

# MONTHLY REVENUE REPORT

## June 2005

The revenue from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.56 billion in June, which was up 3.2% from the year-ago level. While the collections from the sales and use taxes were down from their year-ago levels, these declines were more than offset by increases in several other taxes, including the single business, oil and gas severance, real estate transfer, income, and tobacco taxes. Total tax collections in June came in very close to the level that was expected for the month. Tax collections earmarked to the General Fund were up 7.8%, while School Aid Fund tax collections declined 2.7%, largely due to the drop in sales tax receipts. On a fiscal year-to-date basis, tax collections are up 6.8%; however, some of this growth is due to the tobacco and casino tax increases that went into effect last summer. Adjusting for these increases, fiscal year-to-date tax collections are still up 5.3%, compared with the 3.0% growth estimated for FY 2004-05 at the May Consensus Revenue Estimating Conference.

Net income tax revenue (gross collections less refunds) totaled \$590.3 million in June, which was up 8.5% from the year-ago level. Gross collections were essentially unchanged in June compared with the year-ago level, as a 3.0% decline in withholding payments (to \$490.6 million) was offset by a 12.8% increase in quarterly estimated payments (to \$135.1 million). The decline in withholding payments was primarily due to the fact that June 2004 had an extra key payday compared with June 2005. While gross collections were basically flat in June, income tax refunds, which are a subtraction from gross collections, were about half the amount they were in June 2004. This significant decline in refunds is due to the faster processing of income tax refunds this year compared with last year. So far in FY 2004-05, net income tax collections are up 1.7%, compared with the FY 2004-05 consensus estimated growth rate of 1.6%.

Sales tax collections totaled \$583.9 million in June, which was down 6.6% from the year-ago level. This decline is due to collection timing issues and continued weakness in motor vehicle sales tax collections. In 2004, May essentially ended on a weekend as Memorial Day, which is observed on the last Monday in May, fell on the last day of May. As a result, some of the sales tax that otherwise would have been collected in May, spilled over into June 2004. This year, May did not end on a weekend so there was no equivalent boost to June sales tax collections. In addition, sales tax collections from motor vehicle transactions fell 7.4% from last year's level, which marked the 15<sup>th</sup> consecutive monthly decline. On a fiscal year-to-date basis, sales tax collections are up 3.7%, which is running ahead of the 2.5% consensus growth rate for FY 2004-05.

Single business tax revenue totaled \$96.3 million in June, representing an increase of 15.3% from the year-ago level. This increase in June boosted the fiscal year-to-date growth rate to 12.2%, which is running well ahead of the 1.0% rate of growth estimated for FY 2004-05.

Oil and gas severance tax collections totaled \$11.5 million in June, which was more than double last year's level. The severance tax is assessed on the value of oil and gas as it is severed from the ground, so the strong level of collections reflects the current high oil prices. Not only are these high oil prices increasing the value of the oil being extracted on an ongoing basis from the more productive wells, but the higher oil prices also make it more profitable to operate the less productive or marginal wells. So far in fiscal year 2004-05, oil and gas severance tax revenue is up 58.9%.

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 2005, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the revenue estimates for FY 2004-05, which were adopted at the May 2005 Consensus Revenue Estimating Conference.



