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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

FEBRUARY 2009

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TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>1st Qtr FY 2007-08</u>	<u>1st Qtr FY 2008-09</u>	<u>1st Qtr % Change</u>	<u>YTD % Change</u>
\$5,587.1 million	\$5,317.5 million	-4.8%	-4.8%

Revenue collections for the first quarter (November–January) of fiscal year (FY) 2008-09 were lower than first quarter FY 2007-08 collections by \$269.6 million or 4.8%. The first quarter revenue change was a significant slowdown from the 8.4% increase posted in the fourth quarter of FY 2007-08.

INCOME TAX (NET)

<u>1st Qtr FY 2007-08</u>	<u>1st Qtr FY 2008-09</u>	<u>1st Qtr % Change</u>	<u>YTD % Change</u>
\$2,172.4 million	\$2,127.0 million	-2.1%	-2.1%

Income tax revenue consists of three components— withholding, annual payments, and quarterly payments. Withholding payments are based on workers' earnings and make up almost 81% of gross 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 2008-09 were lower than first quarter FY 2007-08 collections by \$45.3 million or 2.1%. Withholding payments were down 1.6%, quarterly payments and annual payments were down 14.8%, and refunds were down 34.0%.

SALES AND USE TAXES

<u>1st Qtr FY 2007-08</u>	<u>1st Qtr FY 2008-09</u>	<u>1st Qtr % Change</u>	<u>YTD % Change</u>
\$2,040.9 million	\$1,808.4 million	-11.4%	-11.4%

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 2008-09 were lower than the year-ago quarter by \$232.5 million or 11.4%. Sales tax due to motor vehicle sales increased 7.6%; all other sales tax collections were down 9.7% in first quarter FY 2008-09 relative to the year-ago first quarter.

BUSINESS AND INSURANCE TAXES

<u>1st Qtr FY 2007-08</u>	<u>1st Qtr FY 2008-09</u>	<u>1st Qtr % Change</u>	<u>YTD % Change</u>
\$433.2 million	\$614.9 million	41.9%	41.9%

The Michigan business tax (MBT) is applied to gross receipts less purchases from other firms, the single business tax is applied to the value added of business activities, and the insurance tax is based on insurance premiums. For first quarter FY 2008-09, MBT/SBT/Insurance tax collections were above the year-ago first quarter by \$181.7 million or 41.9%.

OTHER REVENUE

<u>1st Qtr FY 2007-08</u>	<u>1st Qtr FY 2008-09</u>	<u>1st Qtr % Change</u>	<u>YTD % Change</u>
\$940.6 million	\$767.1 million	-18.4%	-18.4%

Other revenue collections—which include primarily the state education tax (SET), the real estate transfer (RET) tax, the tobacco tax, and revenue from the lottery—for first quarter FY 2008-09 were down \$173.4 million or 18.4% from the first quarter of FY 2007-08.

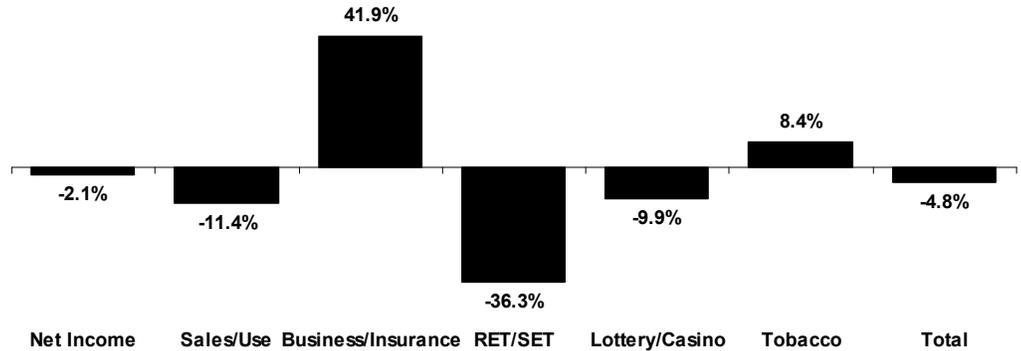
State of Michigan Revenue: 1st Quarter Comparison
(Millions of Dollars)

Weakness in revenue collections reflects the national recession and ongoing state structural changes related to motor vehicle manufacturing.

Fiscal year-to-date, GF/GP revenue is down \$90 million and SAF revenue is down \$60 million from HFA target estimates – which are based on the January 2009 consensus.



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



Revenue Quarterly Review: 1st Quarter (November–January) FY 2008-09
(Millions of Dollars)

	Change From Year-Ago		Change From Previous		FY 2008-09 January Consensus Forecast Growth	
	FY 2008-09 1st Quarter	1st Quarter	FY 2008-09 Year-to-Date	Fiscal-Year-to-Date		
Annual Income Tax	\$25.5	-21.4%	\$25.5	(\$6.9)	-21.4%	-11.1%
Quarterly Income Tax	245.0	-14.0%	245.0	(40.0)	-14.0%	-9.2%
Withholding	1,921.6	-1.6%	1,921.6	(31.9)	-1.6%	-3.9%
Subtotal	2,192.0	-3.5%	2,192.0	(78.8)	-3.5%	-5.1%
Income Tax Refunds	65.0	-34.0%	65.0	(33.5)	-34.0%	14.6%
Net Income Tax	2,127.0	-2.1%	2,127.0	(45.3)	-2.1%	-10.0%
Sales Tax	1,573.7	-8.2%	1,573.7	(140.0)	-8.2%	-4.2%
Use Tax	234.7	-28.3%	234.7	(92.5)	-28.3%	-8.0%
Subtotal	1,808.4	-11.4%	1,808.4	(232.5)	-11.4%	-4.8%
Single Business Tax	(46.5)	N/A	(46.5)	N/A	N/A	N/A
Michigan Business Tax	597.9	N/A	597.9	N/A	N/A	N/A
Insurance Tax	63.5	14.7%	63.5	8.2	14.7%	7.0%
Subtotal	614.9	41.9%	614.9	181.7	41.9%	3.4%
Casino Wagering	28.5	-16.2%	28.5	(5.5)	-16.2%	-8.6%
Tobacco Tax	262.1	8.4%	262.1	20.2	8.4%	-2.8%
Lottery	174.2	-8.8%	174.2	(16.8)	-8.8%	-5.5%
Industrial/CommFacility Taxes	11.8	-32.9%	11.8	(5.8)	-32.9%	-18.8%
Real Estate Transfer Tax	29.3	-42.8%	29.3	(22.0)	-42.8%	-15.0%
State Education Tax	261.2	-35.5%	261.2	(143.6)	-35.5%	-3.3%
Subtotal	767.1	-18.4%	767.1	(173.4)	-18.4%	-4.5%
TOTAL	\$5,317.5	-4.8%	\$5,317.5	(\$269.6)	-4.8%	-5.4%