

# MONTHLY REVENUE REPORT

## OCTOBER 2012

Revenue from Michigan's General Fund and School Aid Fund earmarked taxes totaled \$2.6 billion in October, down 6.2% from the 2011 level and \$71.5 million below the level expected in the Senate Fiscal Agency's estimate for the month, based on the consensus revenue estimates adopted in May 2012. The shortfall reflected above-forecast income tax refunds and weak State Education Tax collections that more than offset above-forecast revenue from the repealed Single Business Tax (SBT) and Michigan Business Tax (MBT). Fiscal Year 2011-12 revenue generally reflects collections from November 2011 through October 2012, but final revenue will be adjusted through the accrual process and should be known in mid- to late December.

Collections earmarked to the General Fund were \$15.6 million above the expected level for October, while School Aid Fund tax collections were \$84.7 million below the forecasted level. The remaining \$2.4 million in below-forecast revenue is directed to other funds, most notably the Medicaid Benefits Trust Fund. On a year-to-date basis, General Fund collections are \$131.0 million higher, and School Aid Fund collections \$53.8 million lower, than expected based on the May 2012 consensus revenue estimates.

Net income tax revenue totaled \$656.1 million in October 2012, a 3.7% increase over last year's level. Withholding payments (which represented the majority of gross income tax revenue) were 2.8% above the year-ago level, despite tax changes enacted last year that have generally resulted in much higher year-over-year collections. On a year-to-date basis, net income tax revenue is up 9.1%, largely due to the tax changes enacted in 2011. Year-to-date income tax refunds are down only 0.2% from last year, and are \$76.0 million greater than expected.

Sales tax receipts totaled \$621.1 million in October, up 4.2% from the year-ago level. Primarily due to weak collections in July, year-to-date sales tax collections are 2.8% above last year's level but are \$36.2 million below the May consensus estimates. Use tax revenue was up 300.2% from October 2011, reflecting a large use tax refund that was paid last year. Year-to-date use tax revenue is \$9.6 million below the May consensus estimate.

Revenue from the repealed SBT totaled \$12.6 million in October. However, on a year-to-date basis, the revenue is not sufficient to offset above-forecast refunds, and SBT revenue is \$51.8 million below the May 2012 consensus estimate. Michigan Business Tax revenue totaled a negative \$6.8 million in October, reflecting refunds paid as firms switch from the MBT to the new Corporate Income Tax. Despite the negative net revenue, MBT collections for the month were \$47.2 million above, and year-to-date were \$202.7 million above, the level expected based on the May 2012 consensus revenue estimates. Additional MBT refunds are expected due to the move to the Corporate Income Tax, and may be booked as part of the accrual process at book-closing.

Real estate transfer tax receipts were 5.3% below the year-ago level, but are up 15.6% on a year-to-date basis. State education property tax revenue was down 6.6% from October 2011, and is down 10.2% on a year-to-date basis. As a result, year-to-date State education property tax collections are \$87.8 million below the May Consensus estimates. The forecast for State Education Tax revenue is primarily based on taxable values, which are known earlier in the year. However, collections depend heavily on when counties remit the tax to the State, and November collections are generally accrued back to the prior fiscal year.

The table on the back of this report identifies the major taxes included in the report, and provides their respective revenue levels and growth rates for October 2012. Also presented are the consensus revenue estimates for FY 2011-12 adopted at the May 2012 Consensus Revenue Estimating Conference.



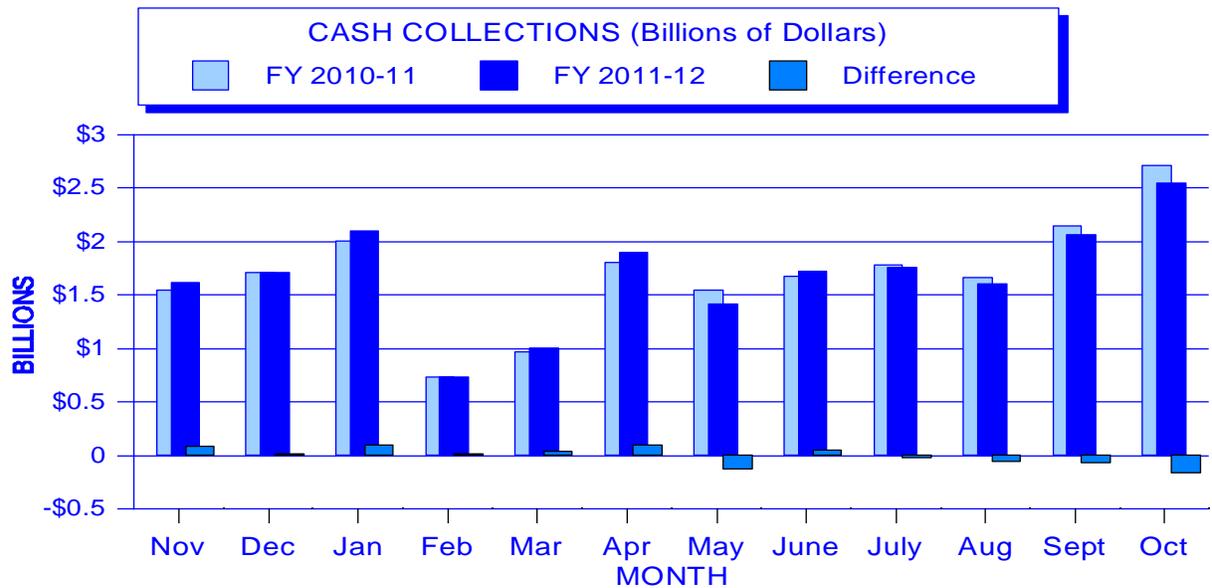
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**MICHIGAN REVENUE UPDATE  
OCTOBER 2012  
(dollars in millions)**