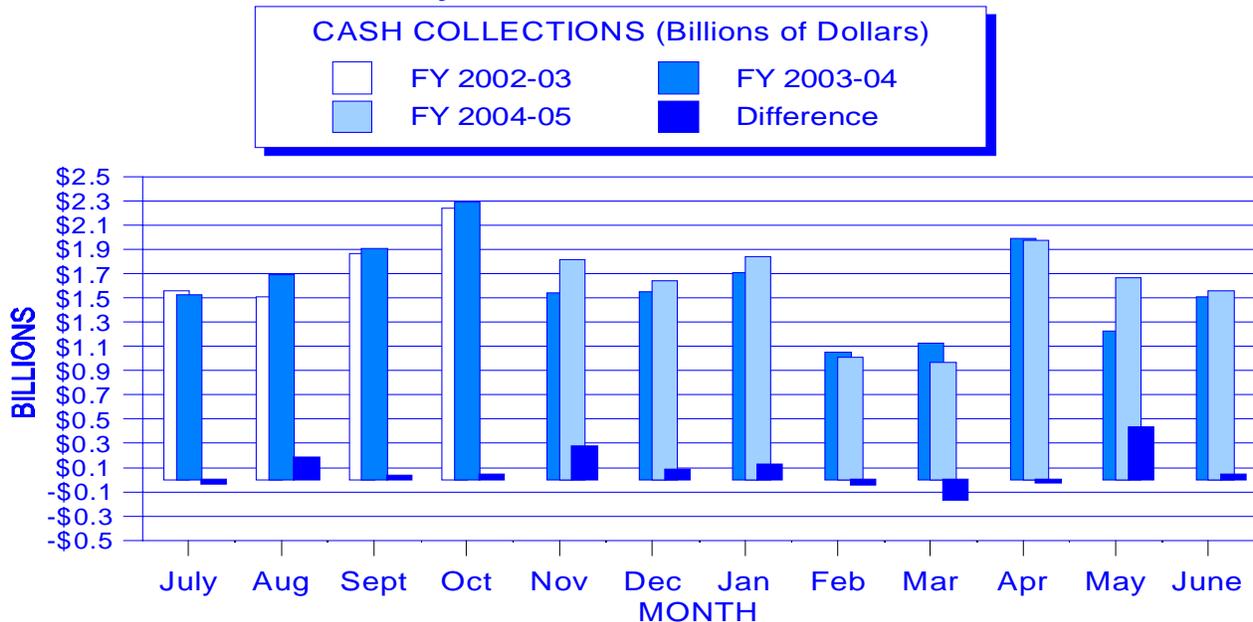
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**MICHIGAN REVENUE UPDATE  
JUNE 2005  
(dollars in millions)**

Type of Revenue	June Collections		FY 2004-05 to Date <sup>2)</sup>		FY 2004-05 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 2003-04
Gross Income Tax	\$ 638.6	(0.1)%	\$ 5,371.9	3.7%	\$ 7,630.4	2.2%
Refunds	(48.3)	(49.2)	(1,528.2)	9.1	(1,660.7)	4.2
Net Income Tax	\$ 590.3	8.5%	\$ 3,843.7	1.7%	\$ 5,969.7	1.6
Sales Tax	583.9	(6.6)	4,353.1	3.7	6,636.8	2.5
Motor Vehicles	78.3	(7.4)	513.4	(11.9)	---	---
All Other Sales Tax	505.6	(6.5)	3,839.7	6.2	---	---
Use Tax	119.8	(1.4)	922.3	7.5	1,385.6	5.2
Tobacco Taxes	92.1	22.0	743.9	31.3	1,179.2	18.8
Single Business Tax	96.3	15.3	1,272.9	12.2	1,845.7	1.0
Insurance Tax	1.4	---	153.1	3.1	229.3	(0.4)
State Education Property Tax	25.5	26.9	473.1	51.0	1,851.6	1.5
Real Estate Transfer Tax	27.6	16.9	199.5	(1.0)	320.0	0.8
Estate/Inheritance Tax	2.5	(71.3)	21.7	(64.0)	36.0	(52.3)
Casino Wagering Tax	11.2	27.3	96.3	48.8	147.0	47.7
Oil & Gas Severance Tax	11.5	101.8	46.4	58.9	63.0	10.3
<b>Total</b>	<b>\$ 1,562.1</b>	<b>3.2%</b>	<b>\$12,126.0</b>	<b>6.8%</b>	<b>\$19,663.9</b>	<b>3.0%</b>
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$ 153.1	(7.6)%	\$ 1,545.1	5.1%	\$ 2,050.2	3.9%
Net to School Aid Fund <sup>4)</sup>	\$ 46.1	(15.4)%	\$ 483.4	(0.4)%	\$ 638.0	(1.1)%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2004-05 year-to-date collections begin with November 2004 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the May 19, 2005, Consensus Revenue Estimating Conference.
- 4) Lottery revenue is not accrued, so FY 2004-05 lottery revenue will include October 2004 to September 2005.

**Actual Revenue Collections for Major State Taxes\*  
July 2003 to June 2005**



\*Comparison of actual collections. Major taxes include the net income (gross collections less refunds), sales, use, tobacco (cigarette tax and other tobacco products tax), SBT, insurance retaliatory, estate, oil and gas severance, State education, real estate transfer, and casino wagering taxes.