

MONTHLY REVENUE REPORT

June 2000

In June 2000, Michigan's major taxes earmarked to the General and School Aid Funds generated \$1.56 billion in revenue, which was down 2.5% from last year. After posting consistent and solid revenue gains ranging from 3.4% to 8.7% during the first five months of FY 1999-2000, revenue generation was unusually erratic during April, May, and June. The 2.5% decline in June follows a 4.7% decline in April and an increase of 21.4% in May. Most of these fluctuations in tax revenue collections have been concentrated in income tax withholding payments, sales and use taxes, and the single business tax. On a fiscal year-to-date basis, revenue collections from these 12 major taxes are up 5.2%, which is running slightly ahead of the consensus estimated growth rate for FY 1999-2000 of 4.6%.

Income tax collections (before refunds) totaled \$690 million in June, which was 1.3% below last year's level. Withholding payments were down sharply, but quarterly payments were up significantly. Withholding payments declined 5.2% compared with the year-ago level, due largely to the cut in the tax rate from 4.4% to 4.2%. Despite the reduction in the tax rate, quarterly estimated payments increased 14.2%, which was most likely due to an increase in income from capital gains. So far this fiscal year, income tax collections are up 5.6%.

Sales tax collections declined 5.7% in June to \$542 million. This decline continued the recent erratic pattern in sales tax collections. During the first four months of FY 1999-2000, sales tax collections consistently topped the year-earlier levels in excess of 10%; however, this very strong consistent growth gave way to very erratic and generally weak growth beginning in March when collections fell 1.9%. This was followed by a meager 0.3% increase in April and then a remarkable 26.1% increase in May. The 5.7% decline recorded in June was due to a 3.8% decrease in sales tax receipts derived from motor vehicle transactions, and a 6.1% decline in receipts from all other taxable retail transactions. Despite this decline in June, sales tax collections are still up a fairly strong 7.9% on a fiscal year-to-date basis.

Use tax collections fell 2.9% in June to \$120 million. Like the sales tax, use tax collections have experienced a very erratic monthly pattern in recent months. During the four months from March to June, use tax collections fell below the year-ago level in March, April, and June, but in May, collections were up 35.9%. So far this fiscal year, use tax collections are up 7.6%.

Single business and insurance tax collections totaled \$77 million in June, which was down 14.7% from last year. This marks the fifth time in the past eight months that the revenue collected from these business taxes has fallen below the year-ago level. About 4.5 percentage points of this decline can be attributed to the ongoing reduction in the tax rate. So far this fiscal year, single business and insurance tax collections are down 4.9%.

Taxes that experienced an increase in collections in June included the tobacco tax (up 11.0%), the State education property tax (up 31.7%), the estate tax (up 44.8%), and the oil and gas severance tax (up 26.3%).

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 June 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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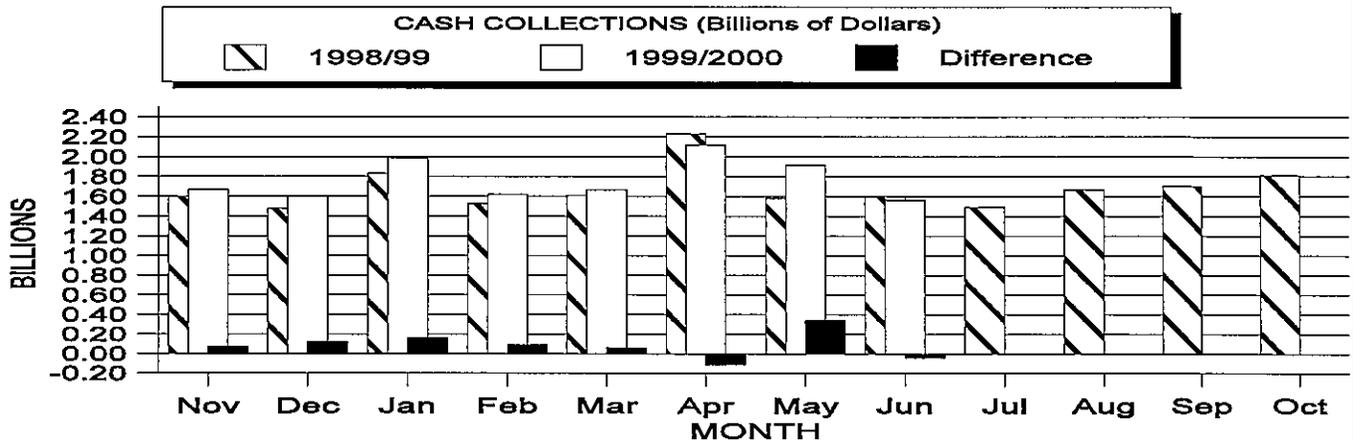


MICHIGAN REVENUE UPDATE
JUNE 2000
(dollars in millions)

Type of Revenue	June Collections		FY 1999-2000 To Date ²⁾		FY 1999-2000 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 1998-99
Income Tax						
Withholding	\$504.7	(5.2)%	\$4,615.3	4.7%	\$6,821.8	4.2%
Quarterly Payments	174.4	14.2	643.0	6.6	815.5	0.8
Annual Payments	11.0	(19.1)	733.6	10.7	770.0	8.4
Gross Income Tax	690.1	(1.3)	5,991.9	5.6	\$8,407.3	4.2
Sales Tax	542.1	(5.7)	4,141.8	7.9	6,306.2	6.9
Use Tax	119.6	(2.9)	878.6	7.6	1,372.0	7.0
Tobacco Tax	54.4	11.0	390.6	(1.2)	598.8	(2.7)
Single Business & Insurance Taxes	76.5	(14.7)	1,666.2	(4.9)	2,406.3	(0.5)
State Education Property Tax	43.6	31.7	793.7	7.8	1,359.8	6.8
Real Estate Transfer Tax	16.6	(18.6)	157.3	10.6	264.0	0.9
Estate/Inheritance Tax	19.4	44.8	111.8	15.4	187.0	6.9
Oil & Gas Severance Tax	2.4	26.3	25.4	76.4	36.0	53.8
Total	\$1,564.7	(2.5)%	\$14,157.3	5.2%	\$20,937.4	4.6%
Addendum:						
Gross Lottery Sales ⁴⁾	\$154.7	23.6%	\$1,308.1	(1.0)%	\$1,719.8	(1.6)%
Net Lottery to School Aid ⁴⁾	\$ 53.4	22.7%	\$ 470.2	2.8%	\$ 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 June 2000



1998/99	1.60	1.48	1.83	1.63	1.61	2.23	1.68	1.60	1.49	1.67	1.70	1.81
1999/2000	1.67	1.60	1.89	1.62	1.67	2.12	1.92	1.58				
Difference	0.07	-0.12	0.16	0.08	0.08	(0.11)	0.34	(0.04)				

*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.