

MONTHLY REVENUE REPORT

May 2007

Michigan's major General Fund and School Aid Fund earmarked taxes generated \$1.34 billion in May 2007, which was down 17.7% from last year's level. This followed a 19.4% increase in April. This dramatic change in tax collections during April and May is largely due to a shift in the timing of certain income, sales, and single business tax receipts, which greatly boosted April tax collections at the expense of collections in May. Using a three-month moving average to help smooth out these monthly fluctuations in the timing of tax collections, reveals that for the three months ending in May, tax collections were practically unchanged from last year's level. On a fiscal year-to-date basis, tax collections are down 1.2%.

Gross income tax collections (withholding, quarterly, and annual payments) were down 8.8% in May to \$536.2 million. Income tax withholding payments, which accounted for 94.0% of May's gross income tax revenue, were up 0.8% or \$4.0 million compared with the year-ago level. This marked the seventh month in a row that income tax withholding payments topped the year-ago level. Despite continued declines in employment compared with year-ago levels, income tax withholding payments have been increasing largely due to increases in average earnings per worker. The increase in withholding payments in May was, however, more than offset by a decline in annual income tax payments. After increasing by over \$90.0 million in April, annual payments fell 71.2% or \$57.2 million in May, which reflects a shift in the timing of these tax payments. Income tax refund payments totaled \$146.1 million, which was down 0.8% from last year's refund payments. Net income tax collections (gross collections less refunds) were down 11.5% in May; however, after adjusting for the large noneconomic shift in annual payments, net income tax collections were up 8.2% for the three months ending in May. So far in FY 2006-07, net income tax revenue is up 3.1%.

Sales tax collections totaled \$512.1 million in May, which was down 14.6% from last year's level. Most of this decline was also due to noneconomic fluctuations in monthly tax collections as April sales tax collections were up 22.6%. After adjusting for these timing fluctuations using a three-month moving average, sales tax collections were down 2.2% for the three months ending in May. The good news in sales tax collections is that sales tax receipts from motor vehicle transactions were up 8.3% in May after being up 11.0% in April. These increases in April and May mark the strongest increases in sales tax collections from motor vehicle transactions since the spring of 2003. On a fiscal year-to-date basis, total sales tax receipts are down 2.3%, while motor vehicle sales tax collections are up 3.8% and all other non-motor vehicle sales tax revenue is down 3.0%. The apparent discrepancy between income tax withholding collections, which have been increasing, and sales tax collections, which have been decreasing, is likely due to consumers' and businesses' becoming more cautious in their spending decisions given the ongoing level of economic uncertainty.

Single business tax revenue totaled \$132.5 million in May, which was down 49.3% from last year's level. This followed a 17.1% increase in April. For the three months ending in May, single business tax receipts were down 8.4%. So far in FY 2006-07, single business tax revenue is down 9.8%.

The only taxes that posted an increase in May were the State education and severance taxes. The State education tax generated \$24.9 million in May, which was up 19.7% from the \$20.8 million collected in May 2006. Tax receipts from the oil and gas severance tax totaled \$7.7 million in May, which topped last year's level by 45.3%.

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 May 2007, along with their fiscal year-to-date collections and growth rates. Also presented are the consensus revenue estimates for FY 2006-07, which were adopted at the May 2007 Consensus Revenue Estimating Conference.



