

# MONTHLY REVENUE REPORT

## July 2000

The revenue collected from 12 major General Fund and School Aid Fund earmarked taxes totaled \$1.63 billion in July, which topped last year's total by a strong 9.3%. While this marked the second strongest monthly gain so far in FY 1999-2000, July tax collections perpetuated a very erratic pattern in monthly revenue collections, which began in April, and therefore, they probably overstate the true current strength in tax collections. Collections from these 12 major taxes tumbled 4.7% in April, increased 21.4% in May, fell 2.5% in June, and then increased strongly in July. Hidden behind these erratic monthly changes in tax collections is the fact that revenues continue to increase from year-ago levels, but the rate of growth has slowed compared with the first part of FY 1999-2000. During the past four months, overall tax collections were up 4.8%, which reflects slower growth than the 6.2% rate of growth averaged during the first five months of FY 1999-2000. It is not clear what factor or factors are causing the large variation in the monthly growth rates, but the overall slower rate of growth experienced over the past four months is due in part to reductions in the income and single business tax rates. So far this fiscal year, the revenue collected from these 12 major taxes is up 5.6%, which is running ahead of the consensus estimated growth rate for FY 1999-2000 of 4.6%.

Gross income tax collections totaled \$584 million in July, which was up 8.4% compared with last year's level. However, during June, income tax collections were down 1.3% and therefore, over these two months, income tax collections were up only 2.9%. This relatively slow growth in income tax collections during June and July can be attributed in large part to the reduction in the income tax rate, which is currently 4.2% compared with 4.4% last year at this time. Adjusting for the tax rate cut, collections during June and July were up 7.8%. So far this fiscal year, gross income tax revenue is up 5.9%.

Sales tax collections totaled \$566 million in July. This topped last year's collections by 12.8%, but this probably overstates the true strength in sales tax collections. The strong level of sales tax collections in July followed a 5.7% drop in June. In fact, sales tax collections have been extremely erratic during the past five months, experiencing monthly changes ranging from a 26.1% increase in May to a 5.7% decline in June. During the past five months sales tax collections were up 5.5% from year-ago levels, which represents much slower growth than the 12.5% increase experienced during the first four months of FY 1999-2000. On a fiscal year-to-date basis, sales tax collections are up 8.5%.

Use tax collections have experienced a similar erratic monthly collections pattern. In July, use tax collections totaled \$124 million, which was up 9.7% compared with the year-ago level; however, during the prior four months, use tax collections had fallen below the year-ago level three times. As a result, the pace of growth in use tax collections has slowed to 4.9% during the past five months compared with a growth rate of 12.3% during the first four months of FY 1999-2000. So far this fiscal year, use tax collections are up 7.9%.

Single business and insurance tax collections totaled \$252 million in July. While these collections are up 18.4% from last year's level, July marks only the second time since January, that these business tax collections have topped the year-ago level. On a fiscal year-to-date basis, single business and insurance tax collections are down 2.4%. A factor contributing to this overall decline in single business tax collections is the ongoing reduction in the tax rate. Currently the tax rate is 2.1%, while last year at this time it was 2.2%. This reduction in the tax rate has reduced collections by about 4.5% from what they otherwise would have been.

The table on the back of this report identifies the 12 major taxes included in this report, and provides their respective revenue levels and growth rates for July 2000, along with their fiscal year-to-date revenue collections and growth rates. Also presented are their respective consensus revenue estimates for FY 1999-2000.

