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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 2010

House Fiscal Agency  
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## TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>4th Qtr FY 2008-09</u>	<u>4th Qtr FY 2009-10</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$6,196.5 million	\$6,238.0 million	+0.7%	-3.1%

Total revenue collections for fourth quarter (August–October) fiscal year (FY) 2009-10 were higher than fourth quarter FY 2008-09 total revenue collections by \$41.5 million or 0.7%. Fiscal year-to-date (FYTD) revenue was down \$610.2 million or 3.1% from a year ago.

## INCOME TAX (NET)

<u>4th Qtr FY 2008-09</u>	<u>4th Qtr FY 2009-10</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$1,703.2 million	\$1,789.7 million	+5.1%	-6.7%

Income tax revenue consists of three components—withholding, annual payments, and quarterly payments. Withholding payments are based on workers' earnings and make up almost 86% 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 include income tax refunds) for fourth quarter FY 2009-10 were higher than fourth quarter FY 2008-09 collections by \$86.5 million or 5.1%. Withholding payments were up 5.1%, quarterly and annual payments were down 0.1%, and refunds were down 3.2%. Net income tax collections FYTD were \$5.5 billion—down \$401.2 million or 6.7% from a year ago.

## SALES AND USE TAXES

<u>4th Qtr FY 2008-09</u>	<u>4th Qtr FY 2009-10</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$1,824.5 million	\$1,942.7 million	+6.5%	+3.6%

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, and remote sales.

Sales and use tax collections for fourth quarter FY 2009-10 were higher than the year-ago quarter by \$118.2 million or 6.5%. Sales tax due to motor vehicle sales decreased 4.6% while all other sales tax collections were up 6.5% in fourth quarter FY 2009-10 relative to the year-ago fourth quarter. Sales and use tax collections FYTD were \$7.4 billion, up \$259.9 million or 3.6% from a year ago.

## BUSINESS AND INSURANCE TAXES

<u>4th Qtr FY 2008-09</u>	<u>4th Qtr FY 2009-10</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$553.7 million	\$512.2 million	-7.5%	-11.9%

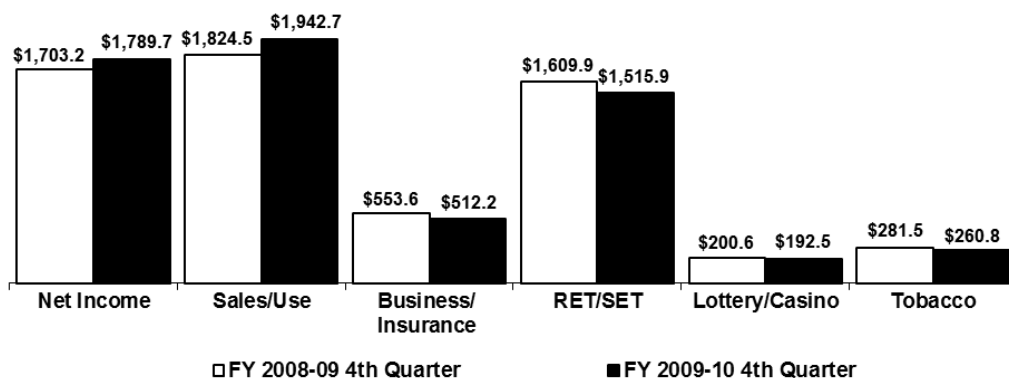
The Michigan Business Tax (MBT) is applied to gross receipts less purchases from other firms and business income or profit. The insurance tax is based on insurance premiums. For fourth quarter FY 2009-10, business tax collections were below the year-ago fourth quarter by \$41.4 million or 7.5%. Business tax collections FYTD were \$2.3 billion—down \$310.6 million or 11.9% from a year ago.

## OTHER REVENUE

<u>4th Qtr FY 2008-09</u>	<u>4th Qtr FY 2009-10</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$2,115.2 million	\$1,993.4 million	-5.8%	-3.9%

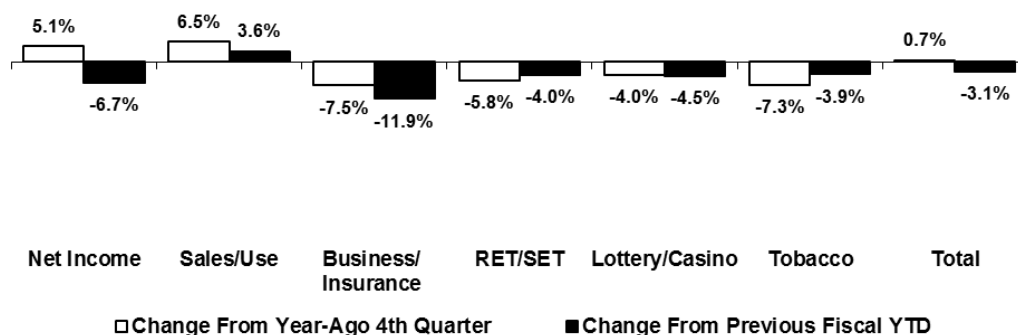
Other revenue collections—primarily state education tax, real estate transfer tax, tobacco tax, and lottery revenue—for fourth quarter FY 2009-10 were down \$121.8 million or 5.8% from the fourth quarter of FY 2008-09. Other revenue collections FYTD were \$3.9 billion—down \$158.3 million or 3.9% from a year ago.