| Type of Revenue                      | October Collections |                        | FY 2011-12 to Date <sup>2)</sup> |                        | FY 2011-12 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 2010-11 |
| Gross Income Tax                     | \$705.8             | 3.7%                   | \$9,099.5                        | 6.7%                   | \$9,069.0                         | 3.3%                     |
| Refunds                              | (49.7)              | 3.0                    | (2,179.1)                        | (0.2)                  | (2,103.1)                         | 2.0                      |
| Net Income Tax                       | 656.1               | 3.7                    | 6,920.4                          | 9.1                    | 6,965.9                           | 3.8                      |
| Sales Tax                            | 621.1               | 4.2                    | 6,987.7                          | 2.8                    | 7,023.9                           | 2.9                      |
| Motor Vehicles                       | 76.0                | 15.2                   | 847.0                            | 4.4                    | ---                               | ---                      |
| All Other Sales Tax                  | 545.1               | 2.8                    | 6,140.7                          | 2.6                    | ---                               | ---                      |
| Use Tax                              | 100.5               | 300.2                  | 1,172.5                          | 6.2                    | 1,182.1                           | 13.0                     |
| Tobacco Taxes                        | 77.1                | (8.2)                  | 963.4                            | (0.6)                  | 961.7                             | (3.2)                    |
| Corporate Income Tax                 | 95.5                | ---                    | 542.2                            | ---                    | 485.6                             | ---                      |
| Michigan Business Tax                | (6.8)               | (102.1)                | 916.3                            | (58.0)                 | 713.6                             | 13.4                     |
| Insurance Tax                        | 65.0                | 0.5                    | 293.9                            | 6.4                    | 300.0                             | 5.5                      |
| State Education Property Tax         | 854.1               | (6.6)                  | 1,719.3                          | (10.2)                 | 1,807.1                           | (3.7)                    |
| Real Estate Transfer Tax             | 16.3                | (5.3)                  | 142.9                            | 15.6                   | 124.9                             | 2.8                      |
| Casino Wagering Tax <sup>4)</sup>    | 10.4                | 3.6                    | 115.4                            | 1.1                    | 114.7                             | 0.8                      |
| Oil & Gas Severance Tax              | 4.2                 | 17.2                   | 53.4                             | (12.3)                 | 60.7                              | 12.9                     |
| Other Taxes <sup>5)</sup>            | 42.0                | (417.2)                | 235.8                            | (24.3)                 | 292.7                             | (10.0)                   |
| <b>Total</b>                         | <b>\$2,535.5</b>    | <b>(6.3%)</b>          | <b>\$20,063.3</b>                | <b>(0.7%)</b>          | <b>\$20,032.9</b>                 | <b>(0.8%)</b>            |
| <b>Addendum:</b>                     |                     |                        |                                  |                        |                                   |                          |
| Gross Lottery Sales <sup>4)</sup>    | \$176.9             | (5.8%)                 | \$2,413.5                        | 3.1%                   | \$2,467.0                         | 5.4%                     |
| Net to School Aid Fund <sup>4)</sup> | \$ 58.9             | (4.5%)                 | \$ 770.4                         | 6.7%                   | \$ 750.0                          | 3.1%                     |

- 1) Total collections are unadjusted cash collections unless otherwise noted.
- 2) FY 2011-12 year-to-date collections begin with November 2011 collections to reflect accrual accounting.
- 3) Consensus revenue estimates adopted at the May 16, 2012, Consensus Revenue Estimating Conference.
- 4) Lottery and casino revenue is not accrued, so FY 2011-12 collections will include October 2011 to September 2012.
- 5) Other Taxes include beer, wine, liquor, single business tax, industrial facilities, utility property, and estate taxes, and penalties and interest.

**Actual Revenue Collections for Major State Taxes\*  
November 2010 to October 2012**



\*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.