

MONTHLY REVENUE REPORT

March 2014

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1.2 billion in March, a 3.6% increase from last year's level. March tax collections were approximately \$45.5 million below the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in January 2014. Weaker-than-expected growth in income tax withholding and insurance taxes, combined with greater-than-expected Michigan Business Tax (MBT) and Single Business Tax (SBT) refunds, more than offset above-forecast sales tax revenue.

Collections earmarked to the General Fund were \$33.5 million below the expected level for March, while School Aid Fund tax collections were \$12.2 million below the forecasted level. The remaining \$0.2 million in above-forecast collections were directed to other funds, most notably constitutional revenue sharing. Through March, year-to-date General Fund collections are \$40.5 million below, and School Aid Fund collections \$39.7 million below, the level expected based on the January 2014 consensus revenue estimates.

Net income tax revenue totaled \$329.3 million in March 2014, up 14.3% from the level in March 2013 but \$21.3 million below the level forecasted for the month. Withholding payments (which represented the majority of gross income tax revenue) were 4.5% above the year-ago level but were \$22.0 million below the predicted level. Withholding payments, and thus net income tax revenue, were expected to be much higher than in 2013 because of calendar issues related to when collections are received.

Sales tax receipts increased 12.8% from the March 2013 level and were \$17.5 million above the forecasted level. March 2014 was the first month since December 2013 (and the third month since July 2013) that sales tax revenue has exhibited year-over-year growth. Harsh weather earlier in the year likely resulted in weakness in sales tax collections and it is possible that as the weather improves, collections may partially recover. Vehicles sales further boosted March sales tax collections, with collections from motor vehicle transactions up 7.0% from one year ago and greater than in any month since August 2013. The year-over-year growth rate was also boosted because sales tax collections in 2013 were lowered by calendar issues. Despite the growth in March collections, on a year-to-date basis sales tax collections are up only 0.8% from last year and are \$49.9 million below the expected level.

Use tax collections were 12.1% above the year-ago level but \$11.6 million below the forecasted level. As with sales tax collections, the year-over-year growth was affected by calendar issues.

Combined business tax collections from the SBT, MBT, and Corporate Income Tax (CIT) totaled a negative \$6.6 million for the month, reflecting MBT and SBT refunds that more than offset CIT collections. Most taxpayers who still file the MBT do so to collect refundable tax credits. Forecasted MBT revenue in FY 2013-14 is expected to be dominated by several large refunds. The timing of when these refunds will be claimed and processed will significantly affect the accuracy of monthly MBT estimates.

The table on the back of this report identifies the major taxes included in the report, and provides their respective revenue levels and growth rates for March 2014. Also presented are the revised consensus revenue estimates for FY 2013-14, which were adopted at the January 2014 Consensus Revenue Estimating Conference.



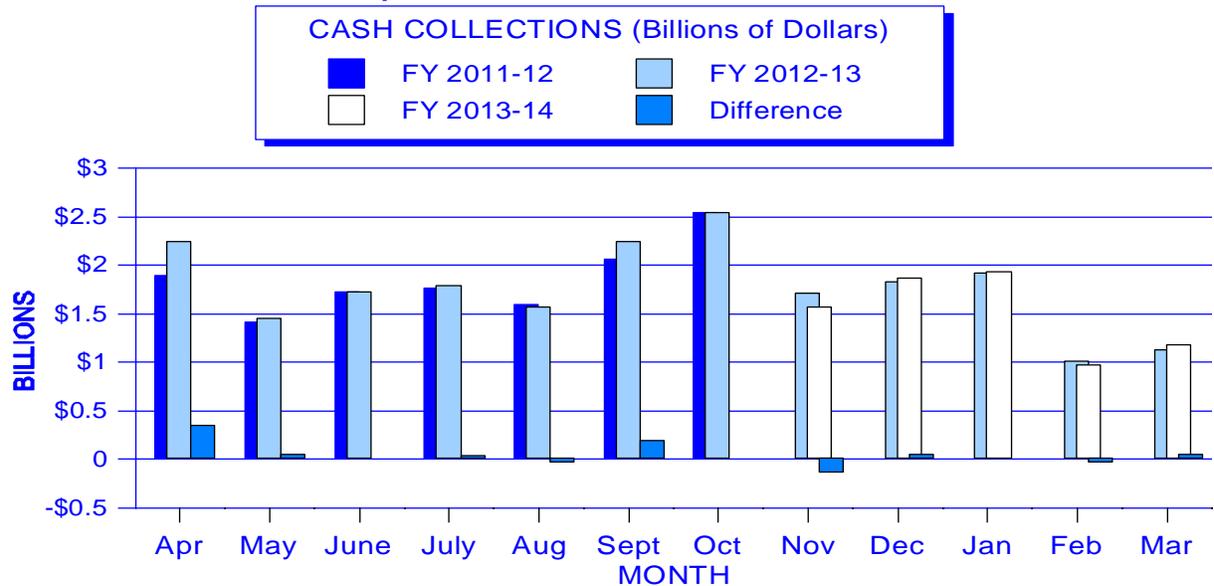
Elizabeth Pratt, Fiscal Analyst
David Zin, Chief Economist

