

MONTHLY REVENUE REPORT

November and December 2000

Revenue collections are off to a slow start in FY 2000-01. The revenue collected from 12 of Michigan's major taxes earmarked to the General Fund and School Aid Fund, fell below last year's level by 3.8% in November and 9.1% in December. These back-to-back declines in revenue collections mean that so far in FY 2000-01, the revenue collected from these 12 major taxes is down 6.4% compared with the revenue collected during this same time period one year ago. The weakness in tax collections has been widespread, as eight of the 12 major taxes tracked in this report, including the income, sales, use, and single business taxes, experienced a decline in revenue during November and December. While the ongoing reductions in the income and single business tax rates, along with aberrations in the timing of monthly collections, account for a portion of this decline in tax collections, they by no means explain all of the decline. Therefore, the sharp decline in tax collections in November and December strongly suggests that the pace of economic growth did indeed slow down during the last few months of 2000.

Gross income tax collections, which includes income tax withholding collections, and quarterly and annual payments, fell 10.4% in November and declined 8.6% in December. As a result, FY 2000-01 income tax collections to date are below the year-ago level by 9.4%. Some of this weakness in income tax collections is attributable to the reduction in the income tax rate, which fell from 4.4% to 4.2% in 2000; however, even after adjusting for this tax rate cut, income tax collections were still down about 1.5% in November and December. This decline in income tax collections may be due to a reduction in overtime earnings, particularly among workers in manufacturing industries, together with smaller year-end bonuses, and smaller net capital gains, compared with last year.

Sales tax collections also declined in both November and December, by 3.7% and 9.8%, respectively. As a result, on a fiscal year-to-date basis, sales tax revenue is down 6.8% compared with last year. The weakness in sales tax receipts was evident in both collections from the volatile motor vehicle retail sales and collections derived from all other taxable retail sales. The sales tax collected from motor vehicle transactions was down 10.2% during these two months, while the sales tax generated from all other retail transactions was down 6.4%. The recent sharp decline in consumer confidence probably played a large part in this recent drop in sales tax collections.

Single business and insurance tax collections fell 14.8% in November and 10.4% in December. So far in FY 2000-01, these business tax collections are down 13.5%. Some of this decline was due to the ongoing reduction in the rate of the single business tax, which fell from 2.2% in 1999 to 2.1% in 2000; however, after adjusting for this rate cut, single business tax collections were still down about 10% during these two months. While the single business tax is a very volatile tax on a monthly basis, the sharp decline in collections experienced in November and December strongly suggests that the pace of business activity slowed down.

Other major taxes whose revenue collections were down during the first two months of FY 2000-01, included the use tax, down 5.0%; the real estate transfer tax, down 10.1%; and the estate tax, down 16.2%. The taxes that experienced an increase in collections include the tobacco tax, up 1.9%; the State education property tax, up 47.9%; and the oil and gas severance tax, up 41.2%.

The table on the back of this report identifies the 12 major taxes included in this report, and provides their respective revenue levels and growth rates for November and December 2000, along with their fiscal year-to-date revenue collections and growth rates. Also presented are their respective consensus revenue growth rate estimates for FY 2000-01.

