

# MONTHLY REVENUE REPORT

## January 2006

The revenue collected from Michigan's major General Fund and School Aid Fund taxes totaled \$2.0 billion in January, which was up 8.6% from the year-ago level. This increase followed a 4.1% decline in December; however, the increase posted in January overstates the true strength in tax collections due to some noneconomic factors that had a net positive impact on collections. Taxes that experienced an increase in collections in January compared with their year-ago level included the income, sales, single business, insurance, State education, real estate transfer, casino wagering, and oil and gas severance taxes. Taxes whose collections fell below year-ago levels in January included the use and tobacco taxes. So far in FY 2005-06, tax collections are below their comparable year-ago level by 0.7%, which marks a big improvement from the fiscal year-to-date decline of 5.7% posted at the end of December.

Income tax collections (gross collections less refunds) totaled \$836.4 million in January. This represents an increase of 8.8% from last year's level and marks the largest monthly gain since May 2005. Gross collections were up a strong 7.8%, as withholding payments increased 3.7%, quarterly payments jumped 25.1%, and annual payments rose 17.4%. Refunds paid to taxpayers fell to \$56.1 million in January from \$58.9 million last year at this time, but this decline can be attributed to timing shifts in the number and amount of refunds that were processed compared with last year. On a fiscal year-to-date basis, income tax collections are up 2.0%.

Sales tax collections totaled \$629.1 million in January, which topped last year's level by 12.7%. This large increase reflects the fact that December ended on a weekend and, as a result, some tax collections that otherwise would have been counted in December spilled over into January. This large increase in January sales tax collections was expected. Sales tax collections from motor vehicle transactions continued to fall below year-ago levels as they declined 8.7% in January. So far in FY 2005-06, sales tax collections are down 0.7%, due largely to a 13.0% decline in collections from motor vehicle transactions.

Use tax revenue totaled \$112.2 million in January, representing a decrease of 2.0% from the year-ago level. This decline was due to an unanticipated large increase in use tax refunds. Without this jump in refunds, use tax collections would have been up about 6.0%. On a fiscal year-to-date basis, use tax collections are down a slight 0.2%.

Single business tax collections totaled \$216.8 million in January, which is up 3.9% from last year's level. The quarterly payment schedule along with timing shifts in when taxpayers remit their quarterly payments to the State result in very volatile monthly swings in single business tax collections. The increase in January was preceded by sharp declines in November and December. As a result, so far in FY 2005-06, single business tax collections are down 8.6%.

The insurance, casino, and real estate transfer taxes are experiencing strong revenue growth. In January, insurance tax collections were up 20.8% to \$31.3 million, casino tax revenue increased 8.5% to \$12.6 million, and real estate transfer tax receipts jumped 15.2% to \$25.8 million. On a fiscal year-to-date basis, each of these taxes' collections is up by more than 8.0%.

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 January 2006, along with their fiscal year-to-date collections and growth rates. Also presented are the revised revenue estimates for FY 2005-06, which were adopted at the January 2006 Consensus Revenue Estimating Conference.