**MICHIGAN REVENUE UPDATE
MARCH 2014
(dollars in millions)**

Type of Revenue	March Collections		FY 2013-14 to Date ²⁾		FY 2013-14 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2012-13
Gross Individual Income Tax	\$793.4	3.0%	\$4,044.1	4.8%	\$10,135.6	1.7%
Refunds	(464.1)	(3.7)	(997.9)	4.8	(1,694.2)	0.0
Net Income Tax	329.3	14.3	3,046.2	4.8	8,441.4	2.1
Sales Tax	599.3	12.8	2,854.6	0.8	7,349.4	2.7
Motor Vehicles	77.9	7.0	322.8	0.6	---	---
All Other Sales Tax	521.4	13.7	2,531.8	0.9	---	---
Use Tax	105.0	12.1	535.1	14.0	1,379.5	8.6
Tobacco Taxes	65.4	(12.0)	377.3	(1.9)	942.0	(1.6)
Corporate Income Tax	55.8	4.5	324.2	13.1	850.0	8.5
Michigan Business Tax	(60.7)	---	(235.2)	---	(490.0)	---
Insurance Tax	13.8	14.7	88.0	4.1	358.0	18.8
State Education Property Tax	12.3	(43.7)	263.5	(18.9)	1,798.0	1.5
Real Estate Transfer Tax	14.9	46.7	89.0	24.2	217.4	7.5
Casino Wagering Tax ⁴⁾	10.1	(7.3)	44.6	(5.6)	114.0	3.0
Oil & Gas Severance Tax	6.9	52.9	26.3	12.5	62.0	4.2
Other Taxes ⁵⁾	18.4	(20.7)	84.4	(36.2)	316.0	0.0
Total	\$1,170.4	4.5%	\$7,497.9	(1.0%)	\$21,337.7	1.8%
Addendum:						
Gross Lottery Sales ⁴⁾	\$219.7	(13.7%)	\$1,311.6	7.1%	\$2,525.4	4.6%
Net to School Aid Fund ⁴⁾	\$64.3	(11.0%)	\$396.4	7.3%	\$745.0	1.5%

- Total collections are unadjusted cash collections unless otherwise noted.
- FY 2013-14 year-to-date collections begin with November 2013 collections to reflect accrual accounting.
- Consensus revenue estimates adopted at the January 10, 2014, Consensus Revenue Estimating Conference.
- Lottery and casino revenue is not accrued, so FY 2013-14 collections will include October 2013 to September 2014.
- Other Taxes include beer, wine, liquor, single business tax, industrial facilities, utility property, and estate taxes, and penalties and interest.

Actual Revenue Collections for Major State Taxes*
April 2012 to March 2014



*Comparison of actual collections. Major taxes include the beer, casino wagering, estate, income, industrial facilities, insurance retaliatory, liquor, MBT, oil & gas severance, real estate transfer, sales, SBT, State education property, tobacco (cigarette & other tobacco products), use, utility property, and wine taxes, and penalties and interest revenue.