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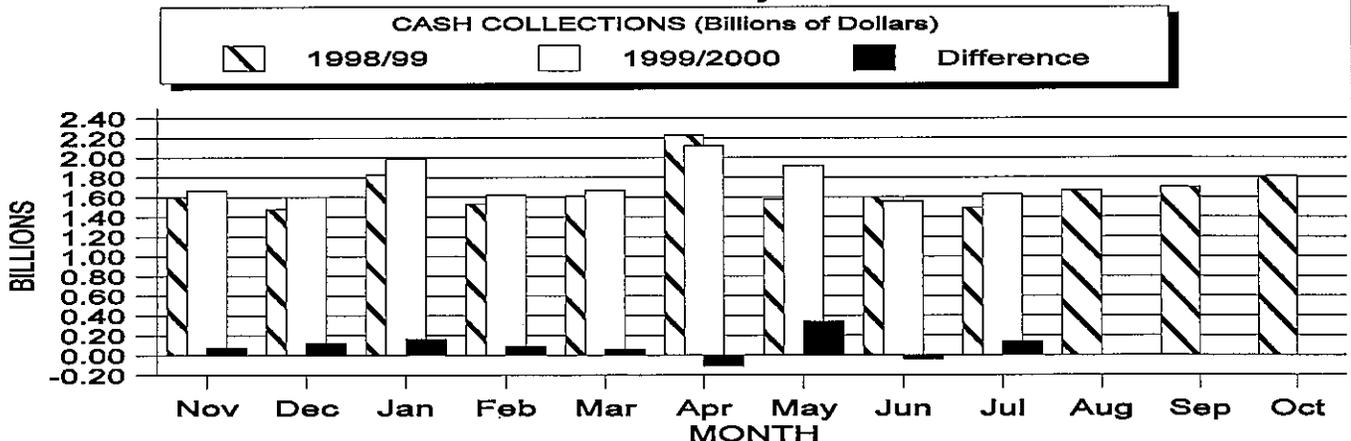


**MICHIGAN REVENUE UPDATE**  
**JULY 2000**  
(dollars in millions)

Type of Revenue	July Collections		FY 1999-2000 To Date <sup>2)</sup>		FY 1999-2000 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 1998-99
Income Tax						
Withholding	\$567.3	8.4%	\$5,182.6	5.1%	\$6,821.8	4.2%
Quarterly Payments	11.4	8.6	654.4	6.6	815.5	0.8
Annual Payments	4.8	(2.0)	738.4	10.6	770.0	8.4
Gross Income Tax	\$583.5	8.4%	\$6,575.4	5.9%	\$8,407.3	4.2%
Sales Tax	565.9	12.8	4,707.7	8.5	6,306.2	6.9
Use Tax	124.2	9.7	1,002.8	7.9	1,372.0	7.0
Tobacco Tax	55.3	(3.0)	445.9	(1.4)	598.8	(2.7)
Single Business & Insurance Taxes	251.5	18.4	1,917.8	(2.4)	2,406.3	(0.5)
State Education Property Tax	11.2	(26.8)	804.9	7.1	1,359.8	6.8
Real Estate Transfer Tax	23.0	(1.7)	180.3	8.9	264.0	0.9
Estate/Inheritance Tax	14.8	(52.7)	126.6	(1.2)	187.0	6.9
Oil & Gas Severance Tax	4.4	144.4	29.8	84.0	36.0	53.8
<b>Total</b>	<b>\$1,633.8</b>	<b>9.3%</b>	<b>\$15,791.2</b>	<b>5.6%</b>	<b>\$20,937.4</b>	<b>4.6%</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$119.6	(23.9)%	\$1,427.6	(3.5)%	\$1,719.8	(1.6)%
Net Lottery to School Aid <sup>4)</sup>	\$ 42.1	(29.3)%	\$ 512.4	(0.9)%	\$ 609.0	(2.0)%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 1999-2000 year-to-date collections begin with November 1999 collections to reflect accrual accounting.
- 3) Consensus estimates adopted May 19, 2000. These estimates reflect the impact of enacted tax reductions.
- 4) Lottery revenue is not accrued, so FY 1999-2000 lottery revenue includes October 1999 to September 2000.

**Actual Revenue Collections for 12 Major State Taxes\***  
**November 1998 to July 2000**



1998/99	1.80	1.48	1.83	1.53	1.81	2.23	1.58	1.80	1.49	1.87	1.70	1.81
1999/2000	1.87	1.80	1.99	1.82	1.87	2.12	1.92	1.58	1.83			
Difference	0.07	0.12	0.16	0.09	0.06	(0.11)	0.34	(0.04)	0.14			

\* Comparison of actual collections. The 12 taxes include the income (withholding, quarterly payments and annual payments), sales, use, tobacco, SBT, insurance retaliatory, estate, oil and gas severance, State education, and real estate transfer taxes.