

MONTHLY REVENUE REPORT

November 2007

Michigan's major General Fund and School Aid Fund earmarked taxes generated \$1.86 billion in November, which was up 5.3% from last year's level. Increases posted by the income, sales, insurance, State education, and severance taxes were offset in part by declines in use, tobacco, single business, and casino taxes. There were several noneconomic factors in November that caused certain tax collections to be higher or lower than they normally would have been. These factors included the increase in the income tax rate, an increase in the number of post-Thanksgiving shopping days in November compared with last year, bookkeeping adjustments, and noneconomic changes in monthly collection patterns. Adjusting for these noneconomic factors suggests that November collections were still above last year's level, but by only about 1.0%.

Income tax collections totaled \$565.9 million in November, representing an increase of 13.3%. This strong rate of growth is largely due to the increase in the tax rate from 3.9% to 4.35%, which went into effect October 1, 2007. The tax rate increase generated about \$59.0 million in additional revenue, so if the tax rate had not gone into effect, income tax collections would have been up only about 1.6% in November. Also helping to boost net income tax collections in November was a reduction in refund payments. In November 2006, income tax refunds totaled \$24.4 million, but this year they totaled only \$18.9 million.

Sales tax receipts in November totaled \$544.0 million, which was up 4.8% from the year-ago level. This fairly strong rate of growth was due in part to the fact that Thanksgiving was earlier this year, which created an extra post-Thanksgiving shopping day in November compared with last year. This extra shopping day in November will not necessarily result in an extra boost in Christmas sales this year, but likely is to be offset by a lower-than-normal level of sales, and sales tax collections, in December. Sales tax collections from motor vehicle transactions topped last year's level by 1.7% in November and sales tax collections from all other taxable retail transactions were up 5.1%.

Single business tax revenue in November totaled \$102.2 million, which was down 2.1% from last year's level. It appears, however, that this change understates the true level of single business tax receipts. A quarterly payment was due at the end of October, so single business tax collections in November represented a portion of the tax liability derived from the economic activity that occurred during the third quarter of 2007. Using a three-month moving average to adjust for the noneconomic fluctuations in the individual monthly payments of the overall quarterly payment reveals that single business tax receipts were up a slight 0.7% for the three months ending in November.

Tobacco and casino tax collections were both down significantly in November, but these declines were due to accounting adjustments. Tobacco tax collections totaled \$70.8 million in November compared with \$97.4 million one year ago. Most of this decline was due to a bookkeeping adjustment to correct an accounting error that overstated the amount of tobacco tax collected in October. Casino tax revenue fell from \$25.6 million in November 2006 to \$11.8 million this year. This decline reflected a one-time accounting change that shifted the timing of the monthly casino tax receipts.

State education tax receipts increased 14.8% in November to \$338.9 million. This increase was largely due to a change in the timing of these tax payments this year compared with last year.

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 2007. Also presented are the consensus revenue estimates for FY 2007-08, which were adopted at the May 2007 Consensus Revenue Estimating Conference.



