

MONTHLY REVENUE REPORT

March 2004

Tax collections topped year-ago levels for the second consecutive month in March. The revenue collected from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.13 billion in March. After adjusting for the State education property tax's new collection pattern, March tax collections were up 9.4% from last year's level, which followed a 4.2% increase in February. This marked the first back-to-back monthly increases in these tax collections since February and March of 2000. The increase in tax revenue in March was well distributed among the major taxes. The income, sales, use, single business, insurance, casino wagering, and oil and gas severance taxes all experienced gains in revenue, while collections declined for the tobacco, real estate transfer, and estate taxes. Tax collections also were down significantly for the State education property tax, but this decline was due entirely to the new payment schedule. So far in FY 2003-04, the revenue collected from these major taxes (excluding the State education property tax) is up 0.3%, which is essentially on track with the January 2004 consensus revenue estimates.

Gross income tax collections (withholding, quarterly, and annual payments) increased 2.9% in March to \$582 million, and income tax overpayments that were refunded to taxpayers were up 1.4% to \$343 million. As a result, net income tax collections (gross collections less refunds) totaled \$239 million, which was 5.2% above the year-ago level. Despite this increase in March, net income tax collections are still down 0.4% on a fiscal year-to-date basis.

Sales tax revenue totaled \$564 million in March, which was up 14.2% from last year's level. This marked the first monthly increase in sales tax collections since a modest 0.3% increase was posted in November 2003. Sales tax collections generated from motor vehicle transactions were up 7.2% in March and collections from all other taxable retail sales were up 15.5%. Use tax collections also were up in March. Use tax revenue totaled \$113 million, which was 2.5% above last year's level. So far in FY 2003-04, sales tax collections are up 0.2% and use tax collections are down 6.8%.

Single business tax collections totaled \$74 million in March, which topped the year-ago level by 27.6%. While March is not a key month in single business tax collections because no quarterly payment is due during the month, it still represents the second month in a row that single business tax collections have exceeded the year-ago level. Due to these recent increases, single business tax collections are up 4.0% so far in FY 2003-04.

The casino wagering tax generated \$8.2 million in revenue in March, which represented a 15.5% increase from last year's level. This increase followed a 7.0% increase in February. On a fiscal year-to-date basis, casino wagering tax revenue is up 5.8%.

State education property tax collections continue to lag well behind last year's collections due to the new payment schedule. In prior years, the State education property tax collected in March reflected some of the tax that was collected through the winter property tax bill; however, now the tax is no longer being collected through the winter tax bill, but only through the summer property tax bill. As a result, March collections totaled only \$11.7 million, compared with \$216 million last year at this time.

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 2004, along with their fiscal year-to-date revenue collections and growth rates. Also presented are the revenue estimates for FY 2003-04, which were adopted at the January 2004 Consensus Revenue Estimating Conference.

