

MONTHLY REVENUE REPORT

October 2000

Revenue collections rebounded strongly in October after falling below year-ago levels in both August and September. During October, revenue collected from 12 of Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$2.04 billion, which topped last year's collections by 12.8%. This robust rate of growth followed revenue declines in August and September of 2.1% and 6.2%, respectively. The growth in October was widespread, as 11 of the 12 major taxes tracked in this report were up from their year-ago level. The taxes with the largest percentage gains in revenue during October included the sales, use, insurance, estate, and oil and gas severance taxes.

While October marks the first month in FY 2000-01, most of the revenue collected in October will be accrued back to FY 1999-2000 to be consistent with Generally Accepted Accounting Principles (GAAP), which require that tax revenue be counted in the fiscal year in which the tax liability is incurred. As a result, a good preliminary measure of the revenue these 12 major taxes generated in FY 1999-2000 can be obtained by summing the monthly collections from November 1999 through October 2000. Summing these monthly collections reveals revenues were up 4.6%; however, it now appears that after all of the accruals are made, revenues from these 12 major taxes will be up about 5.0%, which would exceed the May 2000 consensus estimated growth rate of 4.6%. The final level of revenue for FY 1999-2000 will not be determined until all of the accruals are identified and the "books" are officially closed, which will occur sometime in March 2001.

Income tax revenue totaled \$623 million in October, which was up 6.3% from last year's level. Most of this revenue was from the income tax withheld from workers' paychecks. This 6.3% increase represents a fairly strong rate of growth given that the income tax rate has been cut to 4.2% from 4.4% last year at this time. Without the tax rate cut, income tax collections would have been up about 11% in October. So far this fiscal year, gross income tax collections are up 4.5%, which is very close to the May 2000 consensus estimated growth rate.

Sales tax collections jumped 22.1% in October to \$599 million. This sharp increase was due primarily to variations in the timing of collections and helps make up for very weak collection levels experienced in both August and September. Over this three-month period, sales tax collections were up 6.7%. Total sales tax collections from November 1999 to October 2000 were up 8.0%, which is up from the 6.9% rate of growth forecast in May 2000.

Single business and insurance tax collections totaled \$264 million in October, which was up 10.2%. Single business tax collections were up 6.0% in October, while insurance tax receipts topped last year's level by 49.1%. Based on actual collections from November 1999 through October 2000, single business and insurance tax collections are trailing last year's level by 2.2%; however, when all of the accrual adjustments are made, it is estimated that FY 1999-2000 revenue will be up from last year's level in the range of 2.0% to 3.0%. It was estimated in May 2000 that single business and insurance tax revenue would be down 0.5% in FY 1999-2000.

Other major taxes that experienced an increase in collections in October included the use tax, up 31.0%; State education property tax, up 4.3%; real estate transfer tax, up 11.7%; estate tax, up 151.6%; and oil and gas severance tax, up 293.8%. The only major tax to fall below its year-ago level in October was the tobacco tax, which declined 9.1%.

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 October 2000, along with their fiscal year-to-date revenue collections and growth rates. Also presented are their respective consensus revenue estimates for FY 1999-2000.

