



Mitchell E. Bean, Director
Rebecca Ross, Senior Economist

R E V E N U E R E V I E W

Quarterly
Revenue Report
for the
State of
Michigan

MAY 2003

House Fiscal Agency
P.O. Box 30014
Lansing, MI 48909-7514
Phone: 517-373-8080
FAX: 517-373-5874
www.house.mi.gov/hfa

TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>2nd Qtr FY 2001-02</u>	<u>2nd Qtr FY 2002-03</u>	<u>2nd Qtr % Change</u>	<u>YTD % Change</u>
\$4,350.1 million	\$4,368.5 million	0.4%	-0.7%

Revenue collections for second quarter (February–April) fiscal year (FY) 2002-03 were \$18.4 million or 0.4% higher than second quarter FY 2001-02 collections. This increase was an improvement from the 1.6% decline posted in the first quarter of FY 2002-03. Revenue for fiscal year-to-date (FYTD) totaled \$9.5 billion—down \$63.5 million or 0.7% from the first two quarters of FY 2001-02.

INCOME TAX (NET)

<u>2nd Qtr FY 2001-02</u>	<u>2nd Qtr FY 2002-03</u>	<u>2nd Qtr % Change</u>	<u>YTD % Change</u>
\$1,069.9 million	\$974.4 million	-8.9%	-4.1%

Income tax revenue consists of three components—withholding, annual payments, and quarterly payments. Withholding payments are based on workers' earnings and make up almost 80% 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 second quarter FY 2002-03 were \$95.5 million or 8.9% lower than second quarter FY 2001-02 collections. The second quarter weakness was much more pronounced than the 1.4% decline in the first quarter. Withholding payments were up 0.7%, quarterly and annual payments decreased 11.8%, and refunds were up 4.7%. Net income tax collections for FYTD totaled \$2.9 billion—down \$121.3 million or 4.1% from the first two quarters of FY 2001-02.

SALES AND USE TAXES

<u>2nd Qtr FY 2001-02</u>	<u>2nd Qtr FY 2002-03</u>	<u>2nd Qtr % Change</u>	<u>YTD % Change</u>
\$1,714.9 million	\$1,768.7 million	3.1%	-0.9%

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 second quarter FY 2002-03 were \$53.8 million or 3.1% higher than the year-ago quarter. Sales tax due to motor vehicle sales increased 3.2% and all other sales tax collections were up 3.8% in the second quarter FY 2002-03 relative to the year-ago second quarter. Sales and Use tax collections for FYTD totaled \$3.7 billion—down \$35.4 million or 0.9% from the first two quarters of FY 2001-02.

SINGLE BUSINESS AND INSURANCE TAXES

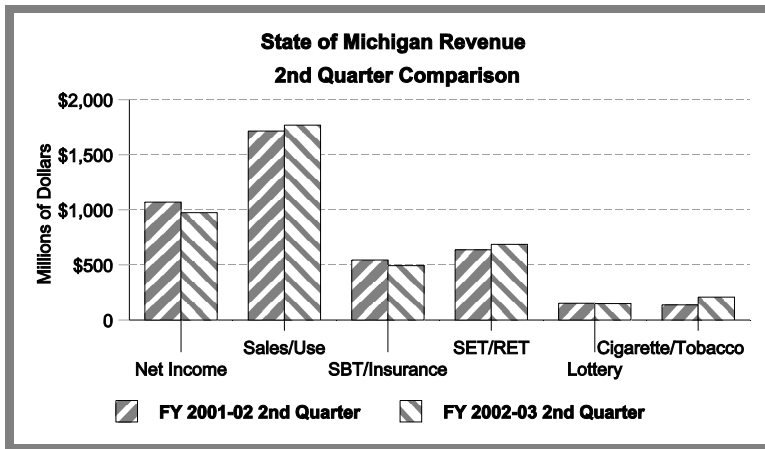
<u>2nd Qtr FY 2001-02</u>	<u>2nd Qtr FY 2002-03</u>	<u>2nd Qtr % Change</u>	<u>YTD % Change</u>
\$544.7 million	\$493.8 million	-9.3%	-4.1%

Single Business and Insurance taxes are applied to the value added of business activities. For second quarter FY 2002-03, Single Business and Insurance tax collections were \$50.9 million or 9.3% below the year-ago second quarter. Single Business and Insurance tax collections for FYTD totaled \$1.0 billion—down \$44.1 million or 4.1% from the first two quarters of FY 2001-02.

