

# MONTHLY REVENUE REPORT

## December 2005

Tax collections from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.58 billion in December, which was down 4.1% from the previous year's level. Most of these taxes fell into two distinct groups in December: those that experienced large increases in collections compared with the 2004 level and those that experienced large decreases. Taxes that experienced increases in excess of 10.0% in December included the State education property tax, real estate transfer tax, casino wagering tax, oil and gas severance tax, and income tax quarterly payments. Conversely, taxes that realized a decline in collections of more than 10.0% in December included the use tax, single business tax, and insurance tax; in addition, sales tax collections were down 9.3%. While overall tax collections were down in December, they came in very close to the forecasted level even though many of the major taxes were either much stronger or much weaker than anticipated. December tax collections were expected to be down from the 2004 level because December ended on a weekend, which caused some tax collections to spill over into January, and because a couple of taxes experienced unusually strong collections in December 2004, and these strong levels were not expected to be repeated in 2005. On a fiscal year-to-date basis, tax collections are down 5.3%.

Net income tax collections (gross collections less refunds) totaled \$615.3 million in December, representing a decline of 0.9% from the year-ago level. Gross income tax collections (withholding, quarterly, and annual payments) were down 0.7% as income tax withholding collections declined 2.4%, while quarterly and annual payments were up 12.9% and 6.2%, respectively. Income tax overpayments refunded to taxpayers increased 4.6% from the 2004 level, which added to the reduction in net income tax collections. So far in FY 2005-06, net income tax collections are down 2.6% from the 2004 level.

Sales tax collections totaled \$525.7 million in December, which was down a steep 9.3%. Some of this decline was due to the fact that December ended on a weekend, which pushed into January some tax collections that otherwise would have been collected in December. The decline in December also reflects weak motor vehicle sales as sales tax collections from motor vehicle transactions dropped 17.8% from the year-ago level. On a fiscal year-to-date basis, sales tax collections are down 7.1% from the prior year's level.

Use tax collections also fell sharply in December. Use tax revenue totaled \$107.3 million, which was down 13.8% from the year-ago level. Some of this decline can be attributed to the fact that use tax collections were unusually large in December 2004. So far in FY 2005-06, use tax collections are down 8.7%.

Single business tax revenue declined 12.2% in December to \$105.5 million. An even steeper decline was expected because it was anticipated that refunds paid to taxpayers would increase to a more normal level, which they did, after falling to a very low level in December 2004. On a fiscal year-to-date basis, single business tax collections are down 18.1%.

Among some of the other major taxes in December, State education property tax revenue was up 30.1% to \$76.1 million, real estate transfer tax collections were up 34.8% to \$30.2 million, casino tax revenue was up 12.4% to \$12.7 million, and oil and gas severance tax collections increased 18.5% to \$7.7 million.

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 December 2005. Also presented are the Senate Fiscal Agency's revised revenue estimates for FY 2005-06.



