

# MONTHLY REVENUE REPORT

## January 2008

The revenue generated from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1.92 billion in January 2008. These tax collections were down 4.9% from last year's level as positive effects from the increase in the income tax rate were more than offset by negative effects from the weak economy and noneconomic timing factors. Most of the major taxes experienced a decline in collections in January compared with their year-ago level; these included the sales, use, tobacco, single business, real estate transfer, casino, and severance taxes. The only taxes that posted an increase in collections in January were the income, insurance, and State education taxes. January's tax collections were weaker than was expected.

It was estimated that January tax collections would fall below last year's level by about \$60.0 million, but actual collections were down almost \$100.0 million. Despite this decline in January, tax collections so far in FY 2007-08 are up 4.4%, which primarily reflects the increase in the income tax rate. Adjusting for the income tax rate increase, tax collections to date are up 0.2%.

Income tax revenue totaled \$876.0 million in January, which was up 3.3% from last year's level. After adjusting for the increase in the tax rate, which rose from 3.9% to 4.35% effective October 1, 2007, income tax revenue was down 5.5% in January. Income tax withholding payments were up only 2.2%, despite the 11.5% increase in the tax rate, which in large part reflects the fact that January had one less major payday than did January 2007. The negative effect of this noneconomic timing factor was partially offset by a 6.4% increase in quarterly estimated payments in January. Income tax refund payments to taxpayers were practically unchanged from last year's level. On a fiscal year-to-date basis, income tax revenue is up 9.7%.

Sales tax receipts totaled \$547.7 million in January, which was down 11.5% from last year's level. This decline can be attributed in part to the negative impact of a noneconomic timing factor that boosted sales tax collections in January 2007 but did not this year. Adjusting for this noneconomic timing factor, sales tax collections were still down in January by an estimated 4.9%. So far in FY 2007-08, sales tax revenue is up 2.3%.

Single business tax revenue totaled \$193.5 million in January, which was down 5.6%. Even though the single business tax was repealed effective December 31, 2007, quarterly estimated payments on business activity that occurred in the fourth quarter (October - December) of 2007 were due in January. The first tax payments under the new Michigan business tax will be received in April, reflecting the tax due on business activity during the first quarter of 2008. On a fiscal year-to-date basis, single business tax revenue is down 2.5%.

Tobacco tax revenue totaled \$80.8 million in January, which was down 7.9% from last year's level. This marked the second consecutive month that tobacco tax revenue was down in excess of 6.0%. So far in FY 2007-08, tobacco tax revenue, which reflects tax collections from both the cigarette tax and the tax on other tobacco products, is down 7.1%.

Real estate transfer tax receipts declined 41.0% in January to \$11.8 million. This marks the lowest monthly level for real estate transfer tax collections since April 1997. On a fiscal year-to-date basis, real estate transfer tax revenue is down 16.4%.

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 2008, along with their fiscal year-to-date collections and growth rates. Also presented are the revised consensus revenue estimates for FY 2007-08, which were adopted at the January 2008 Consensus Revenue Estimating Conference.