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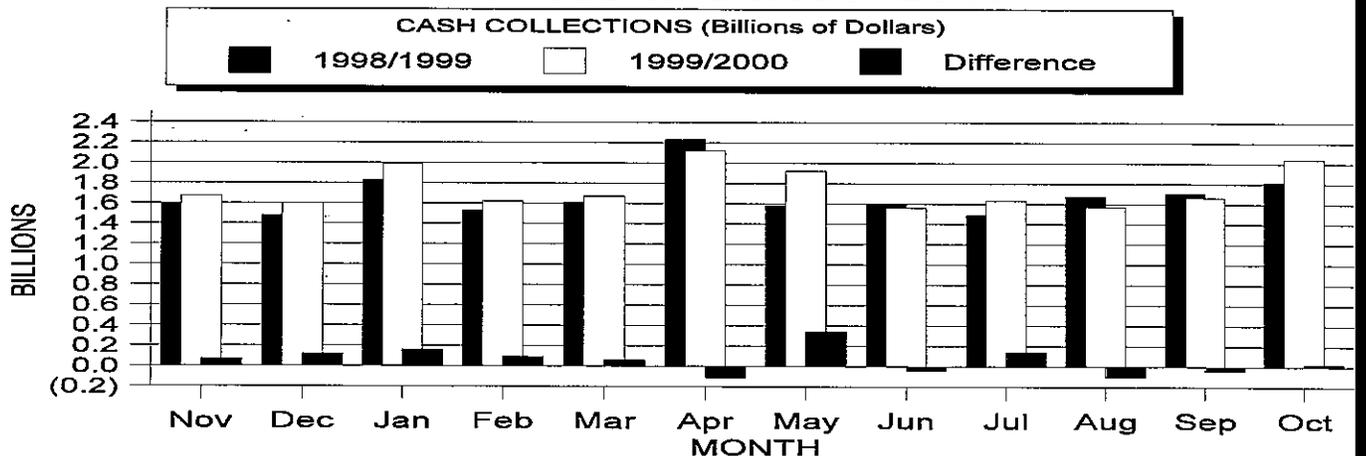


MICHIGAN REVENUE UPDATE
OCTOBER 2000
(dollars in millions)

Type of Revenue	October Collections		FY 1999-2000 To Date ²⁾		FY 1999-2000 Estimate ³⁾	
	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From Year Ago	Total ¹⁾	% Change From FY 1998-99
Income Tax						
Withholding	\$585.6	4.8%	\$6,745.4	3.4%	\$6,821.8	4.2%
Quarterly Payments	11.7	1.7	866.7	7.3	815.5	0.8
Annual Payments	26.0	62.5	791.5	11.5	770.0	8.4
Gross Income Tax	\$623.3	6.3%	\$8,403.6	4.5%	\$8,407.3	4.2%
Sales Tax	599.0	22.1	6,350.1	8.0	6,306.2	6.9
Use Tax	130.7	31.0	1,358.3	5.5	1,372.0	7.0
Tobacco Tax	48.8	(9.1)	602.9	(1.9)	598.8	(2.7)
Single Business & Insurance Taxes	264.2	10.2	2,521.3	(2.2)	2,406.3	(0.5)
State Education Property Tax	315.1	4.3	1,349.8	5.2	1,359.8	6.8
Real Estate Transfer Tax	29.7	11.7	253.9	(1.2)	264.0	0.9
Estate/Inheritance Tax	23.9	151.6	176.8	1.1	187.0	6.9
Oil & Gas Severance Tax	6.3	293.8	46.6	101.7	36.0	53.8
Total	\$2,041.0	12.8%	\$21,063.3	4.6%	\$20,937.4	4.6%
Addendum:						
Gross Lottery Sales ⁴⁾	\$131.9	(8.5)%	\$1,690.6	(2.3)%	\$1,719.8	(1.6)%
Net Lottery to School Aid ⁴⁾	\$ 46.8	(14.0)%	\$ 616.6	(0.7)%	\$ 609.0	(2.0)%

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 1999-2000 year-to-date collections begin with November 1999 collections to reflect accrual accounting.
- 3) Consensus estimates adopted May 19, 2000. These estimates reflect the impact of enacted tax reductions.
- 4) Lottery revenue is not accrued, so October revenue will be included in FY 2000-01.

Actual Revenue Collections for 12 Major State Taxes*
November 1998 to October 2000



1998/1999	1.6	1.5	1.8	1.5	1.6	2.2	1.6	1.6	1.5	1.7	1.7	1.8
1999/2000	1.7	1.6	2.0	1.6	1.7	2.1	1.9	1.6	1.6	1.6	1.7	2.0
Difference	0.1	0.1	0.2	0.1	0.1	(0.1)	0.3	(0.0)	0.1	(0.1)	(0.0)	0.2

*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.