

# MONTHLY REVENUE REPORT

## November 2004

The revenue collected from Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.8 billion in November, which topped the year-ago level by a very strong 18.2%. While tax collections did improve some in November, this rate of increase greatly overstates the true level of improvement because most of this increase in collections was due to noneconomic factors. These noneconomic factors include: 1) State education property tax collections were up 63% in November due to the new payment schedule and the temporary reduction in the tax rate in effect last year, 2) tobacco and casino wagering taxes were up 25.5% and 50.6%, respectively, due to recent increases in their tax rates, and 3) sales tax collections jumped 23.7% due in part to a shift in collections from October to November. Adjusting for the impact of these tax increases and timing issues, it is estimated that tax collections in November topped last year's level by about 3.0%. This adjusted rate of revenue growth in November was stronger than expected and was primarily due to increases in sales and use tax collections.

Net income tax revenue (gross collections less refunds) totaled \$516 million in November, representing a 2.1% decline from the year-ago level. The major factors that contributed to this decline were the ongoing weakness in the labor market and the drop in the tax rate from last year's 4.0% to the current 3.9%. Gross income tax collections (withholding, quarterly, and annual payments) were down 2.1% in November and refunds were down 0.9%. The 2.1% decline in net income tax collections in November followed a 0.8% increase in October.

Sales tax collections totaled \$585 million in November, which was up a very strong 23.7% from last year's level. This sharp increase does not reflect a sudden surge in consumer spending, but rather reflects in large part a boost in collections due to noneconomic volatility in monthly receipts. Because October ended on a weekend, some sales tax collections that otherwise would have been received in October were counted in November. Comparing total collections in October and November with the comparable year-ago collections level, to negate the impact of the weekend factor, sales tax collections were up 6.7%, which is an improvement from recent months. All of this increase in sales tax collections was due to nonmotor vehicle retail sales, as sales tax collections from motor vehicle transactions were down almost 10% in October and November.

Single business tax collections totaled \$158 million in November, representing a 23.2% increase from the year-ago level. It appears, however, that all of this increase can be attributed to a shift in the timing of tax payments. A quarterly payment was due at the end of October, and these payments were received in October and November. While November collections were up sharply, October collections were down 15.7%, and the combined collections in October and November were down 1.2% from the comparable year-ago level.

Among some of the other major taxes, November collections were down for the insurance tax, by 5.0%; the real estate transfer, tax by 11.6%; and the estate tax, by 60.0%. Use tax collections were up 22.9%.

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 November 2004. Also presented are the revenue estimates for FY 2004-05, which were adopted at the December 2004 Consensus Revenue Estimating Conference.

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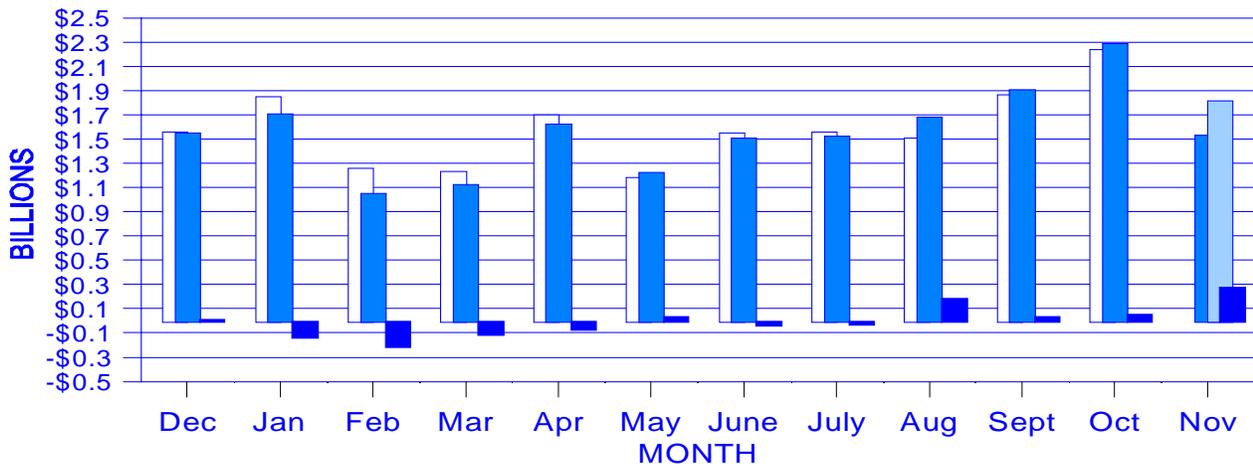
**MICHIGAN REVENUE UPDATE  
NOVEMBER 2004  
(dollars in millions)**

Type of Revenue	November Collections		FY 2004-05 to Date <sup>2)</sup>		FY 2004-05 Estimate <sup>3)</sup>	
	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From Year Ago	Total <sup>1)</sup>	% Change From FY 2003-04
Gross Income Tax	\$537.9	(2.1)%	\$537.9	(2.1)%	\$7,538.1	1.1%
Refunds	(21.7)	(0.9)	(21.7)	(0.9)	(1,660.7)	3.5
Net Income Tax	\$516.2	(2.1)%	\$516.2	(2.1)%	\$5,877.4	0.4%
Sales Tax	584.9	23.7	584.9	23.7	6,707.8	3.6
Motor Vehicles	58.1	(8.6)	58.1	(8.6)	---	---
All Other Sales Tax	526.8	28.7	526.8	28.7	---	---
Use Tax	113.3	22.8	113.3	22.8	1,369.3	3.9
Tobacco Taxes	95.6	25.5	95.6	25.5	1,188.8	20.3
Single Business Tax	157.8	23.2	157.8	23.2	1,835.6	2.8
Insurance Tax	24.7	(5.0)	24.7	(5.0)	230.0	4.1
State Education Property Tax	275.2	62.9	275.2	62.9	1,850.9	4.9
Real Estate Transfer Tax	32.0	(11.6)	32.0	(11.6)	310.0	(1.3)
Estate/Inheritance Tax	2.0	(60.0)	2.0	(60.0)	39.0	(48.7)
Casino Wagering Tax	11.6	50.6	11.6	50.6	147.0	47.1
Oil & Gas Severance Tax	3.5	(189.7)	3.5	(189.7)	53.0	(2.6)
<b>Total</b>	<b>\$1,816.8</b>	<b>18.2%</b>	<b>\$1,816.8</b>	<b>18.2%</b>	<b>\$19,608.8</b>	<b>3.5%</b>
Excluding State Education	\$1,541.6	12.7%	\$1,541.6	12.7%	\$17,757.9	3.3%
<b>Addendum:</b>						
Gross Lottery Sales <sup>4)</sup>	\$160.7	16.7%	\$334.1	14.2%	\$2,050.2	3.9%
Net to School Aid Fund <sup>4)</sup>	\$ 49.2	2.5%	\$105.1	3.0%	\$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 December 3, 2004, 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\*  
December 2002 to November 2004**

**CASH COLLECTIONS (Billions of Dollars)**



\*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.