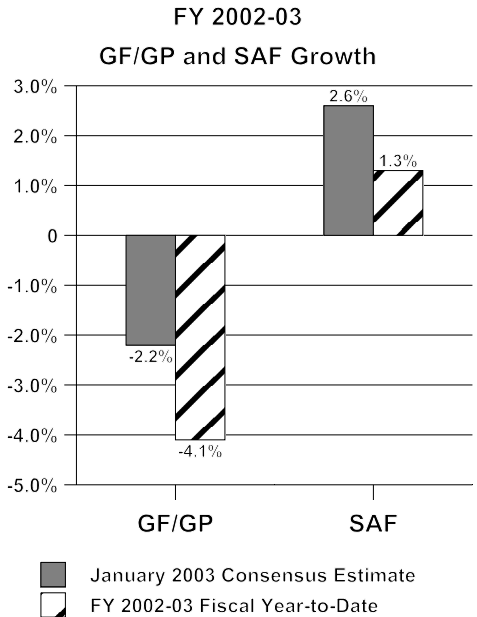
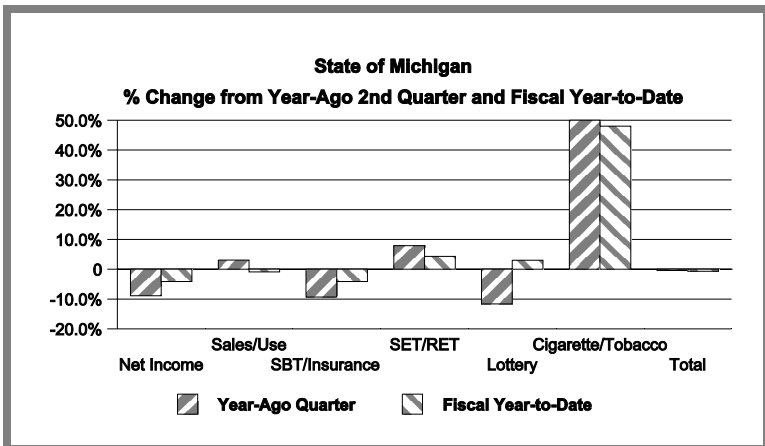
OTHER REVENUE

<u>2nd Qtr FY 2001-02</u>	<u>2nd Qtr FY 2002-03</u>	<u>2nd Qtr % Change</u>	<u>YTD % Change</u>
\$1,020.6 million	\$1,131.6 million	10.9%	8.0%

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 second quarter FY 2002-03 was up \$111.0 million or 10.9% from the second quarter of FY 2001-02. Other revenue for FYTD totaled \$1.9 billion—up \$137.3 million or 8.0% from the first two quarters of FY 2001-02.



Modest growth in withholding, sales, and use tax collections is offset by declines in business taxes.



Revenue Quarterly Review: 2nd Quarter (February–April) FY 2002-03 (Millions of Dollars)							
	FY 2002-03	Percent Change	FY 2002-03	Change From Previous		FY 2002-03	
	2nd Qtr	From Year-Ago	Year-to-Date	Dollar	Percent	Jan Consensus	
Revenue		2nd Qtr				Forecast Growth	
Annual Income Tax	\$351.1	-14.4%	\$367.2	(\$65.7)	-15.2%	-24.7%	
Quarterly Income Tax	98.5	-0.9%	311.0	(20.6)	-6.2%	-17.1%	
Withholding	<u>1,542.1</u>	<u>0.7%</u>	<u>3,291.9</u>	<u>4.7</u>	<u>0.1%</u>	<u>0.8%</u>	
..... Subtotal	<u>1,991.7</u>	<u>-2.4%</u>	<u>3,970.1</u>	<u>(81.6)</u>	<u>-2.0%</u>	<u>-2.5%</u>	
Income Tax Refunds	<u>1,017.3</u>	<u>4.7%</u>	<u>1,116.9</u>	<u>39.7</u>	<u>3.7%</u>	<u>3.2%</u>	
..... Net Income Tax	<u>974.4</u>	<u>-8.9%</u>	<u>2,853.2</u>	<u>(121.3)</u>	<u>-4.1%</u>	<u>-3.8%</u>	
Sales Tax	1,464.1	3.7%	3,114.3	12.8	0.4%	2.6%	
Use Tax	<u>304.6</u>	<u>0.5%</u>	<u>597.6</u>	<u>(48.2)</u>	<u>-7.5%</u>	<u>2.2%</u>	
..... Subtotal	<u>1,768.7</u>	<u>3.1%</u>	<u>3,711.9</u>	<u>(35.4)</u>	<u>-0.9%</u>	<u>2.5%</u>	
Single Business Tax	434.6	-8.7%	903.6	(60.2)	-6.2%	-1.6%	
Insurance Tax	<u>59.2</u>	<u>-13.8%</u>	<u>124.5</u>	<u>16.1</u>	<u>14.9%</u>	<u>7.9%</u>	
..... Subtotal	<u>493.8</u>	<u>-9.3%</u>	<u>1,028.1</u>	<u>(44.1)</u>	<u>-4.1%</u>	<u>-0.6%</u>	
Inheritance/Estate Tax	30.9	10.0%	59.4	(11.9)	-16.7%	-39.3%	
Cigarette/Tobacco Tax	207.3	50.0%	425.3	138.0	48.0%	29.3%	
Lottery	148.9	-2.2%	299.1	(3.9)	-1.3%	-0.1%	
Industrial/CommFacility Taxes	57.7	-11.6%	89.6	2.6	3.0%	1.8%	
Real Estate Transfer (RET) Tax	60.9	14.5%	119.3	7.8	7.0%	0.0%	
State Education Tax (SET)*	<u>625.9</u>	<u>7.2%</u>	<u>869.9</u>	<u>4.7</u>	<u>0.5%</u>	<u>4.6%</u>	
..... Subtotal	<u>1,131.6</u>	<u>10.9%</u>	<u>1,862.6</u>	<u>137.3</u>	<u>8.0%</u>	<u>6.5%</u>	
TOTAL	\$4,368.5	0.4%	\$9,455.8	(63.5)	-0.7%	0.9%	

*Does not include the SET timing change or one-mill reduction under 2002 PA 244.
NOTE: Consensus revenue figures reflect enacted tax changes. All revenue, except for Lottery, is on an accrual basis and begins with November collections.