	\$ 6,457.7	3.1%	\$ 7,676.3	2.8%
Refunds	(29.2)	(21.5)	(1,591.4)	7.7	(1,660.7)	4.2
Net Income Tax	523.0	2.4	4,866.3	1.7	6,015.6	2.4
Sales Tax	623.2	2.6	5,525.1	3.4	6,624.5	2.3
Motor Vehicles	85.8	1.1	679.9	(9.2)	---	---
All Other Sales Tax	537.4	2.9	4,845.2	5.4	---	---
Use Tax	132.4	9.4	1,161.6	6.4	1,385.6	5.2
Tobacco Taxes	114.4	16.9	969.7	29.2	1,164.2	17.3
Single Business Tax	190.1	22.3	1,628.7	9.4	1,885.7	3.2
Insurance Tax	33.8	15.4	213.2	4.8	236.3	2.6
State Education Property Tax	121.5	(1.7)	610.2	34.3	1,854.0	1.6
Real Estate Transfer Tax	28.0	6.9	256.1	(1.4)	316.0	(0.5)
Estate/Inheritance Tax	1.9	(66.1)	26.1	(63.3)	30.0	(60.3)
Casino Wagering Tax	12.5	47.1	121.8	50.7	147.0	47.7
Oil & Gas Severance Tax	3.7	(36.2)	53.6	32.7	65.0	13.8
<b>Total</b>	<b>\$1,784.5</b>	<b>5.5%</b>	<b>\$15,432.4</b>	<b>5.9%</b>	<b>\$19,723.9</b>	<b>3.3%</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$149.0	2.3%	\$1,882.3	4.0%	\$2,059.8	4.4%
Net to School Aid Fund <sup>4)</sup>	\$ 51.1	9.2%	\$ 596.4	0.9%	\$ 641.0	(0.6)%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2004-05 year-to-date collections begin with November 2004 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the August 17, 2005, Consensus Revenue Estimating Conference.
- 4) Lottery revenue is not accrued, so FY 2004-05 lottery revenue will include October 2004 to September 2005.

**Actual Revenue Collections for Major State Taxes\*  
September 2003 to August 2005**



\*Comparison of actual collections. Major taxes include the net income (gross collections less refunds), sales, use, tobacco (cigarette tax and other tobacco products tax), SBT, insurance retaliatory, estate, oil and gas severance, State education, real estate transfer, and casino wagering taxes.