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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 2001

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TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>1st Qtr FY 1999-2000</u>	<u>1st Qtr FY 2000-01</u>	<u>1st Qtr %</u>	<u>YTD %</u>
\$5,424.1 million	\$5,255.9 million	-3.1%	-3.1%

Revenue collections for the first quarter (November 2000—January 2001) of fiscal year (FY) 2000-01 were \$168.2 million or 3.1% lower than first quarter collections in FY 1999-2000. This pace of growth was significantly below the 4.4% rate in FY 1999-2000.

INCOME TAX (NET)

<u>1st Qtr FY 1999-2000</u>	<u>1st Qtr FY 2000-01</u>	<u>1st Qtr %</u>	<u>YTD %</u>
\$2,167.9 million	\$2,012.3 million	-7.2%	-7.2%

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 the first quarter of FY 2000-01 were \$155.6 million or 7.2% lower than first quarter collections in FY 1999-2000. Withholding payments posted a 5.4% decline and quarterly payments were down 7.6%; annual payments were up slightly. To a large degree, the weakness in withholding and quarterly payments reflects the income tax rate reduction from 4.4% to 4.2%.

SALES AND USE TAXES

<u>1st Qtr FY 1999-2000</u>	<u>1st Qtr FY 2000-01</u>	<u>1st Qtr %</u>	<u>YTD %</u>
\$1,961.4 million	\$1,922.1 million	-2.0%	-2.0%

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 gas and electric utilities.

Sales and Use tax collections for the first quarter of FY 2000-01 were \$39.3 million or 2.0% lower than the year-ago quarter. The first quarter growth depicts a marked decline from the 5.9% pace in FY 1999-2000.

SINGLE BUSINESS AND INSURANCE TAXES

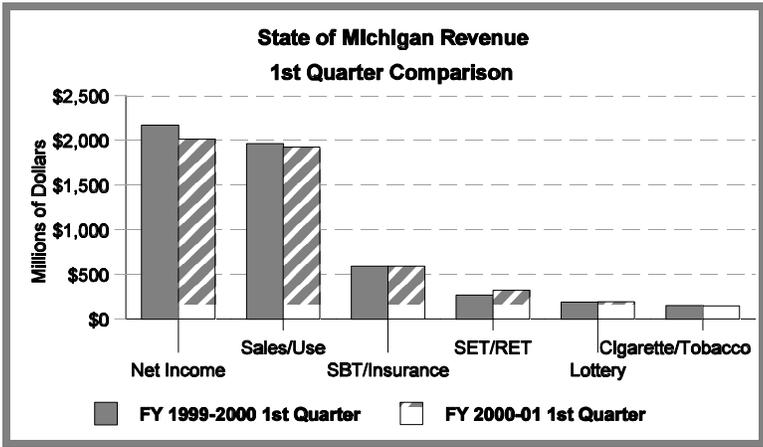
<u>1st Qtr FY 1999-2000</u>	<u>1st Qtr FY 2000-01</u>	<u>1st Qtr %</u>	<u>YTD %</u>
\$592.4 million	\$591.1 million	-0.2%	-0.2%

Single Business and Insurance taxes are applied to the value added of business activities. Two key components of the Single Business tax (SBT) base are profits and wages. For the first quarter of FY 2000-01, Single Business and Insurance tax collections were \$1.3 million or 0.2% below the year-ago quarter. Some of the SBT weakness is due to the rate reduction from 2.2% in 1999 to 2.1% in 2000 and 2.0% in 2001.