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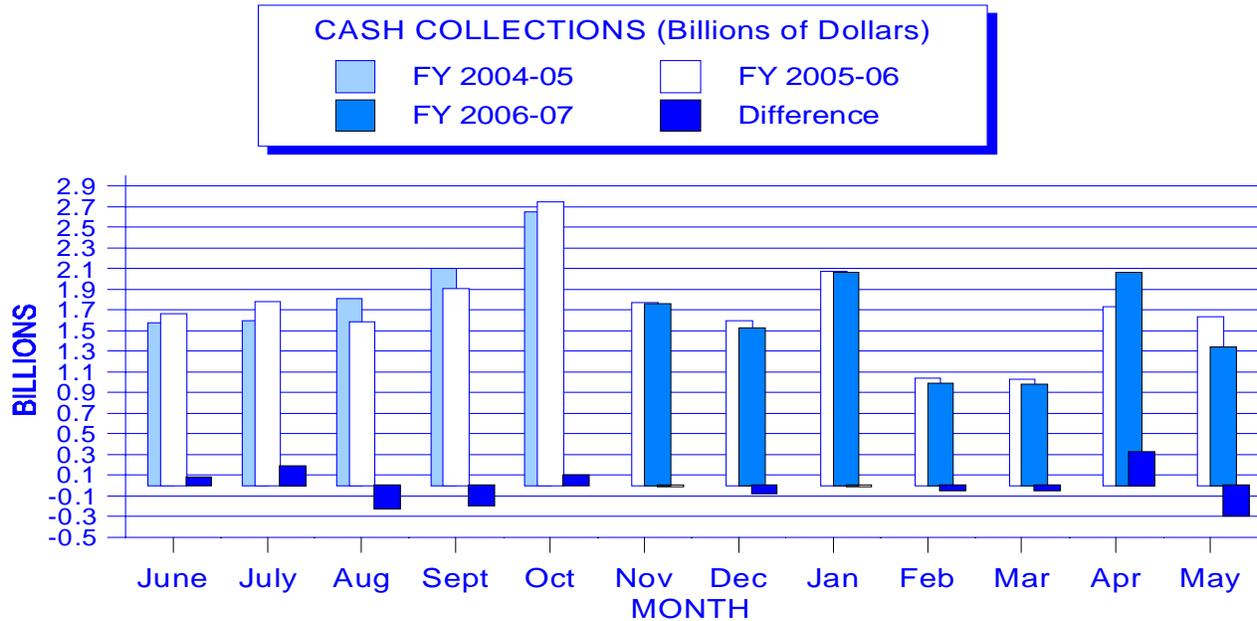
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**MICHIGAN REVENUE UPDATE
MAY 2007
(dollars in millions)**

Type of Revenue	May Collections		FY 2006-07 to Date ²⁾		FY 2006-07 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2005-06
Gross Income Tax	\$ 536.2	(8.8)%	\$ 4,980.2	3.3%	\$ 8,037.8	2.4%
Refunds	(146.1)	(0.8)	(1,552.1)	3.9	(1,700.7)	4.6
Net Income Tax	390.1	(11.5)	3,428.1	3.1	6,337.1	1.8
Sales Tax	512.1	(14.6)	3,702.4	(2.3)	6,562.3	(1.1)
Motor Vehicles	70.3	8.3	401.0	3.8	---	---
All Other Sales Tax	441.8	(17.4)	3,301.4	(3.0)	---	---
Use Tax	112.6	(12.6)	789.9	(0.2)	1,394.5	1.4
Tobacco Taxes	86.7	(3.7)	633.1	(2.8)	1,137.0	(2.7)
Single Business Tax	132.5	(49.3)	1,027.2	(9.8)	1,810.3	(1.7)
Insurance Tax	20.9	(13.3)	132.1	(4.5)	216.0	(1.6)
State Education Property Tax	24.9	19.7	466.8	10.0	2,069.1	3.3
Real Estate Transfer Tax	22.8	(6.6)	135.1	(25.4)	226.2	(24.0)
Casino Wagering Tax ⁴⁾	12.8	(1.5)	108.3	5.2	163.0	4.8
Oil & Gas Severance Tax	7.7	45.3	37.7	(31.1)	62.0	(23.9)
Other Taxes ⁵⁾	17.5	(11.2)	227.5	2.9	457.2	2.5
Total	\$1,340.6	(17.7)%	\$10,688.2	(1.2)%	\$20,434.7	(0.1)%
Addendum:						
Gross Lottery Sales ⁴⁾	\$181.1	10.9%	\$1,558.2	3.5%	\$2,290.3	3.6%
Net to School Aid Fund ⁴⁾	\$ 59.9	43.7%	\$ 500.5	6.8%	\$ 710.0	3.2%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2006-07 year-to-date collections begin with November 2006 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the May 18, 2007, Consensus Revenue Estimating Conference.
- 4) Lottery and casino revenue is not accrued, so FY 2006-07 collections will include October 2006 to September 2007.
- 5) Other Taxes include beer, wine, liquor, industrial facilities, utility facilities, utility property, and estate taxes, and penalties and interest.

**Actual Revenue Collections for Major State Taxes*
June 2005 to May 2007**



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