

MONTHLY REVENUE REPORT

June 2002

Tax collections continued to lag behind year-ago levels in June. The revenue collected from 12 of Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.47 billion in June, which was down 2.5% from last year's level. This marked the sixth consecutive month that tax collections have fallen below the year-ago level. While collections were up for the single business, State education property, and tobacco taxes, these gains were more than offset by revenue declines in the sales, use, real estate transfer, estate, oil and gas severance, and income taxes. Fiscal year tax revenue collected through June, which accounts for two-thirds of FY 2001-02, is down 3.7% from the comparable year-ago level. Based on the May 2002 consensus revenue estimates, the revenue from these 12 major taxes is expected to be down 1.5% in FY 2001-02. In order to reach this consensus estimate, revenue collections for the remainder of FY 2001-02 will have to top last year's level by 2.8%.

Gross income tax collections totaled \$666 million in June, which was down 3.5% from last year. Most of this decline was due to the reduction in the income tax rate, which has been reduced from 4.2% last year to 4.1% this year. Probably the best news from June tax collections was the fact that income tax withholding payments (the tax collected from workers' paychecks) were up 0.8%, which marked the first monthly increase in these tax collections since December 2001. While employment is still below year-ago levels, the length of the average work week is on the rise in Michigan, and this helped boost withholding payments. Quarterly payments, which reflect taxes on nonpayroll income such as interest, dividends, and capital gains, were down 18.9% in June. So far this fiscal year, gross income tax revenue is down 7.9%, which is lagging behind the FY 2001-02 consensus estimate of a 4.9% decline.

Sales tax collections totaled \$498 million in June, representing a decrease of 3.6% from the year-ago level. This marked the sixth consecutive month that sales tax collections have fallen below the year-ago level. Leading the fall in June's sales tax receipts was the sales tax derived from motor vehicle transactions, which was down 6.8% from last year. This decline in motor vehicle sales tax receipts marked the third monthly decline in the past four months, after beginning the fiscal year with record increases. The tax collected from all other taxable retail sales was down 2.9% in June. On a fiscal year-to-date basis, sales tax collections are down a slight 0.1%. The consensus agreement estimates that sales tax collections will be up 2.2% in FY 2001-02.

Single business and insurance tax collections totaled \$92 million in June, which topped last year's level by 25.6%. While June is historically one of the smallest months in terms of the amount of single business and insurance tax collected, the gain in June marks the first monthly increase since December 2001. So far this fiscal year, the revenue from these business taxes is down 5.2%. The consensus estimate is that single business and insurance tax collections will be down 4.0% in FY 2001-02.

Other major taxes that posted increases in June include the State education property tax, up 28.4%, and the tobacco taxes, up 0.2%. Other taxes that were down from year-ago levels in June include the use tax, down 11.0%; real estate transfer tax, down 18.0%; estate tax, down 23.6%; and gas and oil severance tax, down 11.4%.

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 2002, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the FY 2001-02 consensus revenue estimates adopted at the May 2002 Consensus Revenue Estimating Conference.

Jay Wortley, Senior Economist

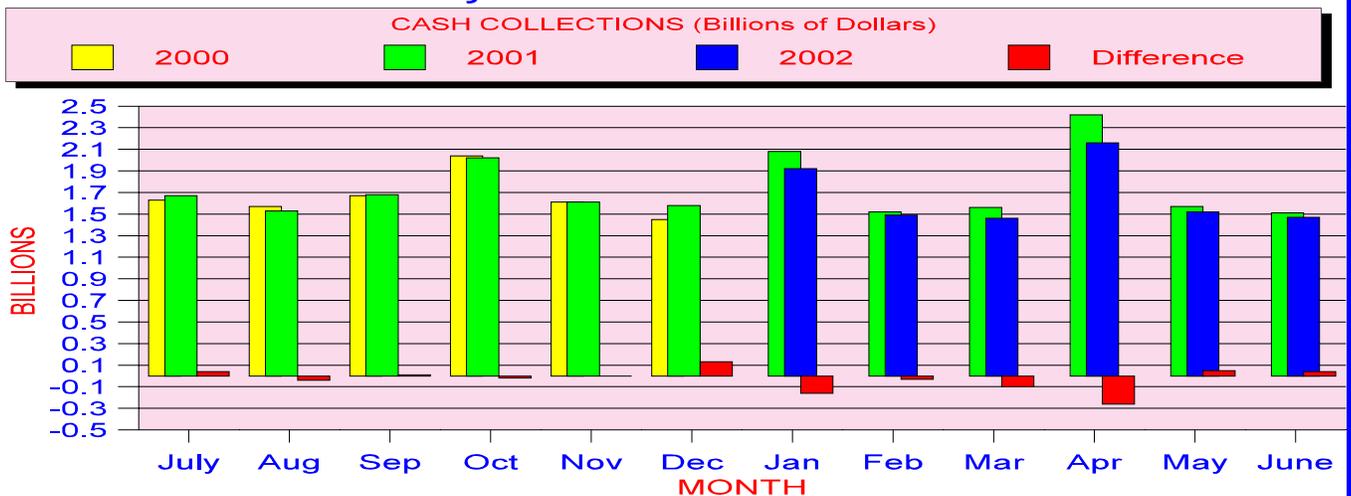


**MICHIGAN REVENUE UPDATE
JUNE 2002
(dollars in millions)**

Type of Revenue	June Collections		FY 2001-02 to Date ²⁾		FY 2001-02 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago
Income Tax						
Withholding	\$526.5	0.8%	\$4,312.2	(3.4)%	\$6,508.6	(1.3)%
Quarterly Payments	127.5	(18.9)	463.4	(20.5)	661.5	(15.5)
Annual Payments	11.7	17.0	462.3	(27.5)	509.4	(26.6)
Gross Income Tax	\$665.7	(3.5)%	\$5,237.9	(7.9)%	\$7,679.5	(4.9)%
Sales Tax	498.3	(3.6)	4,113.9	(0.1)	6,494.0	2.2
Motor Vehicles	80.7	(6.8)	665.9	11.9	---	---
All Other Sales Tax	417.6	(2.9)	3,448.0	(2.1)	---	---
Use Tax	103.7	(11.0)	861.1	1.0	1,368.0	2.6
Tobacco Tax	51.9	0.2	387.9	0.2	589.0	(1.2)
Single Business & Insurance Taxes	91.8	25.6	1,417.9	(5.2)	2,133.4	(4.0)
State Education Property Tax	25.8	28.4	928.1	7.7	1,558.0	4.6
Real Estate Transfer Tax	20.0	(18.0)	152.8	(4.7)	241.0	(4.7)
Estate/Inheritance Tax	6.8	(23.6)	91.3	(15.5)	127.0	(18.3)
Oil & Gas Severance Tax	3.1	(11.4)	20.1	(53.1)	33.0	(45.1)
Total	\$1,467.1	(2.5)%	\$13,211.0	(3.7)%	\$20,222.9	(1.5)%
Addendum:						
Gross Lottery Sales ⁴⁾	\$ 123.2	(18.2)%	\$ 1,289.2	3.8%	\$ 1,654.2	3.1%
Net Lottery to School Aid ⁴⁾	\$ 44.2	(16.0)%	\$ 465.9	3.7%	\$ 605.0	3.1%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2001-02 year-to-date collections begin with November 2001 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the May 16, 2002, Consensus Revenue Estimating Conference.
- 4) Lottery revenue is not accrued, so FY 2001-02 lottery revenue will include October 2001 to September 2002.

**Actual Revenue Collections for 12 Major State Taxes*
July 2000 to June 2002**



* 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.