

MONTHLY REVENUE REPORT

April and May 2000

Revenue collected from 12 of Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$4.05 billion in April and May 2000. This level of revenue topped the year-ago level by 6.1%. On a fiscal year-to-date basis, revenue from these 12 major taxes is up 6.2% from the revenue collected during the same period last year.

The collections in April and May have been combined in this report to provide a more meaningful assessment of current revenue collections. In addition to the ongoing monthly flow of revenue collections, income tax annual payments and single business tax annual and quarterly payments are due in April, but they are actually received and processed by the Treasury Department during both April and May. The distribution of these tax collections between April and May can vary significantly from one year to the next. As a result, the percentage changes in April's and May's collections, compared with their year-ago levels, can provide very misleading information on the current strength or weakness in tax collections. For example, in April, collections from these 12 major taxes were down 4.7%, but in May they were up 21.4%. Combining revenue collections in April and May provides a more accurate view of current tax collections.

Gross income tax collections totaled \$1.85 billion in April and May, which was up 7.5% from the year-ago level. The State collects the income tax by withholding it from workers' earnings, and through quarterly and annual payments. Withholding payments were up a surprisingly weak 2.6%, but some of this weakness can be attributed to the fact that the tax rate has been reduced to 4.2% from last year's level of 4.4%. In sharp contrast, quarterly and annual income tax payments were up 23.8% and 13.4%, respectively. On a fiscal year-to-date basis, gross income tax collections are ahead of last year's pace by 6.6%.

Sales tax collections totaled \$1.03 billion in April and May. This topped last year's level by a very strong 12.6%. Sales tax collections from motor vehicle sales were unchanged from last year's level, but sales tax collections from all other taxable retail transactions were up a whopping 15.4%. Some of this increase is attributable to the recent sharp increase in the price of gasoline, which has boosted sales tax collections from gasoline; however, some of the increased spending on gasoline has undoubtedly reduced consumer spending, and therefore sales tax collections, in other areas. So far this fiscal year, sales tax collections are up 10.3%. Use tax collections also are experiencing similar strong levels of growth. Use tax collections in April and May were up 10.9%, and on a fiscal year-to-date basis, they are up 9.5%.

Single business and insurance tax collections totaled \$624 million in April and May, which was down 6.3% from last year. A major portion of this decline is due to the ongoing reduction in the single business tax rate, which fell to 2.1% January 1, 2000. Through May, FY 1999-2000 single business and insurance tax collections are down 4.4% compared with the year-ago level.

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 April and May 2000, along with their fiscal year-to-date revenue collections and growth rates. Also presented are their respective FY 1999-2000 consensus revenue estimates, which were revised at the May Consensus Revenue Estimating Conference.

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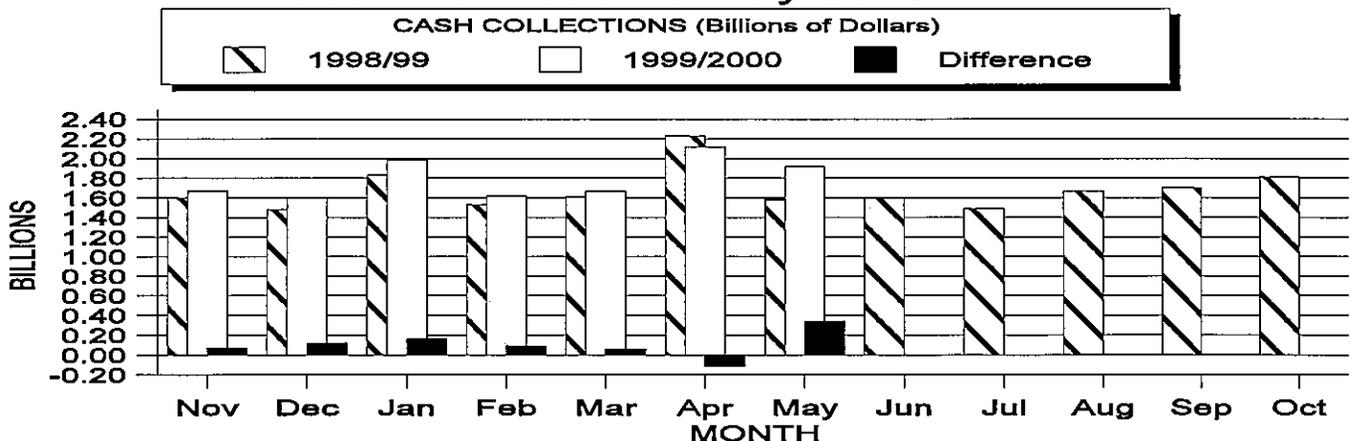


**MICHIGAN REVENUE UPDATE
APRIL AND MAY 2000
(dollars in millions)**

Type of Revenue	April and May 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	\$1,071.2	2.6%	\$4,110.6	6.1%	\$6,821.8	4.2%
Quarterly Payments	142.5	23.8	468.6	4.0	815.5	0.8
Annual Payments	639.0	13.4	722.6	11.4	770.0	8.4
Gross Income Tax	\$1,852.7	7.5%	\$5,301.8	6.6%	\$8,407.3	4.2%
Sales Tax	1,034.1	12.6	3,599.7	10.3	6,306.2	6.9
Use Tax	224.3	10.9	759.0	9.5	1,372.0	7.0
Tobacco Tax	96.3	(2.8)	336.2	(2.9)	598.8	(2.7)
Single Business & Insurance Taxes	623.6	(6.3)	1,589.7	(4.4)	2,406.3	(0.5)
State Education Property Tax	140.0	(5.7)	750.2	6.7	1,359.8	6.8
Real Estate Transfer Tax	45.9	43.0	140.7	15.5	264.0	0.9
Estate/Inheritance Tax	22.8	11.8	92.4	10.7	187.0	6.9
Oil & Gas Severance Tax	6.7	91.4	23.0	84.0	36.0	53.8
Total	\$4,046.4	6.1%	\$12,592.7	6.2%	\$20,937.4	4.6%
Addendum:						
Gross Lottery Sales ⁴⁾	\$313.7	(8.6)%	\$1,153.4	(3.6)%	\$1,719.8	(1.6)%
Net Lottery to School Aid ⁴⁾	\$126.3	4.7%	\$ 416.8	0.8%	\$ 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 FY 1999-2000 lottery revenue includes October 1999 to September 2000.

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



1998/99	1.60	1.48	1.89	1.53	1.61	2.23	1.58	1.80	1.49	1.67	1.70	1.81
1999/2000	1.67	1.60	1.99	1.62	1.67	2.12	1.92					
Difference	0.07	0.12	0.16	0.09	0.06	(0.11)	0.34					

*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.