

MONTHLY REVENUE REPORT

FEBRUARY 2012

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$787.4 million in February 2012, up 1.6% from the 2011 level. February tax collections were approximately \$74.9 million below the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in January 2012. The shortfall in revenue reflected a large unexpected use tax refund and higher-than-expected individual income tax refunds that more than offset above-forecast collections from most other major taxes.

Collections earmarked to the General Fund were \$103.2 million below the expected level for February, while School Aid Fund tax collections were \$21.3 million above the forecasted level. The remaining \$7.0 million in unanticipated collections was directed to other funds, most notably constitutional revenue sharing. Through February, year-to-date General Fund collections are \$120.2 million lower, School Aid Fund collections \$7.7 million lower, and other funds collectively \$2.0 million higher, than the level expected based on the January 2012 consensus revenue estimates.

Net income tax revenue totaled a negative \$19.3 million (with refunds exceeding gross collections) in February 2012, down from the negative \$1.0 million in February 2011 and \$91.5 million below the level forecasted for the month. The low level of net collections reflected an unexpected increase in the number of individual income tax refunds processed in February. Income tax refunds totaled \$630.8 million, the third-largest total ever for a single month, and were up from \$556.7 million last year and a forecasted value of \$541.9 million. Withholding payments (which represented the majority of Gross income tax collections) were 9.4% above the year-ago level but were \$4.8 million below the predicted level. Since January, withholding receipts have been expected to be much higher than in 2011 due to the tax changes enacted in May 2011, many of which were expected to increase withholding.

Sales tax receipts totaled \$511.8 million in February, a 14.5% increase from the prior year. On a year-to-date basis, sales tax collections are up 5.6% from last year and are \$25.6 million above the forecasted level. Despite the tax changes affecting income tax withholding, year-to-date sales tax collections continue to be growing more rapidly than the 2.9% increase in withholding. Reflecting the strong vehicle sales experienced nationally, February sales tax collections from motor vehicle transactions were up 20.6% from one year ago.

Use tax collections totaled \$64.2 million, below the forecasted level by \$23.1 million and down 29.6% from February 2011 due to a use tax refund of nearly \$30.0 million. Absent the refund, use tax collections would have been slightly above forecast and above the year-ago level.

Real estate transfer tax receipts were 18.3% above the year-ago level in February, the first year-over-year increase since November. Year-to-date real estate transfer tax collections are running 2.2% below last year's level. State education property tax revenue was down 44.8% from February 2011, although the overwhelming majority of this revenue is received during August through November each fiscal year.

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 January 2012. Also presented are the revised consensus revenue estimates for FY 2011-12, which were adopted at the January 2012 Consensus Revenue Estimating Conference.



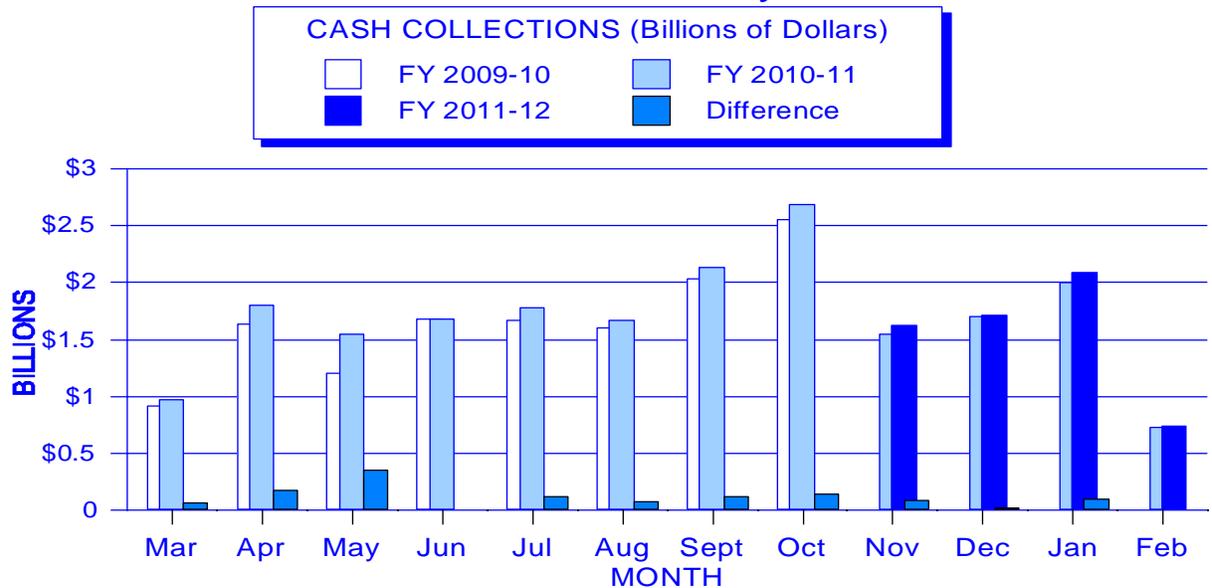
David Zin, Chief Economist

**MICHIGAN REVENUE UPDATE
FEBRUARY 2012
(dollars in millions)**

Type of Revenue	February Collections		FY 2011-12 to Date ²⁾		FY 2011-12 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2010-11
Gross Income Tax	\$611.5	10.1%	\$2,841.8	3.4%	\$9,073.0	3.3%
Refunds	(630.8)	13.3	(757.3)	13.3	(2,041.1)	2.0
Net Income Tax	(19.3)	1,757.7	2,084.4	0.2	7,031.9	3.8
Sales Tax	511.8	14.5	2,275.8	5.6	6,883.9	2.9
Motor Vehicles	62.8	20.6	249.6	5.5	---	---
All Other Sales Tax	449.0	13.7	2,026.2	5.6	---	---
Use Tax	64.2	(29.6)	361.1	(6.6)	1,199.1	13.0
Tobacco Taxes	72.8	4.0	306.5	(0.2)	941.7	(3.2)
Corporate Income Tax	3.7	---	3.8	---	485.6	---
Michigan Business Tax	36.9	(2.5)	601.0	30.7	637.3	13.4
Insurance Tax	8.8	24.2	79.4	14.3	282.0	5.5
State Education Property Tax	15.4	(44.8)	236.6	(24.9)	1,820.0	(3.7)
Real Estate Transfer Tax	10.1	18.3	35.6	(2.2)	132.9	2.8
Casino Wagering Tax ⁴⁾	10.4	12.6	39.0	6.3	113.7	0.8
Oil & Gas Severance Tax	4.0	33.0	19.2	17.2	62.2	12.9
Other Taxes ⁵⁾	6.6	(67.4)	84.8	(6.0)	312.6	0.6
Total	\$725.5	0.6%	\$6,127.4	2.9%	\$19,902.9	(1.5%)
Addendum:						
Gross Lottery Sales ⁴⁾	\$195.6	7.1%	\$968.9	(0.7%)	\$2,285.6	(2.3%)
Net to School Aid Fund ⁴⁾	\$61.9	15.5%	\$304.9	(2.1%)	\$720.0	(1.0%)

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2011-12 year-to-date collections begin with November 2011 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the January 13, 2012, Consensus Revenue Estimating Conference.
- 4) Lottery and casino revenue is not accrued, so FY 2011-12 collections will include October 2011 to September 2012.
- 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*
March 2010 to February 2012**



*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.