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REVENUE REVIEW

Quarterly
Revenue Report
for the
State of Michigan

FEBRUARY 2004

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TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>1st Qtr FY 2002-03</u>	<u>1st Qtr FY 2003-04</u>	<u>1st Qtr % Change</u>	<u>YTD % Change</u>
\$5,087.3 million	\$4,960.8 million	-2.5%	-2.5%

Revenue collections for first quarter (November–January) fiscal year (FY) 2003-04 were \$126.5 million or 2.5% lower than first quarter FY 2002-03 collections. This decline was greater than the 0.4% decrease posted in the fourth quarter, adjusted for the accelerated SET collections, of FY 2002-03.

INCOME TAX (NET)

<u>1st Qtr FY 2002-03</u>	<u>1st Qtr FY 2003-04</u>	<u>1st Qtr % Change</u>	<u>YTD % Change</u>
\$1,878.8 million	\$1,853.5 million	-1.3%	-1.3%

Income tax revenue consists of three components— withholding, annual payments, and quarterly payments. Withholding payments are based on workers' earnings and make up almost 85% of total income tax collections. Annual and quarterly payments are based on self-employment earnings and other income sources, such as capital gains.

Net income tax collections, which include income tax refunds, for first quarter FY 2003-04 were \$25.3 million or 1.3% lower than first quarter FY 2002-03 collections. Withholding payments were down 2.8%, quarterly payments decreased 0.3%, annual payments were up 20.5%, and refunds were down 20.9%.

SALES AND USE TAXES

<u>1st Qtr FY 2002-03</u>	<u>1st Qtr FY 2003-04</u>	<u>1st Qtr % Change</u>	<u>YTD % Change</u>
\$1,943.2 million	\$1,899.8 million	-2.2%	-2.2%

Sales tax collections are derived from the sale of taxable items such as motor vehicles, furniture, apparel, food consumed at restaurants, and other general merchandise. The Use tax is applied to telephone services, leased motor vehicles, hotels and motels, gas and electric utilities, and remote sales.

Sales and Use tax collections for first quarter FY 2003-04 were \$43.4 million or 2.2% lower than the year-ago quarter. Sales tax due to motor vehicle sales decreased 10.3% while all other sales tax collections were down 2.3% in the first quarter FY 2003-04 relative to the year-ago first quarter.

SINGLE BUSINESS AND INSURANCE TAXES

<u>1st Qtr FY 2002-03</u>	<u>1st Qtr FY 2003-04</u>	<u>1st Qtr % Change</u>	<u>YTD % Change</u>
\$534.3 million	\$477.2 million	-10.7%	-10.7%

Single Business tax is applied to the value added of business activities; insurance tax is based on insurance premiums. For first quarter FY 2003-04, Single Business and Insurance tax collections were \$57.1 million or 10.7% below the year-ago first quarter.

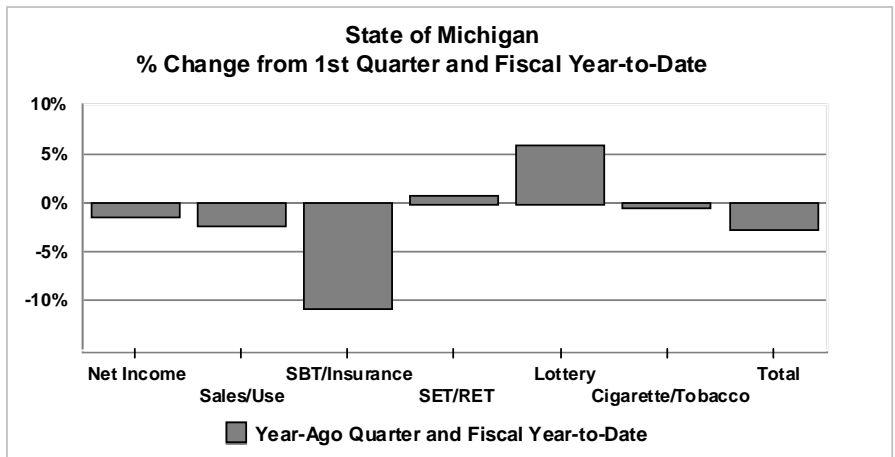
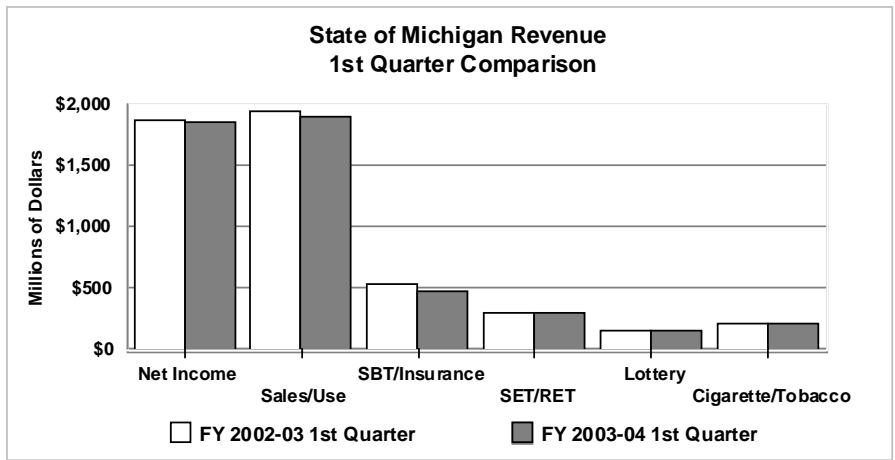
OTHER REVENUE

