

MONTHLY REVENUE REPORT

August 2009

The revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1.56 billion in August, which was down 2.0% from last year's level. While this marked the ninth time in the past 10 months that tax collections have fallen below their year-ago level, the decline in August was not as large as had been anticipated. As a result, August tax collections exceeded the Senate Fiscal Agency's estimate for August by about \$70.0 million. This marked the first time in four months that tax collections topped the monthly target.

So far in FY 2008-09, tax collections are down 12.0% from the comparable year-ago level and are running below the May consensus revenue estimates by about \$100.0 million. Tax collections earmarked to the General Fund are running below the consensus estimate by \$36.0 million and School Aid Fund tax collections are down about \$54.0 million.

Income tax revenue totaled \$550.3 million in August, which was down 2.1% from last year's level. Income tax collections have fallen below the year-ago level for nine consecutive months. Income tax withholding payments fell 1.3% in August to \$558.7 million, as falling employment continued to have a negative impact on income tax collections. So far in FY 2008-09, income tax collections trail last year's level by 18.1% and are running below the consensus estimate by about \$62.0 million.

Sales tax receipts totaled \$531.4 million in August, representing a 3.2% reduction from the year-ago level. The "cash for clunkers" Federal program was successful at boosting new vehicle sales, as reflected in the 40.3% increase in August sales tax collections generated from motor vehicle transactions. However, while consumers were spending more on motor vehicles, they apparently were spending less on all other taxable goods as tax collections from nonmotor vehicle retail sales fell 9.5% in August. On a fiscal year-to-date basis, total sales tax collections are down 9.3%, motor vehicle sales tax receipts are up 15.9%, and sales tax collections from nonmotor vehicle spending are down 12.3%. Sales tax collections are an estimated \$114.0 million below the consensus revenue estimate.

Michigan Business Tax revenue totaled \$79.9 million in August, which was up 5.5% from last year's level. Stronger-than-anticipated annual payments, coupled with weaker-than-expected refund payouts, were the major contributors to the August increase. Refunds dominated the repealed Single Business Tax in August, as collections totaled a negative \$5.2 million. So far in FY 2008-09, total Michigan Business Tax and Single Business Tax collections are essentially unchanged from last year's level.

Real estate transfer tax receipts fell 14.6% in August to \$13.4 million; however, this marked the second consecutive month that collections have risen substantially from the record lows recorded earlier this year. During the seven months from December 2008 to June 2009, real estate transfer tax collections averaged only \$7.9 million per month. In July, collections jumped to \$17.5 million; after adjusting for the transfer of a large industrial property, collections were still in the \$13.0 million range. One can hope that the increases in July and August reflect the beginning of a rebound in the housing market. On a fiscal year-to-date basis, real estate transfer tax collections are down 31.6%, but due largely to the higher-than-expected collections in July and August, real estate transfer tax revenue is about \$16.0 million above the consensus estimate.

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 2009. Also presented are the consensus revenue estimates for FY 2008-09, which were adopted at the May 2009 Consensus Revenue Estimating Conference.

