

MONTHLY REVENUE REPORT

January 2009

Michigan's major General Fund and School Aid Fund earmarked taxes generated \$1.95 billion in January, which was up from last year's collections by 1.7%. Increases in the combined collections from the new Michigan Business Tax (MBT) and the Single Business Tax (SBT) compared with last year's SBT revenue, in addition to increases from the tobacco and insurance taxes, more than offset declines in collections experienced by most of the other major taxes including the income, sales, use, State education, real estate transfer, and severance taxes. Despite this increase in January, so far in FY 2008-09, tax collections are down 4.6% from the year-ago level, with General Fund revenue down 3.8% and School Aid Fund revenue down 5.9%.

While tax collections were up in January, they did not increase by as much as was expected. In fact, tax collections fell short of the January estimate by about \$100.0 million. The estimate for January was determined by breaking down the new consensus revenue estimates for FY 2008-09 on a monthly basis using historical monthly collection patterns and also including the impact of noneconomic factors that affect the monthly timing of tax collections. While most of the major taxes fell below their target for January, the majority of the shortfall was in MBT and sales tax collections. Weaker-than-expected retail sales in December and January were probably the major reason for the shortfall in sales tax collections and the newness of the MBT makes it very difficult to estimate and track its revenue stream on a monthly basis. If MBT revenue is excluded from the analysis, January tax collections were below the estimate by about \$50.0 million.

Income tax revenue totaled \$864.2 million in January, which was down 1.3% from last year's level. Gross collections from withholding, quarterly, and annual payments were down 4.5% from the year-ago level; however, refund payments were also below last year's level. So far in FY 2008-09, income tax revenue is down 2.1%.

Sales tax receipts totaled \$456.9 million, representing a decline of 16.6% from last year's level. Most of this decline was due to the weakness in retail sales and to a noneconomic factor that pushed sales tax collections from month-end sales into February. Sales tax revenue generated by motor vehicle sales, which includes the sales of motor vehicles by retail dealers of new and/or used vehicles, was up a surprising 10.2%; however, sales tax collections from all other retail activity were down 19.6% in January. So far in FY 2008-09, sales tax receipts are down 8.2%.

Michigan Business Tax revenue totaled \$347.1 million in January. This new tax did not yet have any collections last year at this time, but its collections in January came in below those for the months of April, July, and October 2008, which were also months in which a quarterly payment was due. While the economic downturn is undoubtedly having negative repercussions on MBT receipts, it is very difficult to evaluate and track these repercussions on a monthly basis given the very limited time this new tax has been in effect.

Real estate transfer tax collections declined 39.0% to \$7.2 million in January. This marked the lowest monthly level for this tax since it became fully phased-in in May 1995.

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 2009. Also presented are the consensus revenue estimates for FY 2008-09, which were adopted at the January 9, 2009, Consensus Revenue Estimating Conference.



