

MONTHLY REVENUE REPORT

May 2006

The revenue collected from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.61 billion in May 2006, which was down 4.0% from last year's level. This marked the first time in five months that tax collections fell below the year-earlier level. A decline in May's tax collections was expected due to the impact of some noneconomic collection timing factors on single business tax revenue, but the decline was greater than expected due to an unanticipated sharp decline in income tax withholding payments. Collections were also down in May for the tobacco, insurance, State education property, and real estate transfer taxes. Sales, use, severance, and casino taxes all topped their year-ago levels, but not by enough to offset the decreases in the other taxes. So far in FY 2005-06, these major taxes have generated \$10.6 billion, which is up a slight 0.2% from last year's pace.

Net income tax revenue (gross collections less refunds) totaled \$440.8 million in May, representing a decline of 9.3% from last year's level. Gross income tax collections (withholding, quarterly, and annual payments) dropped 7.3% to \$588.1 million. This marked the steepest monthly decline in gross income tax collections since a 7.6% decrease in February 2005. Most of this decline was due to withholding collections, which fell 7.8% or \$42.6 million from the year-ago level. Income tax refunds were essentially unchanged from last year's level. On a fiscal year-to-date basis, net income tax collections are up 2.2%.

Sales tax collections totaled \$599.8 million in May, which was up 3.4% from last year's level. This increase more than offset the 1.7% decline experienced in April. Sales tax collections from motor vehicle sales declined for the 25th time in the past 26 months; however, the 2.7% decline in May was much smaller than the 12.7% decline registered during the first six months of FY 2005-06. Sales tax collections from all other taxable retail sales were up 4.2% in May. So far in FY 2005-06, sales tax collections are up only 0.5%.

Use tax collections totaled \$128.8 million in May, representing a 1.7% increase. This marked only the second monthly increase during the first seven months of FY 2005-06. On a fiscal year-to-date basis, use tax collections are lagging behind last year's level by 1.4%.

Single business tax collections totaled \$261.3 million in May, which was down 9.2% from last year's level. These business tax receipts were expected to decline by an even greater amount in May following the very strong increases of 17.6% and 12.8% posted in March and April, respectively. So far in FY 2005-06, single business tax collections are up 2.9%.

Other major taxes posting an increase in collections in May were the oil and gas severance and casino taxes. Severance tax receipts increased 82.8% to \$5.3 million in May, which reflects the higher price for oil. Casino tax revenue totaled \$13.0 million in May, representing a 1.6% increase from last year. So far in FY 2005-06, severance tax collections are up 56.7% and casino tax receipts are up 5.3%.

Other major taxes experiencing a decline in collections in May included the tobacco tax, down 3.6%; insurance tax, down 16.3%; State education property tax, down 24.9%; and real estate transfer tax, down 7.9%.

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 May 2006, along with their fiscal year-to-date collections and growth rates. Also presented are the revised consensus revenue estimates for FY 2005-06, which were adopted at the May 2006 Consensus Revenue Estimating Conference.



