

# MONTHLY REVENUE REPORT

## December 2013

Michigan's General Fund and School Aid Fund earmarked major taxes and lottery net revenue totaled \$1.9 billion in December 2013, up 2.5% from one year ago. December tax collections were approximately \$32.2 million above the Senate Fiscal Agency's (SFA's) estimate for the month, based on the May 2013 consensus revenue estimates, primarily due to greater-than-expected Corporate Income Tax (CIT) receipts. The January 10, 2014, consensus revenue estimates will be used beginning with the January 2014 report.

Collections earmarked to the General Fund were \$71.8 million above the expected level for December, while School Aid Fund tax collections were \$33.9 million below the forecasted level. The remaining \$5.7 million that was below forecasted levels was directed to other funds, most notably constitutional revenue sharing. On a year-to-date basis, General Fund collections are \$18.4 million lower, and School Aid Fund collections \$68.4 million lower, than the level expected based on the May 2013 consensus revenue estimates.

Combined business tax collections from the Single Business Tax, Michigan Business Tax (MBT), and CIT were \$97.2 million higher than the SFA estimate for the month, and more than accounted for above-forecast General Fund revenue for the month. Net CIT collections of \$111.4 million were 16.9% higher than in December 2012 and \$59.8 million over forecast collections for the month. Net revenue from the MBT was \$34.5 million above the monthly estimate due to payment of fewer MBT refunds. Most taxpayers who still file the MBT do so to collect refundable tax credits. Forecasted MBT revenue in FY 2013-14 is expected to be dominated by several large refunds. The timing of when these refunds will be claimed and processed will significantly affect the accuracy of monthly MBT estimates.

Net income tax was 4.3% above the year-ago level, driven by a 5.7% increase in withholding payments (which represented the majority of gross income tax revenue). Income tax quarterly collections were 14.5% below the year-ago level. In December 2012, quarterly payments were inflated due to capital gains and dividends taken in anticipation of Federal tax changes associated with the "fiscal cliff".

Sales tax revenue was 3.5% or \$23.0 million above the December 2012 level, reflecting stronger collections from motor vehicle sales, which were up 9.3% from the previous year's level. Over the last two months (November and December 2013), vehicle sales tax collections increased 1.1% from the prior year while sales tax revenue from sales of other items was down 0.8%.

Real estate transfer tax revenue continues to grow rapidly, with December 2013 collections 28.5% or \$3.3 million above the December 2012 level, although December 2013 collections were only \$0.4 million above the SFA estimate for the month. Severance taxes were 115.8% over December 2012 collections because a portion of the revenue that ordinarily would have been credited to November 2013 collections was posted in December 2013. Combined November and December collections are up 15.5% from 2012 and only \$0.2 million above projections.

The table on the back of this report identifies the major taxes included in the report, and provides their respective revenue levels and growth rates for December 2013. Also presented are the consensus revenue estimates for FY 2013-14, which were adopted at the May 2013 Consensus Revenue Estimating Conference.



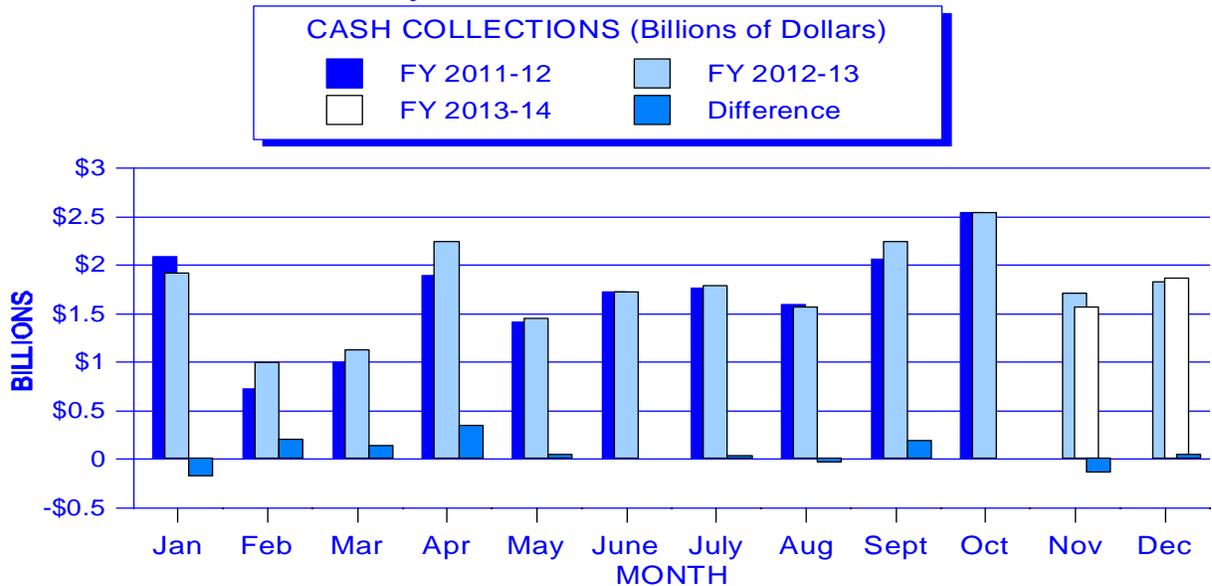
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**MICHIGAN REVENUE UPDATE  
DECEMBER 2013  
(dollars in millions)**