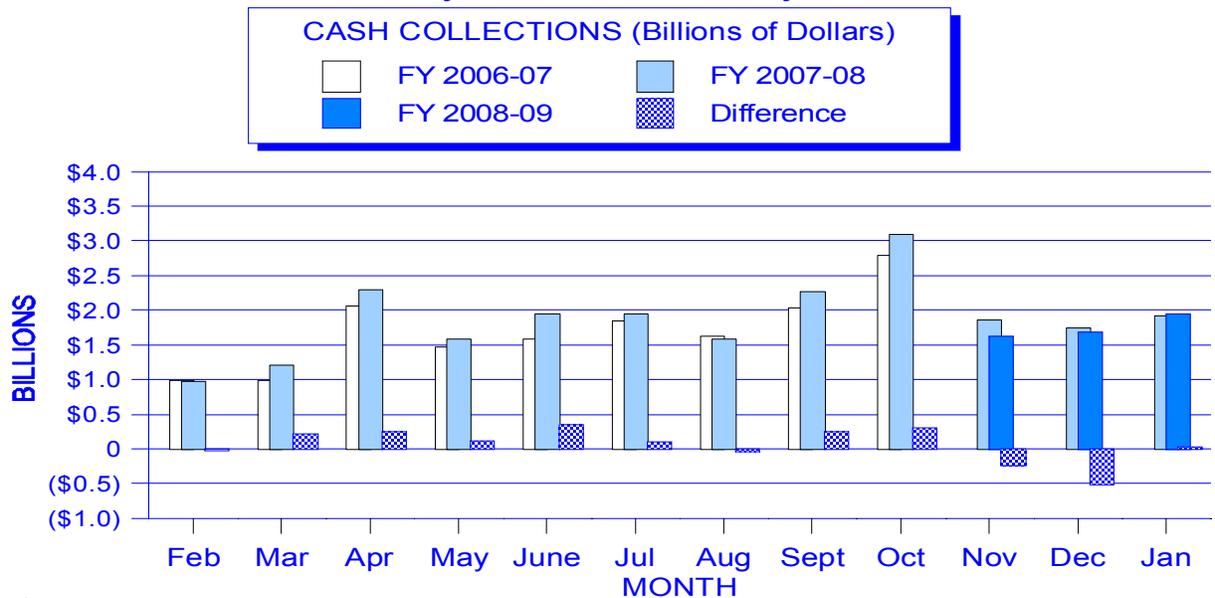
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**MICHIGAN REVENUE UPDATE
JANUARY 2009
(dollars in millions)**

Type of Revenue	January Collections		FY 2008-09 to Date ²⁾		FY 2008-09 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2007-08
Gross Income Tax	\$896.9	(4.5)%	\$2,192.0	(3.5)%	\$8,553.1	(5.1)%
Refunds	(32.7)	(48.4)	(65.1)	(33.9)	(2,051.9)	14.6
Net Income Tax	864.2	(1.3)	2,126.9	(2.1)	6,501.2	(10.0)
Sales Tax	456.9	(16.6)	1,573.7	(8.2)	6,491.7	(4.2)
Motor Vehicles	60.7	10.2	164.3	7.7	---	---
All Other Sales Tax	396.2	(19.6)	1,409.4	(9.7)	---	---
Use Tax	93.1	(19.2)	234.7	(28.3)	1,267.5	(8.0)
Tobacco Taxes	88.7	9.8	262.0	8.4	1,043.7	(2.8)
Single Business Tax	(11.9)	(106.2)	(46.5)	(112.3)	(43.2)	(107.5)
Michigan Business Tax	347.1	---	597.9	---	2,586.7	36.7
Insurance Tax	56.8	83.8	63.5	14.6	238.8	7.0
State Education Property Tax	17.1	(6.0)	261.1	(35.5)	2,010.2	(3.3)
Real Estate Transfer Tax	7.2	(39.0)	29.3	(39.3)	144.3	(15.0)
Casino Wagering Tax ⁴⁾	9.6	(6.8)	28.6	(15.9)	118.6	(8.6)
Oil & Gas Severance Tax	4.0	(36.5)	16.3	(19.7)	66.0	(32.0)
Other Taxes ⁵⁾	18.8	(33.3)	108.8	(5.7)	389.4	(6.4)
Total	\$1,951.6	1.7%	\$5,256.3	(4.6)%	\$20,814.9	(5.5)%
Addendum:						
Gross Lottery Sales ⁴⁾	\$216.6	27.7%	\$791.6	5.3%	\$2,067.0	(5.5)%
Net to School Aid Fund ⁴⁾	\$63.7	31.7%	\$237.9	(0.6)%	\$700.1	(5.5)%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2008-09 year-to-date collections begin with November 2008 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the January 9, 2009, Consensus Revenue Estimating Conference.
- 4) Lottery and casino revenue is not accrued, so FY 2008-09 collections will include October 2008 to September 2009.
- 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 2007 to January 2009**



*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.