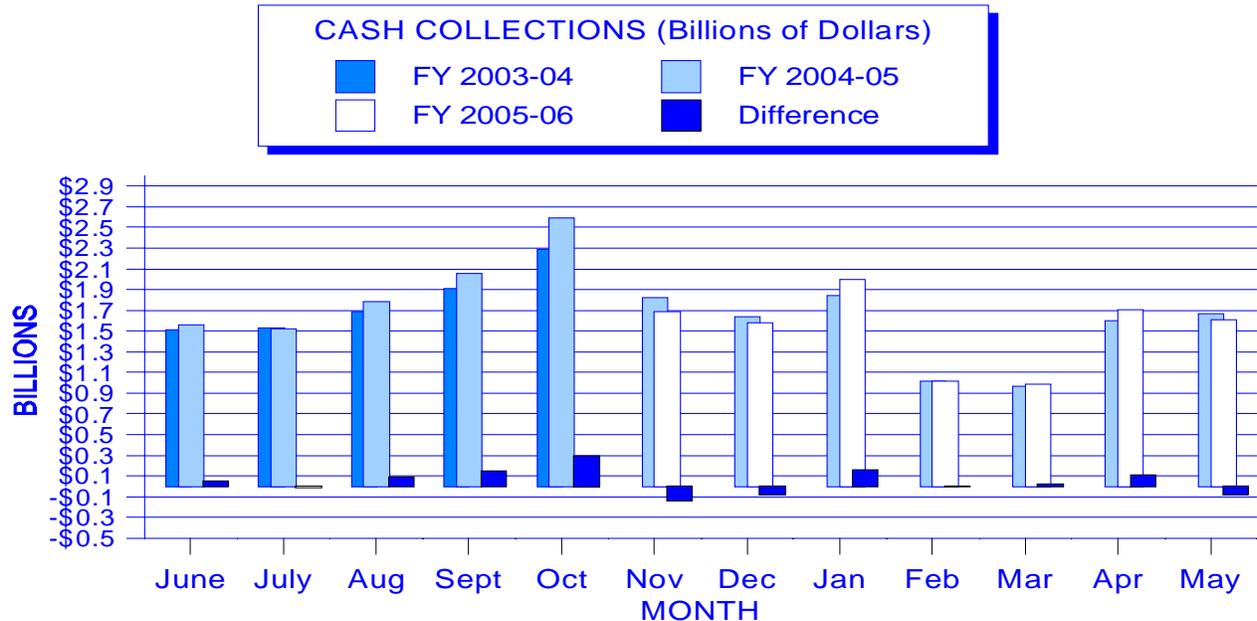
Jay Wortley, Senior Economist

**MICHIGAN REVENUE UPDATE
MAY 2006
(dollars in millions)**

Type of Revenue	May Collections		FY 2005-06 to Date ²⁾		FY 2005-06 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2004-05
Gross Income Tax	\$ 588.1	(7.3)%	\$4,819.1	1.8%	\$7,933.7	2.8%
Refunds	(147.3)	(0.7)	(1,494.4)	1.0	(\$1,679.0)	4.2
Net Income Tax	\$440.8	(9.3)%	\$3,324.7	2.2%	\$6,254.7	2.4%
Sales Tax	599.8	3.4	3,789.5	0.5	6,709.6	1.7
Motor Vehicles	64.9	(2.7)	386.4	(11.2)	---	---
All Other Sales Tax	534.9	4.2	3,403.1	2.1	---	---
Use Tax	128.8	1.7	791.5	(1.4)	1,411.6	0.7
Tobacco Taxes	90.0	(3.6)	651.3	(0.1)	1,179.5	0.0
Single Business Tax	261.3	(9.2)	1,138.4	2.9	1,852.9	(3.2)
Insurance Tax	24.1	(16.3)	138.3	(8.8)	235.0	(5.8)
State Education Property Tax	20.8	(24.9)	424.2	(5.2)	2,010.0	5.0
Real Estate Transfer Tax	24.4	(7.9)	181.1	5.4	320.0	2.1
Estate/Inheritance Tax	0.3	(87.0)	0.4	(97.9)	1.0	(99.0)
Casino Wagering Tax ⁴⁾	13.0	1.6	102.9	5.3	152.4	4.5
Oil & Gas Severance Tax	5.3	82.8	54.7	56.7	94.0	40.9
Total	\$1,608.6	(4.0)%	\$10,597.0	0.2%	\$20,220.7	1.1%
Addendum:						
Gross Lottery Sales ⁴⁾	\$163.3	3.2%	\$1,505.6	8.2%	\$2,223.8	8.7%
Net to School Aid Fund ⁴⁾	\$ 41.7	(24.0)%	\$ 468.7	7.2%	\$ 708.5	6.1%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2005-06 year-to-date collections begin with November 2005 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the May 17, 2006, Consensus Revenue Estimating Conference.
- 4) Lottery and casino revenue is not accrued, so FY 2005-06 collections will include October 2005 to September 2006.

**Actual Revenue Collections for Major State Taxes*
June 2004 to May 2006**



*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 property, real estate transfer, and casino wagering taxes.