

MONTHLY REVENUE REPORT

February 2014

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1.0 billion in February 2014, down 1.4% from the year-ago level. February tax collections were approximately \$25.1 million below the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in January 2014. The below-forecast revenue primarily reflected weakness in sales tax collections and greater-than-expected refunds under the repealed Single Business Tax (SBT), more than offsetting above-forecast revenue under the corporate and individual income taxes.

Collections earmarked to the General Fund were \$14.8 million below the expected level for February, while School Aid Fund tax collections were \$8.6 million below the forecasted level. The remaining \$1.7 million in below-forecast collections were directed to other funds, most notably constitutional revenue sharing. Through February, year-to-date General Fund collections are \$7.0 million below, and School Aid Fund collections \$27.4 million below, the level expected based on the January 2014 consensus revenue estimates.

Net income tax revenue totaled \$226.2 million in February 2014, up 5.2% from February 2013, and \$11.4 million above the level forecasted for the month. Withholding payments (which represented the majority of gross income tax revenue) were 13.0% above the year-ago level and \$51.3 million above the predicted level for the month. Offsetting the increase were individual income tax refunds, which can vary greatly from year-to-year depending on when they are filed. Refunds were up 16.3% from February 2013 and \$34.7 million greater than forecasted.

February 2014 sales tax receipts decreased 5.2% from the prior year and were \$21.9 million below the forecasted level. On a year-to-date basis, sales tax collections through February are down 1.9% from 2013 and are \$67.4 million below the forecasted level. Sales tax collections have been below the year-ago level in four of the last five months. In February, the declines reflected lower sales of items other than motor vehicles. February sales tax collections from motor vehicle transactions were up 0.9% from one year ago, although on a year-to-date basis sales tax collections from motor vehicle transactions are down 1.3%.

Use tax collections were 5.4% above the February 2013 level. Although a large use tax refund paid in January 2013 distorts the year-to-date totals, adjusting for that refund, year-to-date use tax collections are up 6.0% from the 2013 level.

Combined business tax collections from the SBT, Michigan Business Tax (MBT), and Corporate Income Tax (CIT) totaled \$3.1 million for the month, reflecting MBT and SBT refunds that largely offset CIT collections. Net revenue from the MBT was a negative \$15.4 million, while SBT revenue totaled a negative \$9.7 million, both representing a net loss because refunds exceeded collections. 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.

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 February 2014. Also presented are the revised consensus revenue estimates for FY 2013-14, which were adopted at the January 2014 Consensus Revenue Estimating Conference.



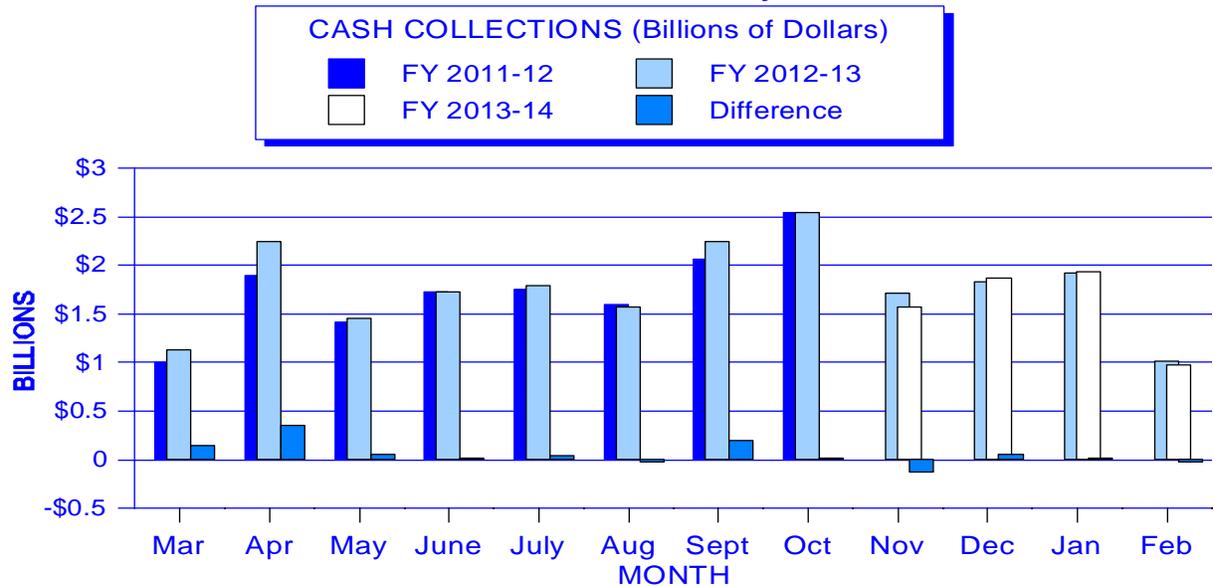
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**MICHIGAN REVENUE UPDATE
FEBRUARY 2014
(dollars in millions)**

Type of Revenue	February Collections		FY 2013-14 to Date ²⁾		FY 2013-14 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2012-13
Gross Individual Income Tax	\$710.2	12.5%	\$3,250.7	5.3%	\$10,135.6	1.7%
Refunds	(484.0)	16.3	(533.8)	13.5	(1,694.2)	0.0
Net Income Tax	226.2	5.2	2,716.9	3.8	8,441.4	2.1
Sales Tax	494.6	(5.2)	2,255.3	(1.9)	7,349.4	2.7
Motor Vehicles	58.6	0.9	244.9	(1.3)	---	---
All Other Sales Tax	436.0	(6.0)	2,010.5	(2.0)	---	---
Use Tax	104.1	5.4	430.0	14.4	1,379.5	8.6
Tobacco Taxes	72.2	(2.2)	311.9	0.5	942.0	(1.6)
Corporate Income Tax	28.3	66.7	268.3	15.1	850.0	8.5
Michigan Business Tax	(15.4)	---	(174.4)	---	(490.0)	---
Insurance Tax	4.7	(44.4)	74.2	2.3	358.0	18.8
State Education Property Tax	14.1	(3.2)	251.2	(17.1)	1,798.0	1.5
Real Estate Transfer Tax	15.5	(0.8)	74.1	20.5	217.4	7.5
Casino Wagering Tax ⁴⁾	9.0	(0.6)	34.5	(5.1)	114.0	3.0
Oil & Gas Severance Tax	4.4	(13.5)	19.3	2.8	62.0	4.2
Other Taxes ⁵⁾	8.8	(63.2)	66.1	(39.5)	316.0	0.0
Total	\$966.3	(3.5%)	\$6,327.5	(1.9%)	\$21,337.7	1.8%
Addendum:						
Gross Lottery Sales ⁴⁾	\$219.2	18.7%	\$1,091.9	12.5%	\$2,525.4	4.6%
Net to School Aid Fund ⁴⁾	\$68.1	40.6%	\$332.0	11.8%	\$745.0	1.5%

- Total collections are unadjusted cash collections unless otherwise noted.
- FY 2013-14 year-to-date collections begin with November 2013 collections to reflect accrual accounting.
- Consensus revenue estimates adopted at the January 10, 2014, Consensus Revenue Estimating Conference.
- Lottery and casino revenue is not accrued, so FY 2013-14 collections will include October 2013 to September 2014.
- 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 2012 to February 2014**



*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.