

MONTHLY REVENUE REPORT

July 2010

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1,662.9 million in July, down 4.6% from last year's level. Increases in income tax withholding collections were offset by monthly declines in the sales and use tax and other collections compared with July 2009.

Actual tax collections exceeded estimated monthly revenue in July 2010 based on the May consensus forecast estimates. July tax collections were approximately \$97.0 million above the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in May 2010. Collections earmarked to the General Fund were \$61.7 million above the expected level for July and School Aid Fund tax collections were \$2.4 million above the estimate for July.

Net income tax revenue totaled \$524.4 million in July 2010, down 1.3% from the July 2009 level. Income tax withholding payments, which represented the majority of net income tax revenue in July, were 2.1% or \$11.0 million above the level in July 2009. For the year to date, income tax withholding is running \$16.3 million above the May consensus estimates. Compared with July 2009, income tax refunds were \$4.2 million higher. For the year to date, net income tax collections are \$57.4 million above the estimated level from the May consensus.

Sales tax receipts totaled \$513.6 million in July which was down 0.4% from the year-ago level. Sales tax collections were almost \$14.1 million above the estimate for the month, which was \$499.5 million. Sales tax collections are continuing on a slightly upward trend. The recent slowdown in national retail sales may affect sales tax collections later in the fiscal year. For the year to date, sales tax collections are running \$56.6 million above the May consensus estimate.

Michigan Business Tax (MBT) revenue totaled \$295.1 million in July 2010, which was down \$12.3 million or 4.0% from last year's level. Michigan Business Tax quarterly payments were down 19.7% and MBT annual payments were up 355.7% compared with July 2009. While a high percentage, the annual payment increase represented an increase of only \$37.8 million from last year. Most significantly, MBT refunds were more than 50.0% down in July compared with July 2009. Given the expectation of higher MBT refunds from the May consensus, it remains to be seen how and when these refunds will be incurred and what their overall impact on revenue collections will be.

Real estate transfer tax receipts were down 37.1% from the year-ago level in July, to \$11.0 million. State education property tax revenue was down 64.3% or \$22.9 million from July 2009. Year to date, State Education Tax collections are up slightly and real estate transfer taxes are down slightly compared with the May consensus estimate.

Overall year to date, actual revenue collections as of July 2010 are coming in well below last fiscal year's actual collections. However, actual collections, year to date, are above May consensus revenue estimates by approximately \$200.0 million. There remains great uncertainty over the pace and scale of expected MBT refunds going forward, which may affect future months. 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 June 2010. Also presented are the consensus revenue estimates for FY 2009-10 adopted at the May 2010 Consensus Revenue Estimating Conference.

Eric Scorsone, Senior Economist
David Zin, Economist

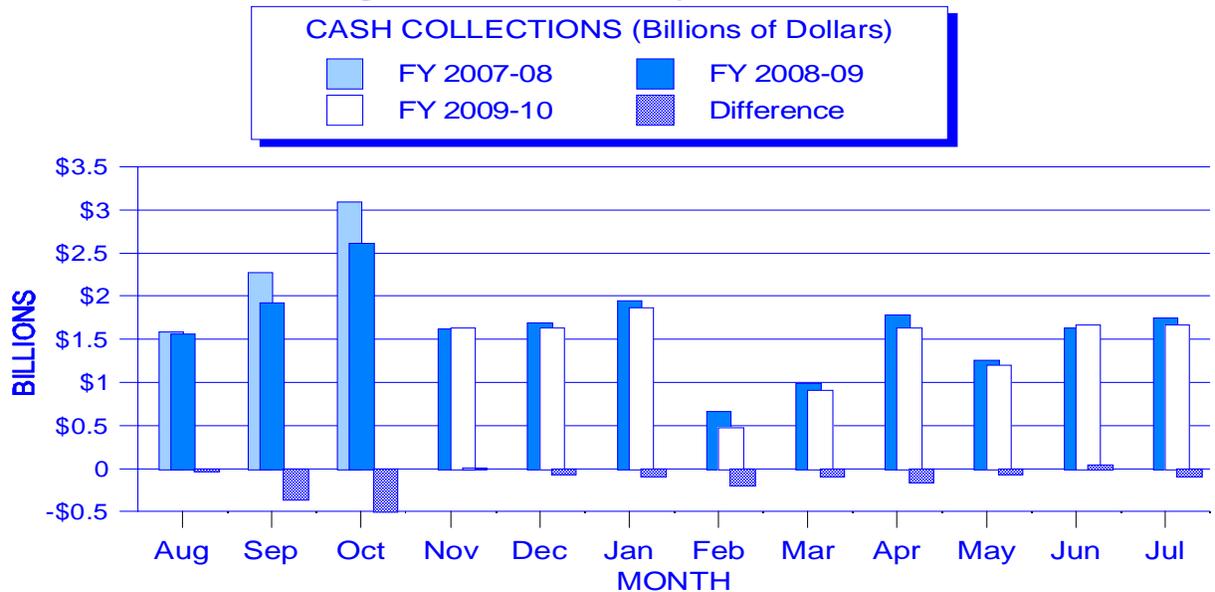


**MICHIGAN REVENUE UPDATE
JULY 2010
(dollars in millions)**

Type of Revenue	July Collections		FY 2009-10 to Date ²⁾		FY 2009-10 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2008-09
Gross Income Tax	\$565.6	1.9%	\$6,011.0	(3.8)%	\$7,811.2	(3.5)%
Refunds	(41.2)	45.6	(2,253.2)	12.4	(2,429.9)	8.3
Net Income Tax	\$524.4	(0.4)%	\$3,757.8	(11.5)%	\$5,381.3	(8.1)%
Sales Tax	513.6	(0.4)	4,623.5	2.3	6,166.7	1.3
Motor Vehicles	75.1	(4.2)	597.9	(0.2)	---	---
All Other Sales Tax	438.5	0.2	4,025.6	2.7	---	---
Use Tax	100.2	(3.4)	848.5	4.5	1,153.0	3.6
Tobacco Taxes	89.8	(2.2)	740.1	(2.6)	991.1	(5.1)
Single Business Tax	(11.2)	(154.9)	42.6	(132.5)	(0.0)	(100.0)
Michigan Business Tax	295.1	(4.0)	1,556.6	(22.1)	1,861.4	(17.6)
Insurance Tax	61.8	4.9	198.6	(0.2)	273.0	4.6
State Education Property Tax	12.7	(64.3)	455.0	1.6	1,893.0	(7.2)
Real Estate Transfer Tax	11.0	(37.1)	88.7	2.3	127.0	1.4
Casino Wagering Tax ⁴⁾	7.1	(23.7)	75.3	(10.9)	109.6	(9.7)
Oil & Gas Severance Tax	4.8	23.1	45.0	19.4	60.0	27.1
Other Taxes ⁵⁾	53.7	2.0	243.3	(9.5)	329.0	(4.0)
Total	\$1,662.9	(4.6)%	\$12,675.0	(4.9)	\$18,345.0	(5.5)%
Addendum:						
Gross Lottery Sales ⁴⁾	\$205.0	(4.2)%	\$1,997.4	(0.1)%	\$2,378.1	0.6%
Net to School Aid Fund ⁴⁾	\$65.8	16.9%	\$596.4	(1.9)%	\$723.0	(0.2)%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2009-10 year-to-date collections begin with November 2009 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the May 21, 2010, Consensus Revenue Estimating Conference.
- 4) Lottery revenue is not accrued, so FY 2009-10 collections will include October 2009 to September 2010.
- 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*
August 2008 to July 2010**



*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.