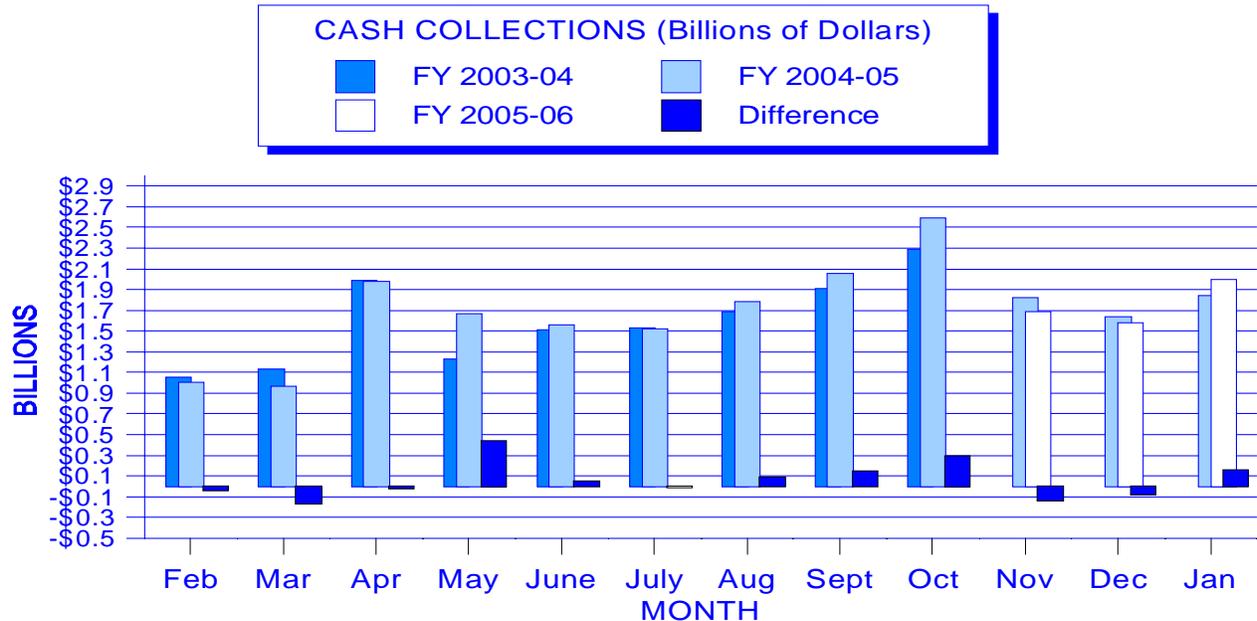
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**MICHIGAN REVENUE UPDATE  
JANUARY 2006  
(dollars in millions)**

Type of Revenue	January 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	\$ 892.5	7.8%	\$2,042.2	1.7%	\$7,866.7	1.9%
Refunds	(56.1)	(4.8)	(97.8)	(4.4)	(1,696.0)	5.3
Net Income Tax	\$ 836.4	8.8%	\$1,944.4	2.0%	\$6,170.7	1.0%
Sales Tax	629.1	12.7	1,711.1	(0.7)	6,799.8	3.0
Motor Vehicles	52.7	(8.7)	150.0	(13.0)	---	---
All Other Sales Tax	576.4	15.1	1,561.1	0.7	---	---
Use Tax	112.2	(2.0)	329.3	(6.5)	1,442.3	2.9
Tobacco Taxes	97.2	(1.3)	289.4	(0.2)	1,161.5	(1.6)
Single Business Tax	216.8	3.9	444.5	(8.6)	1,817.9	(5.0)
Insurance Tax	31.3	20.8	59.8	13.9	255.0	2.2
State Education Property Tax	32.6	30.9	341.7	(4.7)	2,010.0	5.0
Real Estate Transfer Tax	25.8	15.2	83.4	8.6	310.0	(1.1)
Estate/Inheritance Tax	(0.5)	(116.1)	(0.2)	(102.4)	5.0	(95.1)
Casino Wagering Tax <sup>4)</sup>	12.6	8.6	38.1	8.2	149.4	2.5
Oil & Gas Severance Tax	8.5	30.8	26.3	59.4	84.0	25.9
<b>Total</b>	<b>\$2,002.0</b>	<b>8.6%</b>	<b>\$5,267.8</b>	<b>(0.7)%</b>	<b>\$20,205.6</b>	<b>1.1%</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$168.3	11.5%	\$737.5	7.3%	\$2,205.2	7.1%
Net to School Aid Fund <sup>4)</sup>	\$ 50.9	9.1%	\$237.0	13.2%	\$ 690.0	0.7%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2005-06 year-to-date collections begin with November 2005 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the January 12, 2006, Consensus Revenue Estimating Conference.
- 4) 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\*  
February 2004 to January 2006**



\*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.