

MONTHLY REVENUE REPORT

August 2000

The revenue collected from 12 of Michigan's major General Fund and School Aid Fund earmarked taxes totaled \$1.57 billion in August 2000, which was down a surprising 6.2% from last year's August level. This sharp decline in tax collections extended a period of very volatile changes in monthly revenue collections, which began in April. In addition to the large decline in August, tax collections fell 4.7% in April, increased 21.4% in May, decreased 2.5% in June, and then increased 9.3% in July. Given that there has been no abrupt change in economic activity and that no other states are experiencing similar swings in their monthly tax collections, this recent volatility in tax collections is most likely due to changes in the timing of when tax collections are being remitted to the State. However, hidden behind this erratic growth path is the fact that revenue growth has indeed slowed down. During these five months of very volatile revenue growth, tax collections have increased only 2.7% compared with the growth of 6.2% experienced during the five months ending in March. As a result, so far this fiscal year, revenues from these major taxes are up 4.4%, which is slightly below the FY 1999-2000 consensus estimated growth rate of 4.6%.

Gross income tax collections totaled \$493 million in August, which was down 7.7% from a year ago. About half of this decline can be attributed to the decline in the tax rate, which is now 4.2% compared with 4.4% last year at this time; however, the remaining portion of this decline in income tax collections is hard to explain, given the current strength in economic activity. The income tax withheld from workers' paychecks, which accounted for 95% of total income tax collections in August, was down 8.2% from last year, while quarterly estimated payments were unchanged from last year and annual payments were up 9.1%. On a fiscal year-to-date basis, gross income tax collections are up 4.8%.

Sales tax collections declined 1.1% in August, to a total of \$537 million. This decline in sales tax collections followed a very strong 12.8% increase in July. Sales tax collections derived from motor vehicle transactions were up 4.8% in August, while collections from all other taxable retail transactions were down 2.2%. Despite this decline in August, sales tax collections are still up 7.4% so far in FY 1999-2000.

Use tax collections totaled \$116 million in August, which was down a sharp 17.2%. This marked the fourth time in the past six months that use tax collections have fallen below their year-ago level. As a result, the fiscal year-to-date growth rate has slowed from 12.3% in March, to 4.6% in August.

Single business and insurance tax collections totaled \$244 million in August. While these collections were down 14.6% from last year, this decline does not present an accurate view of the current level of these tax collections. A quarterly payment was due at end of July, but the actual payment of this quarterly payment was received by the State in both July and August. Therefore, total collections in July and August present a more accurate perspective on single business and insurance tax collections and, during these two months, collections were down only 0.5%. If an adjustment were made for the reduction in the single business tax rate, which is currently 2.1% compared with 2.2% last year, then collections in July and August would have been up about 4.0% compared with last year. On a fiscal year-to-date basis, single business and insurance tax collections are down 3.9%.

Most of the other major taxes tracked in this report also experienced large swings in their level of collections during August compared with the year-ago level. Tobacco tax collections and real estate transfer tax receipts were down 12.5% and 22.1%, respectively, while collections from the State education property tax and the oil and gas severance tax were up 45.0% and 166.7%, respectively.

The table on the back of this report identifies the 12 major taxes included in the report, and provides their respective revenue levels and growth rates for August 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.

Jay Wortley, Senior Economist

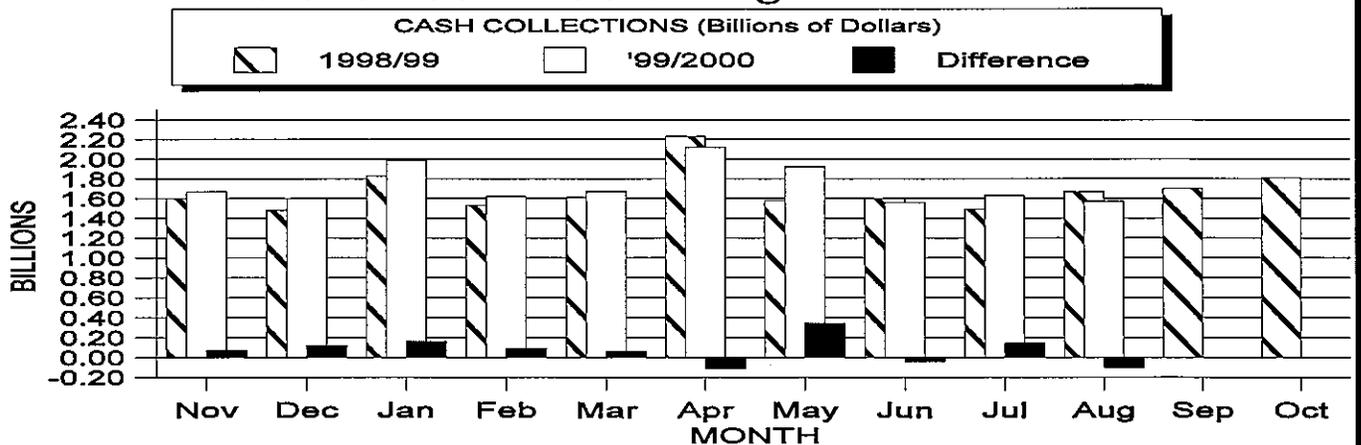


MICHIGAN REVENUE UPDATE
AUGUST 2000
(dollars in millions)

Type of Revenue	August 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	\$493.2	(8.2)%	\$5,675.8	3.8%	\$6,821.8	4.2%
Quarterly Payments	7.9	0.0	662.3	6.5	815.5	0.8
Annual Payments	15.6	9.1	754.0	10.6	770.0	8.4
Gross Income Tax	\$516.7	(7.7)%	\$7,092.1	4.8%	\$8,407.3	4.2%
Sales Tax	537.3	(1.1)	5,245.0	7.4	6,306.2	6.9
Use Tax	116.2	(17.2)	1,119.0	4.6	1,372.0	7.0
Tobacco Tax	46.8	(12.5)	492.7	(2.8)	598.8	(2.7)
Single Business & Insurance Taxes	243.6	(14.6)	2,161.4	(3.9)	2,406.3	(0.5)
State Education Property Tax	65.4	45.0	870.3	9.2	1,359.8	6.8
Real Estate Transfer Tax	21.1	(22.1)	201.4	4.5	264.0	0.9
Estate/Inheritance Tax	15.8	1.3	142.4	(1.0)	187.0	6.9
Oil & Gas Severance Tax	5.6	166.7	35.4	93.4	36.0	53.8
Total	\$1,568.5	(6.2)%	\$17,359.7	4.4%	\$20,937.4	4.6%
Addendum:						
Gross Lottery Sales ⁴⁾	\$116.3	(3.0)%	\$1,543.9	(3.5)%	\$1,719.8	(1.6)%
Net Lottery to School Aid ⁴⁾	\$ 48.1	2.5%	\$ 560.5	(0.6)%	\$ 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 August 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.