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

Quarterly
Revenue Report
for the
State of Michigan

NOVEMBER 2007

House Fiscal Agency
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TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>4th Qtr FY 2005-06</u>	<u>4th Qtr FY 2006-07</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$6,328.0 million	\$6,526.0 million	3.1%	0.6%

Total revenue collection for fourth quarter (August–October) fiscal year (FY) 2006-07 was higher than fourth quarter FY 2005-06 total revenue collection by \$197.9 million or 3.1%. Fiscal year-to-date (FYTD) revenue was up \$116.2 million or 0.6%.

INCOME TAX (NET)

<u>4th Qtr FY 2005-06</u>	<u>4th Qtr FY 2006-07</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$1,702.8 million	\$1,798.4 million	5.6%	3.9%

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 gross income tax collection. Annual and quarterly payments are based on self-employment earnings and other income sources, such as capital gains.

Net income tax collections (which includes income tax refunds) for fourth quarter FY 2006-07 were higher than fourth quarter FY 2005-06 collections by \$95.6 million or 5.6%. Withholding payments were up 3.7%, quarterly and annual payments were up 13.5%, and refunds were down 7.2%. Net income tax collections FYTD were \$6.5 billion—up \$240.0 million or 3.9% from a year ago.

SALES AND USE TAXES

<u>4th Qtr FY 2005-06</u>	<u>4th Qtr FY 2006-07</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$2,012.8 million	\$2,039.7 million	1.3%	-0.9%

Sales tax collection is 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 fourth quarter FY 2006-07 were higher than the year-ago quarter by \$26.9 million or 1.3%. Sales tax due to motor vehicle sales increased 5.3% while all other sales tax collection was down 0.4% in fourth quarter FY 2006-07 relative to the year-ago fourth quarter. Sales and use tax collections FYTD were \$7.9 billion, down \$73.5 million or 0.9% from a year ago.

SINGLE BUSINESS AND INSURANCE TAXES

<u>4th Qtr FY 2005-06</u>	<u>4th Qtr FY 2006-07</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$500.2 million	\$477.4 million	-4.6%	-6.0%

Single business tax is applied to the value added of business activities; insurance tax is based on insurance premiums. For fourth quarter FY 2006-07, single business and insurance tax collections were below the year-ago fourth quarter by \$22.9 million or 4.6%. Business tax collections FYTD totaled \$2.0 billion—down \$128.2 million or 6.0% from a year ago.

OTHER REVENUE

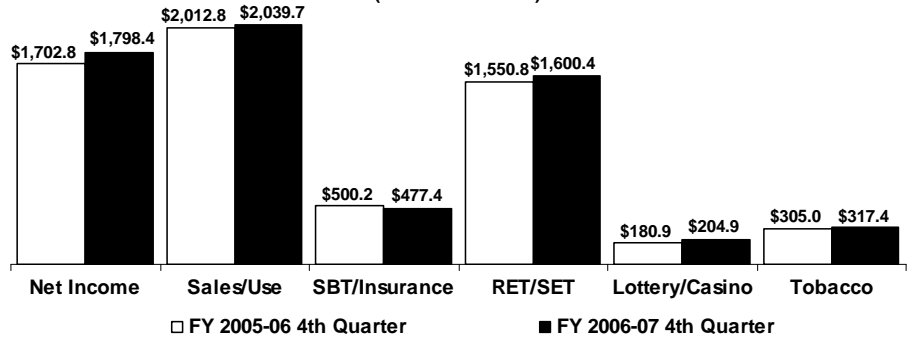
<u>4th Qtr FY 2005-06</u>	<u>4th Qtr FY 2006-07</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$2,112.1 million	\$2,210.4 million	4.7%	1.8%

Other revenue collection—which includes primarily the state education tax (SET), real estate transfer (RET) tax, tobacco tax, and lottery revenue—for fourth quarter FY 2006-07 was up \$98.3 million or 4.7% from the fourth quarter of FY 2005-06. Other revenue collection FYTD was \$4.5 billion—up \$78.0 million or 1.8% from a year ago.

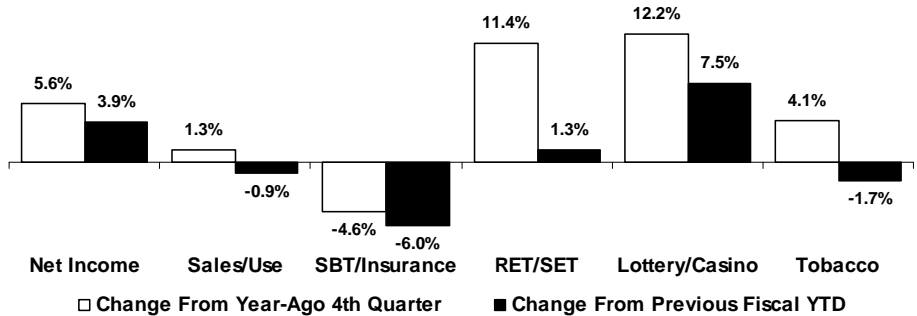
Fiscal year-to-date, GF/GP revenue is up approximately \$60 million, and SAF revenue is up approximately \$60 million, from target estimates.

Final revenue figures will be available at the end of December.

State of Michigan Revenue: 4th Quarter Comparison
(Millions of Dollars)



State of Michigan Revenue
% Change From Year-Ago Quarter and Fiscal Year-to-Date (YTD)



Revenue Quarterly Review: 4th Quarter (August–October) FY 2006-07 (Millions of Dollars)

	FY 2006-07 4th Quarter	Change From Year-Ago 4th Quarter	FY 2006-07		FY 2006-07 May Consensus Forecast Growth
			Year-to-Date	Change From Previous Fiscal-Year-to-Date	
Annual Income Tax	\$61.9	15.2%	\$740.5	\$37.9 5.4%	4.7%
Quarterly Income Tax	205.8	13.0%	784.4	57.9 8.0%	3.4%
Withholding	1,608.6	3.7%	6,630.6	195.4 3.0%	2.0%
Subtotal	1,876.4	5.0%	8,155.5	291.2 3.7%	2.4%
Income Tax Refunds	77.9	-7.2%	1,699.4	51.2 3.1%	4.6%
Net Income Tax	1,798.4	5.6%	6,456.1	240.0 3.9%	1.8%
Sales Tax	1,685.7	0.3%	6,565.3	(79.9) -1.2%	-1.1%
Use Tax	354.0	6.7%	1,376.6	6.3 0.5%	1.4%
Subtotal	2,039.7	1.3%	7,941.9	(73.5) -0.9%	-0.7%
Single Business Tax	427.1	-2.4%	1,799.3	(114.7) -6.0%	-1.7%
Insurance Tax	50.2	-19.6%	216.9	(13.5) -5.9%	-1.6%
Subtotal	477.4	-4.6%	2,016.2	(128.2) -6.0%	-1.7%
Casino Wagering	24.2	-2.5%	159.3	5.4 3.5%	4.8%
Tobacco Tax	317.4	4.1%	1,149.4	(19.5) -1.7%	-2.7%
Lottery	180.7	15.8%	745.8	57.8 8.4%	3.2%
Industrial/CommFacility Taxes	87.7	16.2%	141.6	4.5 3.3%	-4.9%
Real Estate Transfer Tax	66.6	-13.1%	238.1	(67.4) -22.1%	-24.0%
State Education Tax	1,533.9	4.0%	2,060.3	97.1 4.9%	3.3%
Subtotal	2,210.4	4.7%	4,494.5	78.0 1.8%	-0.3%
TOTAL	6,526.0	3.1%	20,908.7	116.2 0.6%	0.0%