Jay Wortley, Senior Economist

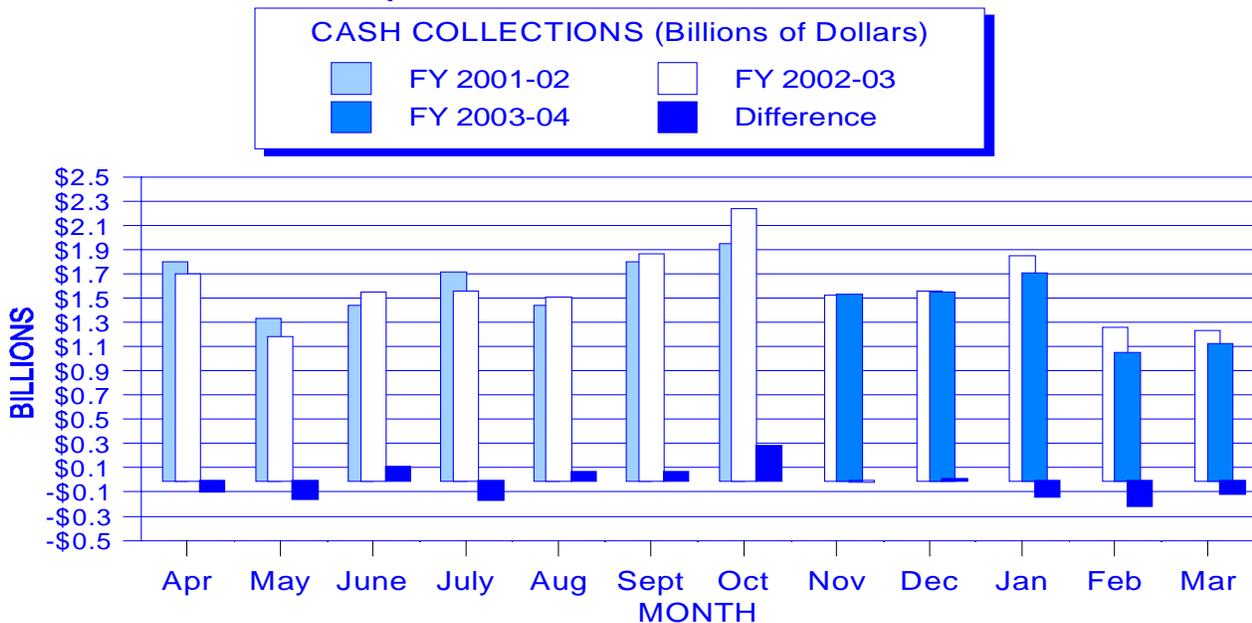


**MICHIGAN REVENUE UPDATE
MARCH 2004
(dollars in millions)**

Type of Revenue	March Collections		FY 2003-04 to Date ²⁾		FY 2003-04 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2002-03
Gross Income Tax	\$ 581.8	2.9%	\$ 3,057.1	(0.7)%	\$7,456.5	1.3%
Refunds	(342.6)	1.4	(730.4)	(1.6)	(\$1,636.7)	5.6
Net Income Tax	\$ 239.2	5.2%	\$2,326.7	(0.4)%	\$5,819.8	0.2%
Sales Tax	563.9	14.2	2,586.7	0.2	6,620.7	3.1
Motor Vehicles	82.0	7.2	340.6	(6.8)	---	---
All Other Sales Tax	481.9	15.5	2,246.1	1.4	---	---
Use Tax	113.1	2.5	512.1	2.1	1,257.5	2.3
Tobacco Taxes	63.4	(9.0)	348.5	(2.5)	876.8	(1.6)
Single Business Tax	74.4	27.6	646.4	4.0	1,878.7	1.9
Insurance Tax	20.5	15.2	106.4	0.7	247.0	6.9
State Education Property Tax	11.7	(94.6)	250.4	(65.5)	1,745.2	(18.0)
Real Estate Transfer Tax	23.5	(6.7)	123.2	21.7	274.7	(0.3)
Estate/Inheritance Tax	5.9	(27.2)	31.6	(40.4)	70.0	(29.0)
Casino Wagering Tax	8.2	15.5	38.6	5.8	94.5	4.0
Oil & Gas Severance Tax	7.2	26.3	15.3	(22.7)	43.0	(10.2)
Total	\$1,131.0	(8.7)	\$6,985.9	(6.1)	\$18,927.9	(0.7)
Total Excluding State Education Tax	\$1,119.3	9.4	\$6,735.5	0.3	\$17,182.7	1.4
Addendum:						
Gross Lottery Sales ⁴⁾	\$153.5	19.9%	\$959.8	14.2%	\$1,860.0	10.6
Net to School Aid Fund ⁴⁾	\$ 48.6	19.4%	\$325.0	8.6%	\$ 635.0	8.4%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2003-04 year-to-date collections begin with November 2003 collections to reflect accrual accounting.
- 3) Senate Fiscal Agency revised revenue estimates adopted at the January 14, 2004, Consensus Revenue Estimating Conference.
- 4) Lottery revenue is not accrued, so FY 2003-04 lottery revenue will include October 2003 to September 2004.

**Actual Revenue Collections for Major State Taxes*
April 2002 to March 2004**



*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.