<u>1st Qtr FY 2002-03</u>	<u>1st Qtr FY 2003-04</u>	<u>1st Qtr % Change</u>	<u>YTD % Change</u>
\$731.0 million	\$730.3 million	-0.1%	-0.1%

Other revenue—which includes primarily the State Education Tax (SET), the Real Estate Transfer (RET) tax, the Cigarette/Tobacco tax, and revenue from the Lottery—for first quarter FY 2003-04 was down \$0.7 million or 0.1% from the first quarter of FY 2002-03.

Declines in withholding and sales tax revenue reflect the state's continued weak economic performance.

Based on HFA target estimates, 1st quarter revenue is down an estimated \$40 million—approximately half is GF/GP revenue and half is School Aid Fund revenue.



Revenue Quarterly Review: 1st Quarter (November–January) FY 2003-04 (Millions of Dollars)

	FY 2003-04 1st Quarter	Percent Change from Year-Ago 1st Quarter	FY 2003-04		Change from Previous Fiscal Year-to-Date		FY 2003-04 January Consensus Forecast Growth
			Year-to-Date	Dollar	Percent		
Annual Income Tax	\$19.4	20.5%	\$19.4	\$3.3	20.5%	0.1%	
Quarterly Income Tax	211.8	-0.3%	211.8	(0.7)	-0.3%	0.6%	
Withholding	1,701.1	-2.8%	1,701.1	(48.7)	-2.8%	1.4%	
Subtotal	1,932.3	-2.3%	1,932.3	(46.1)	-2.3%	1.3%	
Income Tax Refunds	78.8	-20.9%	78.8	(20.8)	-20.9%	5.6%	
Net Income Tax	1,853.5	-1.3%	1,853.5	(25.3)	-1.3%	0.2%	
Sales Tax	1,594.4	-3.4%	1,594.4	(55.8)	-3.4%	3.1%	
Use Tax	305.4	4.2%	305.4	12.4	4.2%	2.3%	
Subtotal	1,899.8	-2.2%	1,899.8	(43.4)	-2.2%	3.0%	
Single Business Tax	420.6	-10.3%	420.6	(48.4)	-10.3%	1.9%	
Insurance Tax	56.6	-13.3%	56.6	(8.7)	-13.3%	6.9%	
Subtotal	477.2	-10.7%	477.2	(57.1)	-10.7%	2.5%	
Inheritance/Estate Tax	21.2	-25.6%	21.2	(7.3)	-25.6%	-29.0%	
Cigarette/Tobacco Tax	217.1	-0.4%	217.1	(0.9)	-0.4%	-1.6%	
Lottery	159.1	5.9%	159.1	8.9	5.9%	8.4%	
Industrial/CommFacility Taxes	28.1	-11.8%	28.1	(3.8)	-11.8%	3.0%	
Real Estate Transfer (RET) Tax	82.1	40.6%	82.1	23.7	40.6%	-0.3%	
State Education Tax (SET)	222.7	-8.7%	222.7	(21.3)	-8.7%	-18.0%	
Subtotal	730.3	-0.1%	730.3	(0.7)	-0.1%	-9.0%	
TOTAL	\$4,960.8	-2.5%	\$4,960.8	(\$126.5)	-2.5%	-0.4%	

NOTE: Consensus revenue figures reflect enacted tax changes. All revenue, except for Lottery, is on an accrual basis and begins with November collections.