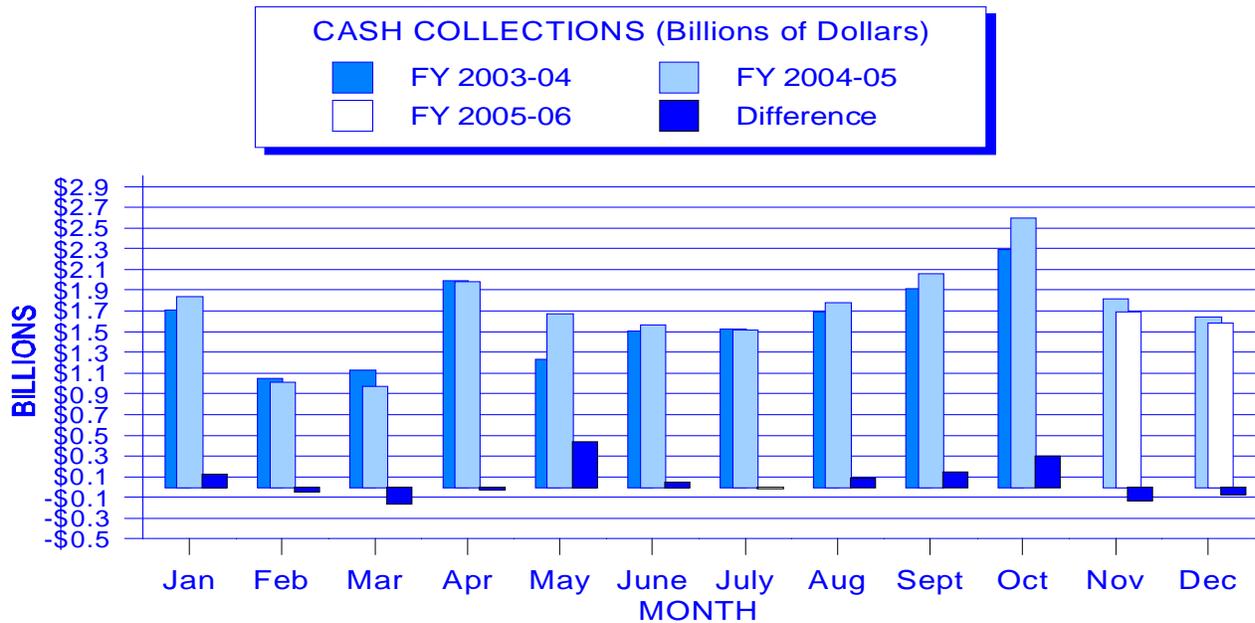
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**MICHIGAN REVENUE UPDATE  
DECEMBER 2005  
(dollars in millions)**

Type of Revenue	December Collections		FY 2005-06 to Date <sup>2)</sup>		FY 2005-06 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 2004-05
Gross Income Tax	\$638.0	(0.7)%	\$1,149.7	(2.6)%	\$7,816.5	1.3%
Refunds	(22.7)	4.6	(41.7)	(3.9)	(1,695.0)	5.2
Net Income Tax	615.3	(0.9)	1,108.0	(2.6)	6,121.5	0.2%
Sales Tax	525.7	(9.3)	1,082.0	(7.1)	6,811.6	3.2
Motor Vehicles	46.5	(17.8)	97.3	(15.2)	---	---
All Other Sales Tax	479.2	(8.3)	984.7	(6.2)	---	---
Use Tax	107.3	(13.8)	217.1	(8.7)	1,445.6	3.1
Tobacco Taxes	95.8	(0.1)	192.2	0.4	1,160.5	(1.7)
Single Business Tax	105.5	(12.2)	227.7	(18.1)	1,885.7	(0.9)
Insurance Tax	1.6	(15.8)	28.5	7.1	262.0	5.0
State Education Property Tax	76.1	30.1	309.1	(7.4)	2,019.5	5.5
Real Estate Transfer Tax	30.2	34.8	57.6	5.9	312.0	(0.5)
Estate/Inheritance Tax	0.1	(97.1)	0.3	(94.4)	8.0	(92.1)
Casino Wagering Tax <sup>4)</sup>	12.7	12.4	37.4	58.5	149.4	2.5
Oil & Gas Severance Tax	7.7	18.5	17.8	78.0	89.0	33.4
<b>Total</b>	<b>\$1,578.0</b>	<b>(4.1)%</b>	<b>\$3,277.7</b>	<b>(5.3)%</b>	<b>\$20,264.8</b>	<b>1.4%</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$213.5	5.7%	\$569.2	6.2%	\$2,220.5	7.8%
Net to School Aid Fund <sup>4)</sup>	\$ 67.0	16.2%	\$186.2	14.3%	\$ 694.8	4.1%

- Total collections are unadjusted cash collections unless otherwise noted.
- FY 2005-06 year-to-date collections begin with November 2005 collections to reflect accrual accounting.
- Senate Fiscal Agency's revised revenue estimates issued the January 11, 2006.
- Lottery and casino revenue is not accrued, so FY 2005-06 collections will include October 2005 to September 2006.

**Actual Revenue Collections for Major State Taxes\*  
January 2004 to December 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 property, real estate transfer, and casino wagering taxes.