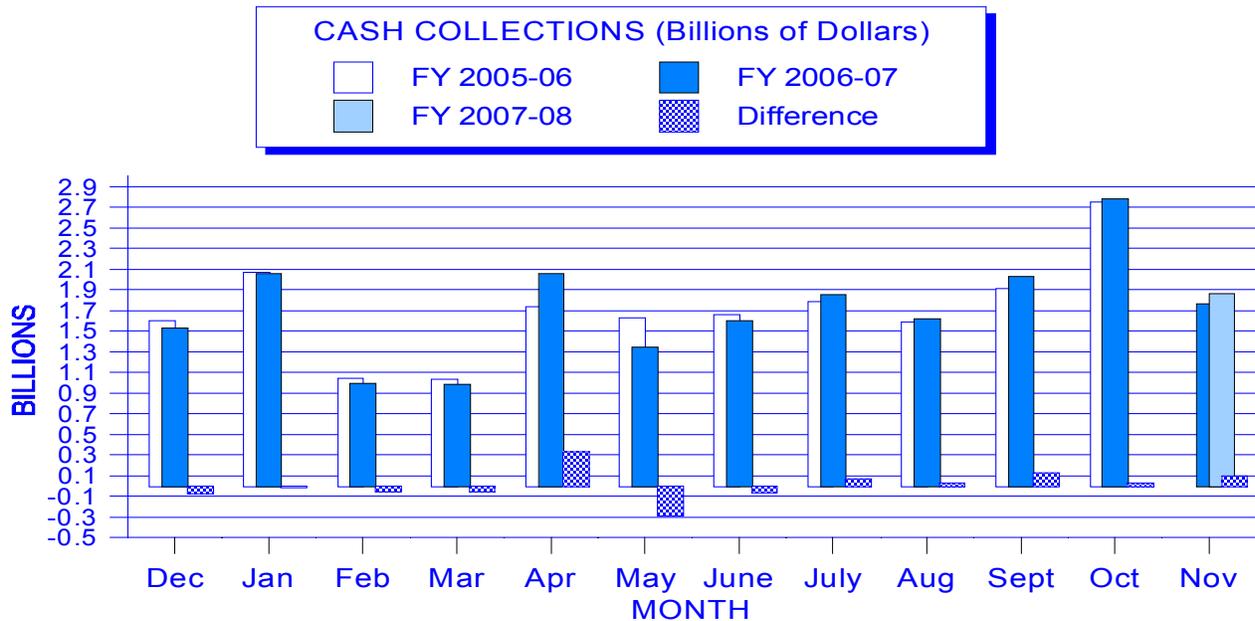
Jay Wortley, Senior Economist

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

Type of Revenue	November Collections		FY 2007-08 to Date ²⁾		FY 2007-08 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 2006-07
Gross Income Tax	\$584.8	11.7%	\$584.8	11.7%	\$8,081.4	0.5%
Refunds	(18.9)	(22.5)	(18.9)	(22.5)	(\$1,773.7)	4.3
Net Income Tax	565.9	13.3	565.9	13.3	6,307.7	(0.5)
Sales Tax	544.0	4.8	544.0	4.8	6,661.3	1.5
Motor Vehicles	53.1	1.7	52.2	1.7	---	---
All Other Sales Tax	490.9	5.1	490.9	5.1	---	---
Use Tax	108.4	(5.5)	108.4	(5.5)	1,434.5	2.9
Tobacco Taxes	70.8	(27.3)	70.8	(27.3)	1,117.0	(1.8)
Single Business Tax	102.2	(2.1)	102.2	(2.1)	677.4	(62.6)
Insurance Tax	22.2	10.4	22.2	10.4	162.2	(24.9)
State Education Property Tax	338.9	14.8	338.9	14.8	2,173.7	5.1
Real Estate Transfer Tax	19.1	(3.0)	19.1	(3.0)	231.0	2.1
Casino Wagering Tax ⁴⁾	11.8	(53.9)	11.8	(53.9)	139.6	(14.4)
Oil & Gas Severance Tax	7.7	54.0	7.7	54.0	59.5	(4.0)
Other Taxes ⁵⁾	64.0	3.9	64.0	3.9	448.6	(1.9)
Total	\$1,855.0	5.3%	\$1,855.0	5.3%	\$19,412.5	(5.0)%
Addendum:						
Gross Lottery Sales ⁴⁾	\$216.3	23.0%	\$393.4	13.7%	\$2,223.0	(2.9)%
Net to School Aid Fund ⁴⁾	\$ 69.4	23.8%	\$127.1	11.2%	\$ 707.0	(0.4)%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2007-08 year-to-date collections begin with November 2007 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 2007-08 collections will include October 2007 to September 2008.
- 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*
December 2005 to November 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.