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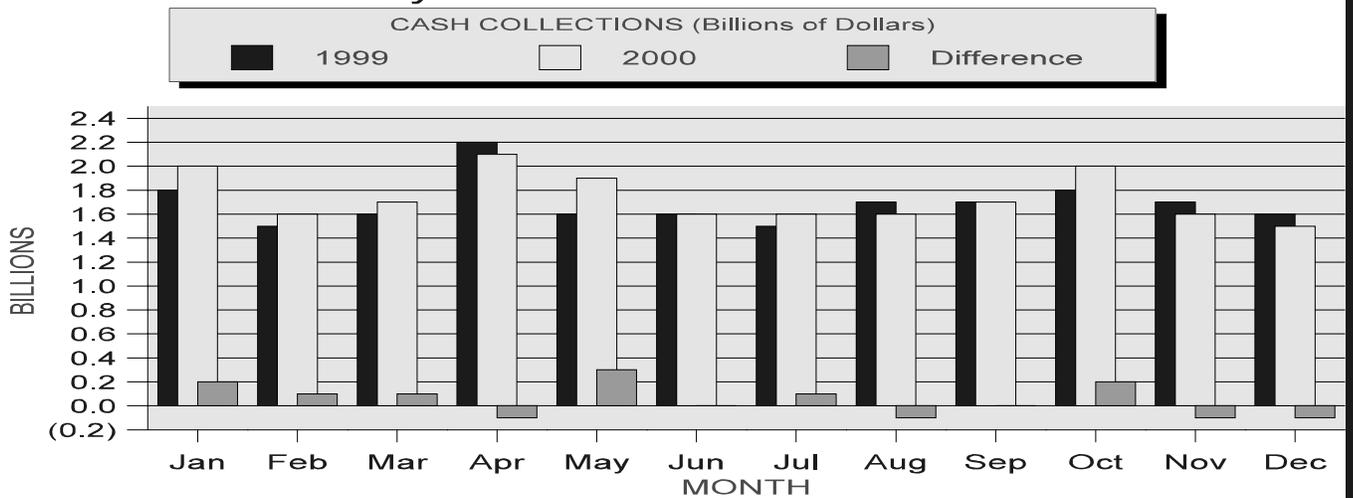


**MICHIGAN REVENUE UPDATE
NOVEMBER AND DECEMBER 2000
(dollars in millions)**

Type of Revenue	November 2000		December 2000		FY 2000-01 to Date ²⁾		Total FY 2000-01 Consensus Estimate % Change ³⁾
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	
Income Tax							
Withholding	\$511.0	(11.0)%	\$573.0	(0.8)%	\$1,083.8	(5.9)%	1.4%
Quarterly Payments	5.3	12.8	49.7	(51.5)	55.0	(48.6)	(3.6)
Annual Payments	6.7	31.4	7.8	(16.1)	14.5	0.7	(1.2)
Gross Income Tax	\$523.0	(10.4)%	\$630.5	(8.6)%	\$1,153.3	(9.4)%	0.6%
Sales Tax	525.6	(3.7)	513.3	(9.8)	1,039.0	(6.8)	3.3
Use Tax	105.3	0.4	94.6	(10.3)	199.9	(5.0)	3.5
Tobacco Tax	51.4	6.9	49.1	(2.8)	100.5	1.9	(2.2)
Single Business & Insurance Taxes	224.6	(14.8)	100.6	(10.4)	325.2	(13.5)	(2.8)
State Education Property Tax	126.7	41.4	38.1	74.8	164.8	47.9	4.1
Real Estate Transfer Tax	26.2	14.4	15.8	(33.6)	42.0	(10.1)	(0.8)
Estate/Inheritance Tax	20.3	84.5	6.1	(70.2)	26.4	(16.2)	7.1
Oil & Gas Severance Tax	5.8	93.3	3.8	0.0	9.6	41.2	4.8
Total	\$1,608.9	(3.8)%	\$1,451.9	(9.1)%	\$3,060.7	(6.4)%	1.4%
Addendum:							
Gross Lottery Sales ⁴⁾	\$121.0	(22.4)%	\$148.5	17.3%	\$401.4	(5.3)%	(1.2)%
Net Lottery to School Aid ⁴⁾	\$46.4	(9.4)%	\$51.1	9.5%	\$144.3	(5.3)%	(1.5)%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2000-01 year-to-date collections begin with November 2000 collections to reflect accrual accounting.
- 3) Consensus estimates adopted at the January 11, 2001, Consensus Revenue Estimating Conference.
- 4) Lottery revenue is not accrued, so FY 2000-01 lottery revenue will include October 2000 to September 2001.

**Actual Revenue Collections for 12 Major State Taxes*
January 1999 to December 2000**



*Comparison of actual collections. The 12 taxes include the income (withholding, quarterly payments and annual payments), sales, use, tobacco, SBT, insurance retaliatory, estate, oil and gas severance, State education, and real estate transfer taxes.