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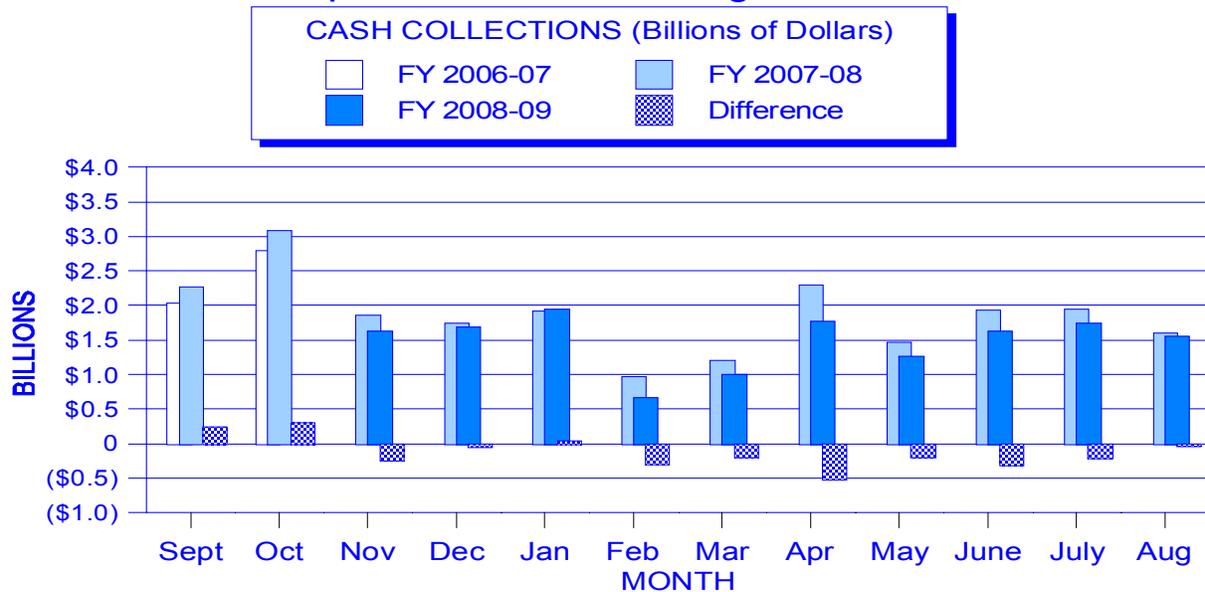


MICHIGAN REVENUE UPDATE
AUGUST 2009
(dollars in millions)

Type of Revenue	August Collections		FY 2008-09 to Date ²⁾		FY 2008-09 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2007-08
Gross Income Tax	\$578.3	(1.8)%	\$6,828.2	(9.7)%	\$8,168.9	(9.4)%
Refunds	(28.0)	4.1	(2,032.3)	18.9	(\$2,111.3)	17.9
Net Income Tax	\$550.3	(2.1)%	\$4,795.9	(18.1)%	\$6,057.6	(16.2)%
Sales Tax	531.4	(3.2)	5,049.7	(9.3)	6,211.7	(8.3)
Motor Vehicles	96.8	40.3	696.1	15.9	---	---
All Other Sales Tax	434.6	(9.5)	4,353.6	(12.3)	---	---
Use Tax	100.7	(0.8)	912.4	(19.1)	1,152.5	(16.3)
Tobacco Taxes	98.6	(4.3)	858.8	(1.2)	1,015.6	(5.4)
Single Business Tax	(5.2)	---	(136.5)	(119.6)	(158.2)	(127.6)
Michigan Business Tax	79.9	5.5	2,079.3	---	2,318.0	22.5
Insurance Tax	4.6	9.5	203.6	6.0	243.8	9.2
State Education Property Tax	144.3	12.4	592.1	(16.0)	2,006.0	(3.5)
Real Estate Transfer Tax	13.4	(14.6)	100.1	(31.6)	100.0	(41.1)
Casino Wagering Tax ⁴⁾	9.0	(15.1)	93.5	(13.3)	113.5	(12.5)
Oil & Gas Severance Tax	4.3	(60.6)	42.0	(50.4)	61.0	(37.2)
Other Taxes ⁵⁾	28.7	20.0	297.7	(11.4)	365.0	(12.2)
Total	\$1,560.0	(2.0)%	\$14,888.6	(12.0)%	\$19,486.5	(11.6)%
Addendum:						
Gross Lottery Sales ⁴⁾	\$197.9	(7.6)%	\$2,197.7	2.1%	\$2,031.6	(7.1)%
Net to School Aid Fund ⁴⁾	\$ 65.3	1.0%	\$ 673.0	(2.0)%	\$ 688.1	(7.1)%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2008-09 year-to-date collections begin with November 2008 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the May 15, 2009, Consensus Revenue Estimating Conference.
- 4) Lottery and casino revenue is not accrued, so FY 2008-09 collections will include October 2008 to September 2009.
- 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*
September 2007 to August 2009



*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.