

MONTHLY REVENUE REPORT

March 2003

Revenue collected from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.24 billion in March 2003. While these tax collections represent an 11.7% increase from last year's level, most of the increase is attributable to shifts in the timing of collections compared with last year and not to improved economic activity. This large increase in March was anticipated and is consistent with the monthly breakdown of the revenue estimates adopted at the January 2003 Consensus Revenue Estimating Conference. Except for the income and casino wagering taxes, all of the major taxes posted increases in March.

On a fiscal year-to-date basis, the revenue collected from these major General Fund and School Aid Fund taxes is up 0.6% from last year's level. While collections to date are on track with the January consensus estimate, the rate of growth will have to increase to 5.3% during the second half of FY 2002-03 in order to keep pace with the consensus revenue estimate. Much of this needed increase in the rate of growth will come from the acceleration in the collection of the State education property tax, which will generate an estimated \$455 million increase in tax collections during the summer. Excluding this large one-time increase in State education property tax revenue, tax collections will have to increase 1.3% during the remainder of the fiscal year in order to equal the consensus revenue estimate.

Gross income tax collections totaled \$565 million in March, which was down 3.8% from the year-ago level. The cut in the tax rate from 4.1% to 4.0% on January 1, 2003, accounts for almost two-thirds of the decline in March. Gross income tax collections, which include withholding, quarterly, and annual payments, were dominated in March by the withholding payments, which were down 3.1% from the year-ago level. Helping offset some of the weakness in gross collections was a 4.9% reduction in the amount of refunds paid to taxpayers. As a result, net income tax collections (gross collections less refunds) totaled \$227 million in March, representing a 2.0% decrease from the year-ago level. So far in FY 2002-03, net income tax collections are down 2.1% from last year's collections.

Sales tax collections totaled \$494 million in March, which was up a sharp 14.1%. Sales tax collections from motor vehicle transactions fell 3.2%, but collections from all other taxable retail sales were up 18.0%. This large increase was due primarily to shifts in the timing of collections and the fact that sales tax collections were very weak last year at this time. On a fiscal year-to-date basis, sales tax collections are up 1.2% even though motor vehicle sales tax collections are down 10.3%.

Single business and insurance tax receipts both posted increases in March. Single business tax collections increased 9.8% to \$58 million, which marked the first increase in four months. The taxes paid by insurance companies (which pay either the single business tax or the insurance retaliatory tax) increased 17.9% to \$18 million. So far in FY 2002-03, single business tax collections are down 8.7% and insurance tax receipts are up 18.6%.

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 March 2003, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the FY 2002-03 consensus revenue estimates adopted at the January 2003 Consensus Revenue Estimating Conference.

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**MICHIGAN REVENUE UPDATE
MARCH 2003
(dollars in millions)**

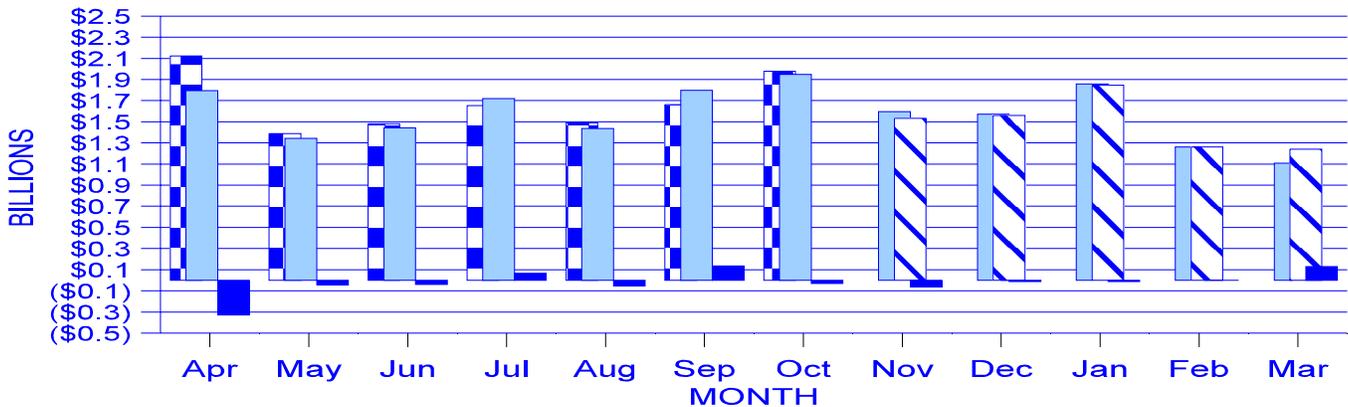
Type of Revenue	March Collections		FY 2002-03 to Date ²⁾		FY 2002-03 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago
Gross Income Tax	\$565.2	(3.8)%	\$3,079.0	(0.3)%	\$7,356.9	(2.5)%
Refunds	(337.8)	(4.9)	(742.1)	5.8	(\$1,493.8)	3.2
Net Income Tax	227.4	(2.0)	2,336.9	(2.1)	\$5,863.1	(3.8)
Sales Tax	\$493.7	14.1%	\$2,580.8	1.2%	\$6,604.1	2.5%
Motor Vehicles	76.5	(3.2)	365.4	(10.3)	---	---
All Other Sales Tax	417.2	18.0	2,215.4	3.4	---	---
Use Tax	110.3	24.6	501.7	(5.1)	1,335.2	2.2
Tobacco Taxes	69.7	68.8	357.3	48.1	867.9	29.3
Single Business Tax	58.3	9.7	621.2	(8.7)	1,951.4	(1.6)
Insurance Tax	17.8	17.9	105.7	18.6	245.0	7.9
State Education Property Tax	215.9	0.8	724.9	2.0	2,111.2	33.3
Real Estate Transfer Tax	25.2	77.5	101.2	8.9	253.0	0.0
Estate/Inheritance Tax	8.1	20.9	53.0	(14.9)	79.5	(39.3)
Casino Gaming Tax	7.1	(6.6)	36.5	(3.4)	96.0	4.5
Oil & Gas Severance Tax	5.7	58.3	19.8	65.0	35.0	14.0
Total	\$1,239.2	11.7%	\$7,439.0	0.6%	\$19,441.4	3.3%
Gross Lottery Sales 4)	\$128.0	(25.8)%	\$840.2	2.2%	\$1,733.5	2.7%
Net to School Aid Fund 4)	\$ 40.7	(35.7)%	\$299.1	0.7%	\$ 613.0	(0.1)%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2002-03 year-to-date collections begin with November 2002 collections to reflect accrual accounting.
- 3) Revenue estimates adopted at the January 14, 2003, Consensus Revenue Estimating Conference.
- 4) Lottery revenue is not accrued, so FY 2002-03 lottery revenue will include October 2002 to September 2003.

**Actual Revenue Collections for Major State Taxes*
April 2001 to March 2003**

CASH COLLECTIONS (Billions of Dollars)





*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.