*Jay Wortley, Senior Economist*

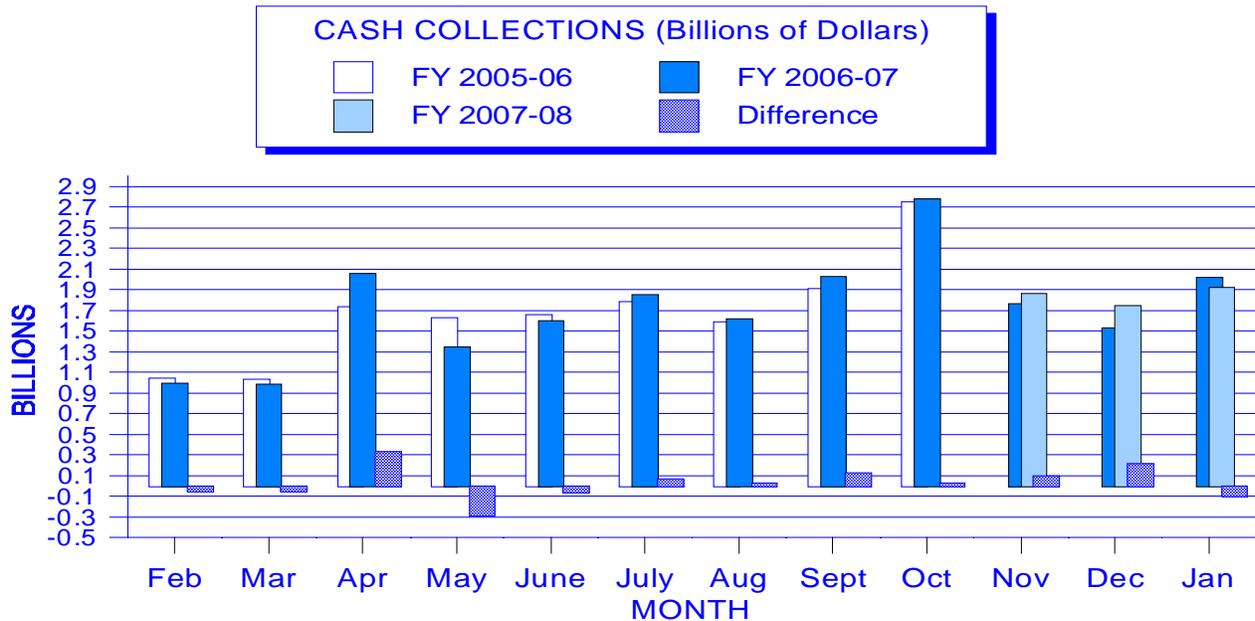


**MICHIGAN REVENUE UPDATE  
JANUARY 2008  
(dollars in millions)**

Type of Revenue	January Collections		FY 2007-08 to Date <sup>2)</sup>		FY 2007-08 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 2006-07
Gross Income Tax	\$939.4	2.2%	\$2,270.9	9.7%	\$8,910.5	9.6%
Refunds	(63.4)	1.0	(98.5)	(11.9)	(1,828.6)	8.4
Net Income Tax	876.0	3.3	2,172.4	10.9	\$7,081.9	9.9
Sales Tax	547.7	(11.5)	1,713.7	2.3	6,529.8	(0.3)
Motor Vehicles	55.1	3.2	152.6	(0.9)	---	---
All Other Sales Tax	492.6	(12.9)	1,561.1	2.6	---	---
Use Tax	115.2	(14.2)	327.2	(5.3)	1,386.0	0.4
Tobacco Taxes	80.8	(7.9)	261.3	(7.1)	1,106.0	(2.1)
Single Business Tax	193.5	(5.6)	377.8	(2.5)	638.0	(64.9)
Michigan Business Tax	0.0	0.0	0.0	0.0	1,884.3	---
Insurance Tax	30.9	1.0	55.4	1.8	244.0	9.0
State Education Property Tax	18.2	2.2	404.7	9.9	2,071.2	(0.5)
Real Estate Transfer Tax	11.8	(41.0)	48.3	(16.4)	211.0	(11.2)
Casino Wagering Tax <sup>4)</sup>	10.3	(30.4)	47.7	(12.3)	135.3	(15.1)
Oil & Gas Severance Tax	6.3	(17.1)	20.3	23.8	72.0	0.0
Other Taxes <sup>5)</sup>	28.2	(13.2)	115.4	3.2	378.5	(19.5)
<b>Total</b>	<b>\$1,918.9</b>	<b>(4.9)%</b>	<b>\$5,544.2</b>	<b>4.4%</b>	<b>\$21,738.0</b>	<b>5.7%</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$169.6	(2.7)%	\$751.7	1.3%	\$2,225.0	0.1%
Net to School Aid Fund <sup>4)</sup>	\$ 48.3	(5.3)%	\$239.3	1.6%	\$ 743.0	(0.8)%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2007-08 year-to-date collections begin with November 2007 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the January 11, 2008, Consensus Revenue Estimating Conference.
- 4) Lottery and casino revenue is not accrued, so FY 2007-08 collections will include October 2007 to September 2008.
- 5) Other Taxes include beer, wine, liquor, industrial facilities, utility property, and estate taxes, and penalties and interest.

**Actual Revenue Collections for Major State Taxes\*  
February 2006 to January 2008**



\*Comparison of actual collections. Major taxes include the beer, casino, estate, income, industrial facilities, insurance, liquor, oil & gas severance, real estate transfer, sales, SBT, State education, tobacco (cigarette & other tobacco products), use, utility property, and wine taxes, and penalties and interest revenue.