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



**FY 2009-10 revenue will not be final until late December. However, FY 2009-10 revenue is expected to be up \$140 million for the General Fund/General Purpose and up \$85 million for the School Aid Fund relative to the May 2010 consensus estimates.**

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



**Revenue Quarterly Review: 4th Quarter (August–October) FY 2009-10** (Millions of Dollars)

	FY 2009-10		FY 2009-10			FY 2009-10 May Consensus Forecast Growth
	4th Quarter	Change From Year-Ago 4th Quarter	Year-to-Date	Change From Previous Fiscal-Year-to-Date		
Annual Income Tax	\$58.8	0.2%	\$558.7	(\$87.9)	-13.6%	-16.2%
Quarterly Income Tax	148.6	-0.1%	553.1	(55.1)	-9.1%	-11.3%
Withholding	1,698.4	5.1%	6,805.1	(13.1)	-0.2%	-1.7%
<b>Subtotal</b>	<b>1,905.9</b>	<b>4.5%</b>	<b>7,916.8</b>	<b>(156.2)</b>	<b>-1.9%</b>	<b>-3.5%</b>
Income Tax Refunds	116.2	-3.2%	2,369.3	245.0	11.5%	8.3%
<b>Net Income Tax</b>	<b>1,789.7</b>	<b>5.1%</b>	<b>5,547.5</b>	<b>(401.2)</b>	<b>-6.7%</b>	<b>-8.1%</b>
Sales Tax	1,609.5	4.9%	6,232.8	180.2	3.0%	1.3%
Use Tax	333.3	14.8%	1,181.7	79.7	7.2%	3.6%
<b>Subtotal</b>	<b>1,942.7</b>	<b>6.5%</b>	<b>7,414.5</b>	<b>259.9</b>	<b>3.6%</b>	<b>1.6%</b>
Single Business Tax	1.7	-127.0%	44.2	146.1	-143.4%	-100.0%
Michigan Business Tax	448.7	-7.8%	2,005.2	(444.9)	-18.2%	-17.6%
Insurance Tax	61.9	-15.6%	260.4	(11.9)	-4.4%	4.6%
<b>Subtotal</b>	<b>512.2</b>	<b>-7.5%</b>	<b>2,309.9</b>	<b>(310.6)</b>	<b>-11.9%</b>	<b>-16.1%</b>
Casino Wagering	25.4	-8.0%	100.9	(11.2)	-10.0%	-9.7%
Tobacco Tax	260.8	-7.3%	1,000.8	(41.0)	-3.9%	-5.1%
Lottery	167.1	-3.4%	697.7	(26.7)	-3.7%	-0.2%
Industrial/CommFacility Taxes	24.1	4.2%	56.4	5.4	10.6%	14.4%
Real Estate Transfer Tax	34.0	-16.1%	122.7	(4.5)	-3.5%	1.4%
State Education Tax	1,481.9	-5.6%	1,937.0	(80.3)	-4.0%	-7.2%
<b>Subtotal</b>	<b>1,993.4</b>	<b>-5.8%</b>	<b>3,915.6</b>	<b>(158.3)</b>	<b>-3.9%</b>	<b>-5.0%</b>
<b>TOTAL</b>	<b>\$6,238.0</b>	<b>0.7%</b>	<b>\$19,187.4</b>	<b>(610.2)</b>	<b>-3.1%</b>	<b>-4.9%</b>

## House Fiscal Agency: Economic/Revenue Overview

### U.S. Economy

\*\* Gross Domestic Product or GDP grew 1.7% in the second quarter of 2010 – down from the 3.7% pace in the first quarter of 2010. Economic growth in the next few quarters is expected to weaken as federal government spending (homebuyer's tax credit, ending of the Census, and diminishing effects of the stimulus package) is pulled back.

\*\* Light motor vehicle sales increased in October to a seasonally adjusted annual rate of 12.2 million units; this is above the September level of 11.7 million units. Compared to a year-ago, auto sales were up 3.6% and light trucks and SUVs were up 23.3%. October sales for Ford increased 19.3%, for GM increased 4.2%, and for Chrysler increased 37.0% from a year-ago.

\*\* Consumer credit contracted \$3.3 billion in August following a \$4.1 billion decline in July. Consumers are borrowing less and instead paying down debt and saving more. The ratio of consumer credit to disposable income has declined to levels not seen in 12 years.

\*\* National nonfarm employment increased by 151,000 in October. Private sector employment increased by 159,000 in October, which was the best gain since April. Job gains occurred in retail trade, professional and business services, and education and health services, while job losses occurred in manufacturing, leisure and hospitality, and government.

### Michigan Economy

\*\* Michigan nonfarm employment decreased by 13,000 in September, after a decrease of 50,000 jobs in August. Job losses occurred in construction, education and health services, leisure and hospitality services and government.

\*\* In September, Michigan's unemployment rate was 13.0%; while the national unemployment rate was 9.6%. In September, Nevada had the highest unemployment rate in the nation at 14.4%, followed by Michigan at 13.0%, California at 12.4%, Florida at 11.9%, and Rhode Island at 11.5%.

### State Revenue

\*\* Based on HFA target estimates and revenue data through October, revenue is up \$140 million for the General Fund/General Purpose and is up \$85 million for the School Aid Fund. Target estimates are based on the May 2010 consensus estimates. Final FY 2009-10 revenue should be available in late December.

\*\* According to the Rockefeller Institute, state tax revenue (personal income, corporate income, and sales tax) in the April – June 2010 period, increased 2.2% compared with the same period a year ago – the second increase in the last seven quarters. The Far West, New England, Southeast, and Mid-Atlantic regions posted gains, while the Plains and Rocky Mountain states recorded declines. The Great Lakes region was largely flat.