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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 2005

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TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>4th Qtr FY 2003-04</u>	<u>4th Qtr FY 2004-05</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$6,080.6 million	\$6,571.0 million	8.1 %	6.6 %

Revenue collections for the fourth quarter (August–October) of fiscal year (FY) 2004-05 were higher than fourth quarter FY 2003-04 collections by \$490.4 million or 8.1 %. Adjusted revenue was up \$297.7 million or 6.5%. The adjusted revenue does not include income tax refunds, casino wagering, tobacco taxes, and the state education tax.

INCOME TAX (NET)

<u>4th Qtr FY 2003-04</u>	<u>4th Qtr FY 2004-05</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$1,621.5 million	\$1,720.6 million	6.1 %	2.8 %

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 fourth quarter FY 2004-05 were higher than fourth quarter FY 2003-04 collections by \$99.1 million or 6.1%. Withholding payments were up 2.7%, quarterly payments and annual payments were up 11.5%, and refunds were down 30.8%. Net income tax collections for fiscal year-to-date (FYTD) were \$6,063.9 billion—up \$166.5 million or 2.8% from the first four quarters of FY 2003-04.

SALES AND USE TAXES

<u>4th Qtr FY 2003-04</u>	<u>4th Qtr FY 2004-05</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$2,011.9 million	\$2,129.1 million	5.8 %	4.4 %

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 fourth quarter FY 2004-05 were higher than the year-ago quarter by \$117.2 million or 5.8%. Sales tax due to motor vehicle sales decreased 17.0%; all other sales tax collections were up 7.2% in fourth quarter FY 2004-05 relative to the year-ago fourth quarter. Sales and use tax collections for FYTD were up \$340.7 million or 4.4% from the first four quarters of FY 2003-04.

SINGLE BUSINESS AND INSURANCE TAXES

<u>4th Qtr FY 2003-04</u>	<u>4th Qtr FY 2004-05</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$500.7 million	\$586.4 million	17.1%	9.7%

Single business tax is applied to the value added of business activities; insurance tax is based on insurance premiums. Fourth quarter FY 2004-05 single business and insurance tax collections were above the year-ago fourth quarter by \$85.7 million or 17.1%. Fiscal-year-to-date business tax collections were \$2,203.8 billion—up \$195.6 million or 9.7% from the first four quarters of FY 2003-04.

OTHER REVENUE

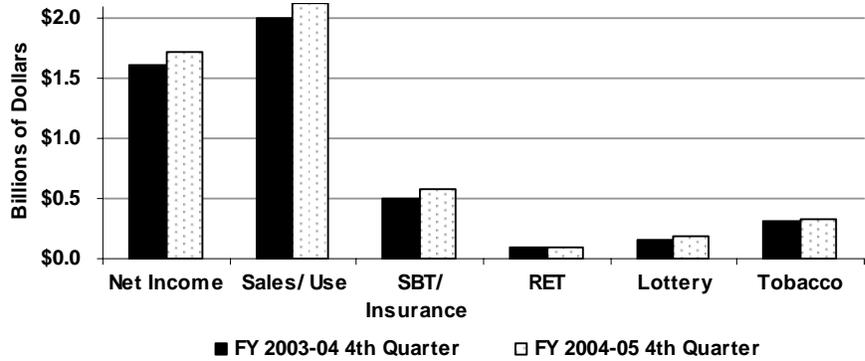
<u>4th Qtr FY 2003-04</u>	<u>4th Qtr FY 2004-05</u>	<u>4th Qtr % Change</u>	<u>YTD % Change</u>
\$1,946.5 million	\$2,134.9 million	9.7%	15.3%

Other revenue—which includes primarily the state education tax (SET), the real estate transfer (RET) tax, the tobacco tax, and revenue from the lottery—for fourth quarter FY 2004-05 was up \$188.4 million or 9.7% from the fourth quarter of FY 2003-04. Much of this increase was due to state education tax timing changes and increases in tobacco and casino wagering taxes.

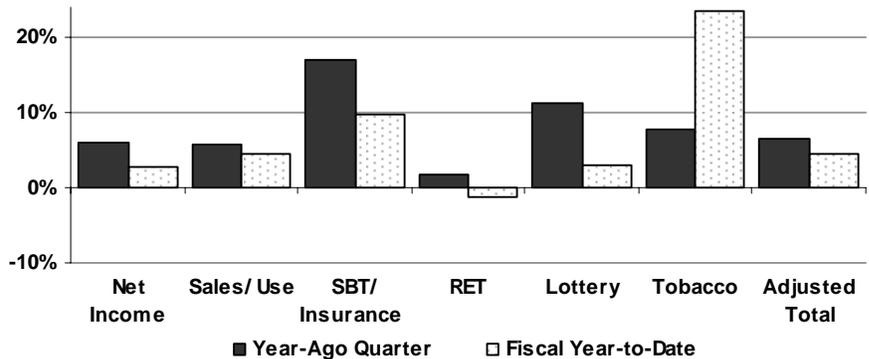
Final figures will not be available until all year-end accruals and adjustments are made in December.

Fiscal year-to-date, GF/GP revenue is up \$195 million and SAF revenue is up \$55 million from target estimates.

**State of Michigan Revenue
4th Quarter Comparison**



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



Revenue Quarterly Review: 4th Quarter (August–October) FY 2004-05 (Millions of Dollars)

	FY 2004-05 4th Quarter	% Change From Year- Ago 4th Quarter	Change From Previous Fiscal Year-to-Date		FY 2004-05 August Consensus Forecast Growth
			FY 2004-05 Year-to-Date	Dollar Percent	
Annual Income Tax	\$46.1	14.3%	\$640.7	\$148.5 30.2%	27.0%
Quarterly Income Tax	168.0	10.7%	642.7	41.2 6.9%	5.9%
Withholding	1,586.1	2.7%	6,422.3	64.4 1.0%	0.6%
Subtotal	1,800.2	3.7%	7,705.7	254.1 3.4%	2.8%
Income Tax Refunds	79.6	-30.8%	1,641.8	87.6 5.6%	4.2%
Net Income Tax	1,720.6	6.1%	6,063.9	166.5 2.8%	2.4%
Sales Tax	1,740.1	3.6%	6,642.1	226.0 3.5%	2.3%
Use Tax	389.0	17.0%	1,418.2	114.7 8.8%	5.2%
Subtotal	2,129.1	5.8%	8,060.3	340.7 4.4%	2.8%
Single Business Tax	522.6	17.5%	1,961.1	183.1 10.3%	3.2%
Insurance Tax	63.8	13.9%	242.7	12.5 5.4%	2.6%
Subtotal	586.4	17.1%	2,203.8	195.6 9.7%	3.1%
Casino Wagering	23.9	-1.2%	145.8	49.3 51.1%	47.7%
Tobacco Tax	329.9	7.8%	1,185.2	226.4 23.6%	17.2%
Lottery	180.4	11.2%	663.8	18.9 2.9%	-0.6%
Industrial/CommFacility Taxes	68.2	20.1%	151.5	(0.4) -0.3%	-11.1%
Real Estate Transfer Tax	90.0	1.8%	318.1	(3.8) -1.2%	-0.5%
State Education Tax	1,442.4	10.2%	1,931.1	291.5 17.8%	1.6%
Subtotal	2,134.9	9.7%	4,395.6	582.0 15.3%	5.6%
TOTAL	\$6,571.0	8.1%	\$20,723.6	\$1,284.8 6.6%	3.3%
ADJUSTED TOTAL	\$4,854.3	6.5%	\$19,103.2	\$805.2 4.4%	2.6%

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