

MONTHLY REVENUE REPORT

May 2010

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$1,200.9 million in May, down 4.8% from last year's level. Increases in income tax withholding and sales tax collections were offset by large monthly declines in the Michigan Business Tax (MBT) and use tax collections compared with May 2009.

Actual collections were weaker in May 2010 compared with estimated monthly revenue based on the May consensus forecast estimates. May tax collections were approximately \$62.4 million below the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in May 2010. Collections earmarked to the General Fund were \$16.3 million below the expected level for May and School Aid Fund tax collections were \$31.9 million below for May compared with estimates.

Net income tax revenue totaled \$415.1 million in May 2010, up 3.6% from the May 2009 level. This is the first time in 17 months that income tax collections exceeded the amount collected in the same month of the previous year. Income tax withholding payments, which represented the majority of net income tax revenue in May, were 0.6% above the year-ago level. Income tax withholding exceeded the Senate Fiscal Agency's estimates by \$9.5 million. Income tax refunds were also down substantially from May 2009 and far lower than the estimated amount for the month. As a result of all of these changes, net income tax was above actual collections from May 2009 as well as being nearly \$10.0 million greater than estimated for the month.

Sales tax receipts totaled \$456.0 million in May 2010, which was up 12.1% from the year-ago level. However, sales tax collections were almost \$30.0 million below the estimate for the month, which was \$486.6 million. Sales tax collections are matching the nationally reported increases in retail sales as the economic recovery continues.

Michigan Business Tax revenue totaled \$86.5 million in May 2010, down \$109.4 million or 55.8% from last year's level. Michigan Business Tax quarterly payments were down significantly by 41.7% and MBT annual payments were down 46.0% compared with May 2009. Most importantly, MBT refunds were up at over \$25.0 million in May compared with only \$6.4 million in May 2009. Higher refunds and much lower annual and quarterly payments led to the significant overall decline in monthly MBT collections.

Real estate transfer tax receipts were up 7.4% from the year-ago level in May, to \$8.7 million. State Education Property Tax revenue was down slightly with a 3.8% decrease from May 2009. These trends reflect the continuing pressure on home prices and the aftereffects of the final home construction activity and purchases due to the Federal tax credits.

Overall actual revenue collections are coming in below last fiscal year's actual collections. Compared with estimated tax collections, May actual collections fell below estimates. Following the new consensus in May, several taxes, including the sales tax and the MBT, exhibited weaker trends in actual collections compared with estimates. 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 2010. Also presented are the consensus revenue estimates for FY 2009-10 adopted at the May 2010 Consensus Revenue Estimating Conference.

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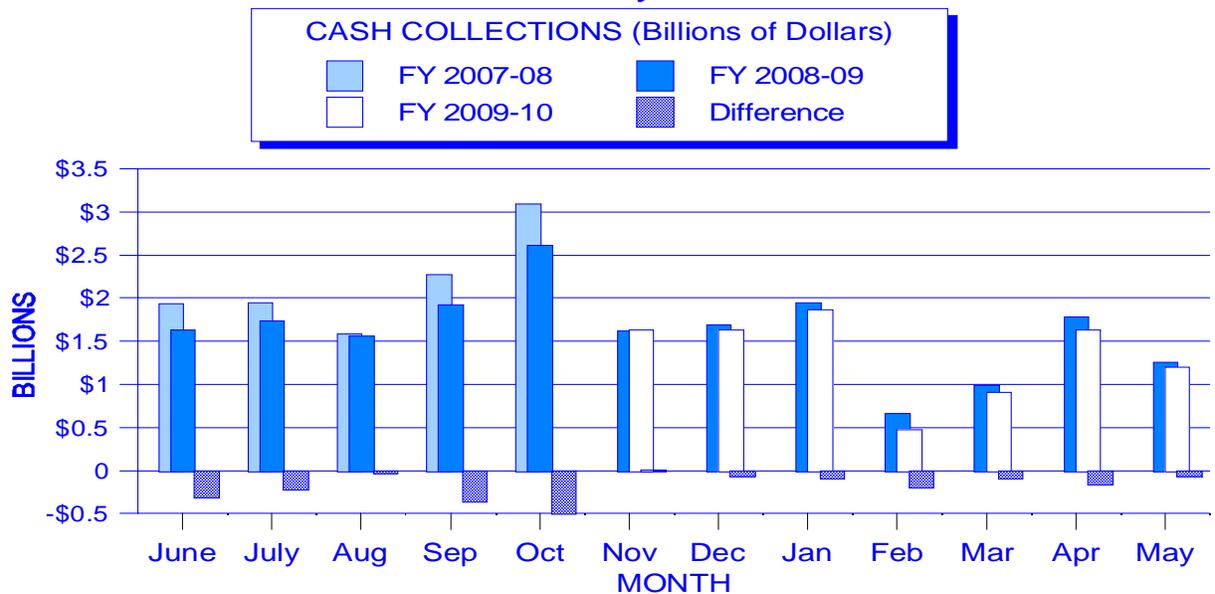


**MICHIGAN REVENUE UPDATE
MAY 2010
(dollars in millions)**

Type of Revenue	May Collections		FY 2009-10 to Date ²⁾		FY 2009-10 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2008-09
Gross Income Tax	\$548.6	4.0%	\$4,761.1	(5.0)%	\$7,811.2	(3.5)%
Refunds	(133.5)	21.1	(2,151.7)	13.1	(2,429.9)	8.3
Net Income Tax	\$415.1	360.8%	\$2,609.4	(16.0)%	\$5,381.3	(8.1)%
Sales Tax	456.0	0.7	3,509.1	2.6	6,166.7	1.3
Motor Vehicles	68.7	2.5	444.7	1.7	---	---
All Other Sales Tax	387.3	0.4	3,064.4	2.7	---	---
Use Tax	80.5	6.6	638.1	6.0	1,153.0	3.6
Tobacco Taxes	84.6	(8.4)	566.9	(2.6)	991.1	(5.1)
Single Business Tax	8.0	(109.1)	39.5	(134.1)	(0.0)	(100.0)
Michigan Business Tax	86.6	(29.4)	1,113.0	(25.9)	1,861.4	(17.6)
Insurance Tax	0.9	(30.6)	136.2	(1.1)	273.0	4.6
State Education Property Tax	33.3	(1.7)	396.6	7.8	1,893.0	(7.2)
Real Estate Transfer Tax	8.7	40.0	65.7	8.2	127.0	1.4
Casino Wagering Tax ⁴⁾	6.6	(21.6)	61.5	(7.2)	109.6	(9.7)
Oil & Gas Severance Tax	4.9	55.6	36.5	19.3	60.0	27.1
Other Taxes ⁵⁾	16.8	49.2	172.3	(12.1)	329.0	(4.0)
Total	\$1,201.9	(9.0)%	\$9,344.9	(6.2)%	\$18,345.0	(5.5)%
Addendum:						
Gross Lottery Sales ⁴⁾	\$177.6	(0.1)%	\$1,622.0	0.6%	\$2,378.1	0.6%
Net to School Aid Fund ⁴⁾	\$ 55.6	(3.1)%	\$ 482.6	(4.5)%	\$ 723.0	(0.2)%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2009-10 year-to-date collections begin with November 2009 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the May 21, 2010, Consensus Revenue Estimating Conference.
- 4) Lottery revenue is not accrued, so FY 2009-10 collections will include October 2009 to September 2010.
- 5) Other Taxes include beer, wine, liquor, industrial facilities, utility property, and estate taxes, and penalties and interest.

**Actual Revenue Collections for Major State Taxes*
June 2008 to May 2010**



*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.