| Type of Revenue                      | December Collections |                        | FY 2013-14 to Date <sup>2)</sup> |                        | FY 2013-14 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 2012-13 |
| Gross Individual Income Tax          | \$820.4              | 4.4%                   | \$1,478.0                        | 4.8%                   | \$9,889.0                         | 0.9%                     |
| Refunds                              | (19.1)               | 8.0                    | (34.0)                           | 11.8                   | (1,620.1)                         | (0.3)                    |
| Net Income Tax                       | \$801.3              | 4.3%                   | \$1,444.0                        | 4.7%                   | \$8,268.9                         | 1.2%                     |
| Sales Tax                            | 671.4                | 3.5                    | 1,207.8                          | (0.6)                  | 7,330.7                           | 3.2                      |
| Motor Vehicles                       | 63.0                 | 9.3                    | 121.6                            | 1.1                    | ---                               | ---                      |
| All Other Sales Tax                  | 608.4                | 3.0                    | 1,086.2                          | (0.8)                  | ---                               | ---                      |
| Use Tax                              | 114.2                | 5.6                    | 218.8                            | 1.2                    | 1,332.5                           | 7.1                      |
| Tobacco Taxes                        | 71.2                 | (10.1)                 | 163.2                            | (1.5)                  | 936.4                             | (1.4)                    |
| Corporate Income Tax                 | 111.4                | 16.9                   | 134.9                            | 11.4                   | 957.0                             | 4.0                      |
| Michigan Business Tax                | 3.3                  | (92.0)                 | (68.3)                           | (249.3)                | (550.0)                           | 12.2                     |
| Insurance Tax                        | 3.7                  | 10.1                   | 2.8                              | (21.1)                 | 348.2                             | 17.2                     |
| State Education Property Tax         | 38.4                 | (10.7)                 | 220.6                            | (19.5)                 | 1,818.0                           | 1.4                      |
| Real Estate Transfer Tax             | 14.9                 | 28.5                   | 37.8                             | 31.4                   | 202.1                             | 6.1                      |
| Casino Wagering Tax <sup>4)</sup>    | 8.7                  | (9.4)                  | 17.7                             | (5.3)                  | 112.0                             | 2.1                      |
| Oil & Gas Severance Tax              | 7.8                  | 115.8                  | 9.6                              | 15.5                   | 55.0                              | 3.8                      |
| Other Taxes <sup>5)</sup>            | 19.1                 | 35.1                   | 43.5                             | (25.9)                 | 327.5                             | (0.4)                    |
| <b>Total</b>                         | <b>\$1,865.3</b>     | <b>2.2%</b>            | <b>\$3,432.5</b>                 | <b>(2.9%)</b>          | <b>\$21,138.3</b>                 | <b>0.9%</b>              |
| <b>Addendum:</b>                     |                      |                        |                                  |                        |                                   |                          |
| Gross Lottery Sales <sup>4)</sup>    | \$224.5              | 20.8%                  | \$655.4                          | 6.4%                   | \$2,426.5                         | (3.2%)                   |
| Net to School Aid Fund <sup>4)</sup> | \$65.6               | 11.4%                  | \$198.7                          | 1.1%                   | \$742.5                           | (0.3%)                   |

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2013-14 year-to-date collections begin with November 2013 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the May 15, 2013, Consensus Revenue Estimating Conference.
- 4) Lottery and casino revenue is not accrued, so FY 2013-14 collections will include October 2013 to September 2014.
- 5) Other Taxes include beer, wine, liquor, single business tax, industrial facilities, utility property, and estate taxes, and penalties and interest.

**Actual Revenue Collections for Major State Taxes\*  
January 2012 to December 2013**



\*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.