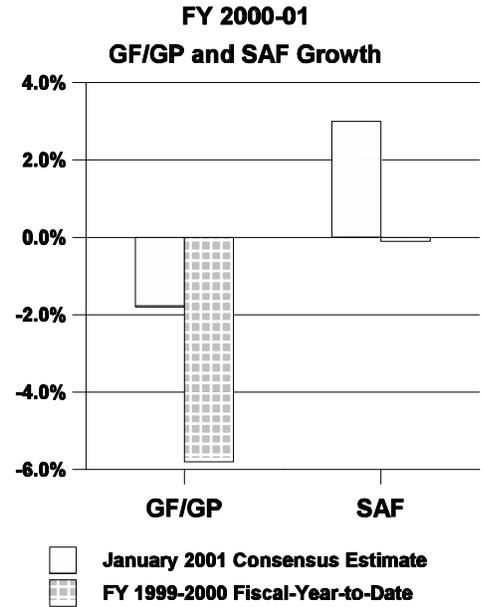
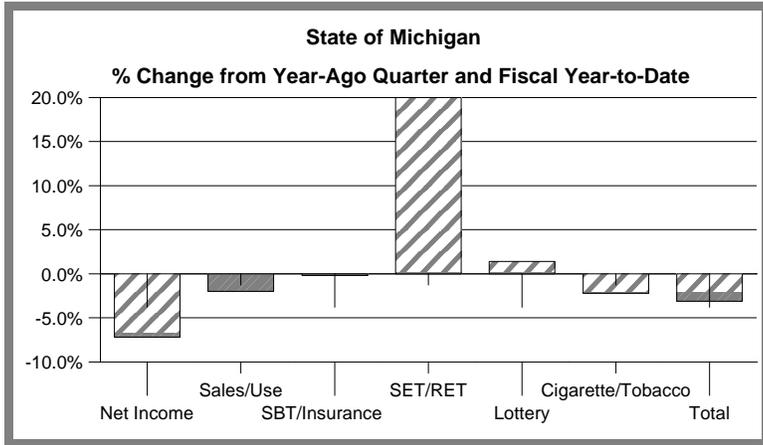
OTHER REVENUE

<u>1st Qtr FY 1999-2000</u>	<u>1st Qtr FY 2000-01</u>	<u>1st Qtr %</u>	<u>YTD %</u>	<u>Change</u>
\$702.4 million	\$730.4 million	4.0%	4.0%	

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 the first quarter of FY 2000-01 was up \$28.0 million or 4.0% from the first quarter of FY 1999-2000.



Weaker revenue growth reflects considerably slower economic activity in the winter months. First quarter revenue growth shows a 3.1% decline, due in part to the income tax and SBT rate reductions.



Revenue Quarterly Review: 1st Quarter (November 2000—January 2001) FY 2000-01 (Millions of Dollars)

Revenue	FY 2000-01 1st Quarter	Percent Change From Year-Ago Quarter	FY 2000-01 Year-to-Date	Change From Previous Fiscal Year-to-Date		FY 2000-01 Consensus Forecast Growth
				Dollar	Percent	
Annual Income Tax	\$21.1	1.4%	\$21.1	\$0.3	1.4%	-1.9%
Quarterly Income Tax	286.7	-7.6%	286.7	(23.7)	-7.6%	-3.6%
Withholding	1,792.1	-5.4%	1,792.1	(102.2)	-5.4%	1.4%
..... Subtotal	2,099.9	-5.6%	2,099.9	125.6	-5.6%	0.6%
Income Tax Refunds	87.6	52.2%	87.6	30.0	52.2%	1.9%
..... Net Income Tax	2,012.3	-7.2%	2,012.3	(155.6)	-7.2%	0.4%
Sales Tax	1,622.2	-1.1%	1,622.2	(17.6)	-1.1%	3.3%
Use Tax	300.0	-6.7%	300.0	(21.6)	-6.7%	3.5%
..... Subtotal	1,922.1	-2.0%	1,922.1	(39.3)	-2.0%	3.3%
Single Business Tax	549.8	0.7%	549.8	3.9	0.7%	-3.3%
Insurance Tax	41.3	-11.2%	41.3	(5.2)	-11.2%	3.2%
..... Subtotal	591.1	-0.2%	591.1	(1.3)	-0.2%	-2.8%
Inheritance/Estate Tax	43.1	-10.2%	43.1	(4.9)	-10.2%	7.1%
Cigarette/Tobacco Tax	147.0	-2.2%	147.0	(3.3)	-2.2%	-2.2%
Lottery	191.4	1.4%	191.4	2.7	1.4%	-1.5%
Industrial/CommFacility Taxes	25.8	-44.1%	25.8	(20.3)	-44.1%	1.0%
Real Estate Transfer (RET) Tax	65.0	1.9%	65.0	1.2	1.9%	-0.8%
State Education Tax (SET)	258.1	25.6%	258.1	52.6	25.6%	4.1%
..... Subtotal	730.4	4.0%	730.4	28.0	4.0%	1.4%
TOTAL	\$5,255.9	-3.1%	\$5,255.9	(\$168.2)	-3.1%	1.3%

NOTE: Consensus revenue figures are adjusted to reflect enacted tax changes. All revenue, except for Lottery, is on an accrual basis and begins with November collections.