

MONTHLY REVENUE REPORT

March 2005

The revenue collected from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$970.4 million in March, which was down 14.2% from the year-ago level. This sharp decline overstates the true weakness in March tax collections because it was largely due to several noneconomic factors. The major factor that pulled down March tax collections was a large boost in the amount of income tax refunds that were mailed to taxpayers. This large increase in refunds, which reduced net income tax collections, was due to changes made this year by the Department of Treasury to improve the speed at which it processes income tax returns. In addition, some noneconomic factors that affect the timing of tax collections pulled down income tax withholding payments and sales tax collections in March. The General Fund portion of these overall tax collections was down 49.6% in March, due primarily to the fact that income tax refunds affect General Fund revenue only, while School Aid Fund tax revenue was down 4.3%. Despite the decline in March tax collections, fiscal year-to-date tax collections are still up 4.3% from last year's level. (General Fund tax collections are down 7.0% and School Aid Fund tax collections are up 8.6%.) Based on the Senate Fiscal Agency's estimated monthly breakdown of the FY 2004-05 consensus revenue estimates, it appears that both General Fund revenue and School Aid Fund revenue are tracking very closely to the consensus revenue estimates.

Net income tax collections (gross collections less refunds) totaled only \$109.8 million in March, which was down 54.1% from the year-ago level. Gross income tax collections were down 2.5%, due primarily to a 3.7% decline in income tax withholding payments. This drop in withholding payments was due primarily to there being one less Monday, a key withholding payment day, this year in March compared with March 2004. Income tax refunds jumped 33.5%, or \$114.9 million, in March. This followed a 23.4% or \$72.2 million increase in February. This surge in income tax refunds was due to faster processing of income tax returns and not increases in the number of refunds or the average amount per refund. So far in FY 2004-05, gross income tax collections are up 0.7%, but due to the increase in refund payments, net income tax collections are down 8.2%.

Sales tax collections totaled \$514.5 million in March, which was down 8.8% from last year's level. This decline was largely due to the "weekend" factor. That is, when a month ends on a weekend, some sales tax collections spill over into the following month. In 2004, February ended on a weekend, which helped boost March tax collections. This year, February did not end on a weekend, so March collections did not receive any extra boost in collections. Sales tax collections from motor vehicle transactions declined 11.7% in March, while sales tax receipts from all other taxable retail transactions were down 8.3%. On a fiscal year-to-date basis, sales tax collections are up 4.8%.

Single business tax collections totaled \$71.0 million in March, representing a 4.6% decline from last year's collections. Due to the quarterly due dates for the single business tax, March is one of the smallest collection months for the single business tax. On a fiscal year-to-date basis, single business tax revenue is up 5.3%.

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 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 January 2005 Consensus Revenue Estimating Conference.



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

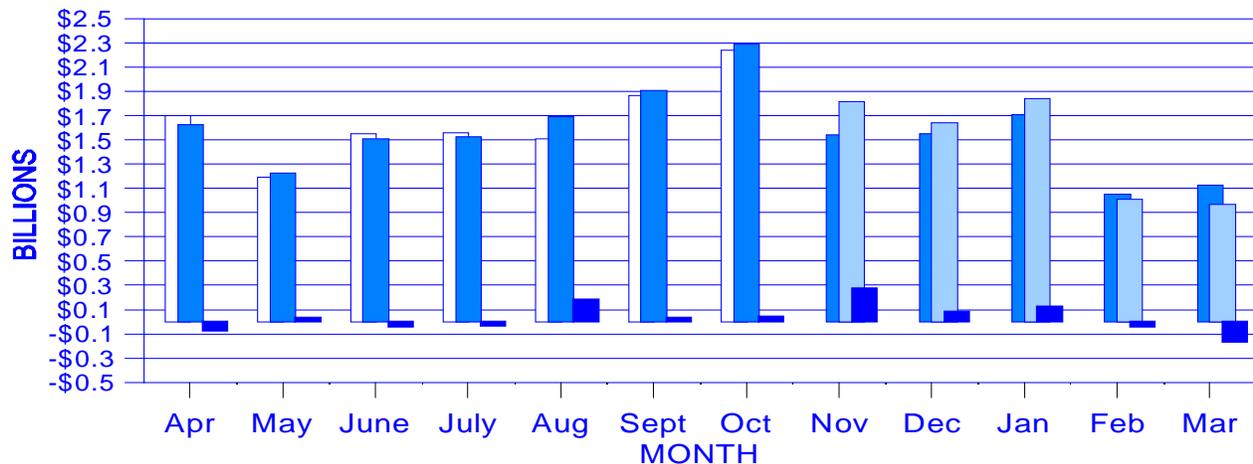
Type of Revenue	March Collections		FY 2004-05 to Date ²⁾		FY 2004-05 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2003-04
Gross Income Tax	\$ 567.3	(2.5)%	\$3,077.4	0.7%	\$7,538.1	1.0%
Refunds	(457.5)	33.5	(941.0)	28.8	(1,660.7)	4.2
Net Income Tax	\$ 109.8	(54.1)%	\$2,136.4	(8.2)%	\$5,877.4	0.1%
Sales Tax	514.5	(8.8)	2,711.4	4.8	6,707.8	3.6
Motor Vehicles	72.4	(11.7)	297.3	(12.7)	---	---
All Other Sales Tax	442.1	(8.3)	2,414.1	7.5	---	---
Use Tax	114.0	0.8	569.9	11.3	1,369.3	4.0
Tobacco Taxes	84.4	33.1	461.4	32.4	1,189.2	19.8
Single Business Tax	71.0	(4.6)	680.6	5.3	1,855.7	1.5
Insurance Tax	14.3	(30.2)	101.6	(4.5)	239.3	3.9
State Education Property Tax	15.4	31.6	397.4	58.7	1,846.0	1.2
Real Estate Transfer Tax	24.5	4.3	126.6	2.8	310.0	(2.4)
Estate/Inheritance Tax	2.8	(52.5)	14.4	(54.4)	39.0	(48.3)
Casino Wagering Tax	12.4	51.2	59.1	53.1	147.0	47.7
Oil & Gas Severance Tax	7.3	1.4	28.4	85.6	55.0	(3.7)
Total	\$970.4	(14.2)%	\$7,287.2	4.3%	\$19,635.7	2.9%
Addendum:						
Gross Lottery Sales ⁴⁾	\$166.7	8.6%	\$1,019.9	6.3%	\$2,050.2	3.9%
Net to School Aid Fund ⁴⁾	\$ 53.2	9.6%	\$ 319.7	(1.6)%	\$ 649.9	0.8%

- 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 January 13, 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*
April 2003 to March 2005**

CASH COLLECTIONS (Billions of Dollars)

FY 2002-03
 FY 2003-04
 FY 2004-05
 Difference



*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.