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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

MAY 2006

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## TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>2nd Qtr FY 2004-05</u>	<u>2nd Qtr FY 2005-06</u>	<u>2nd Qtr % Change</u>	<u>YTD % Change</u>
\$3,766.2 million	\$3,895.5 million	3.4%	1.0%

Total revenue collection for second quarter (February–April) fiscal year (FY) 2005-06 is higher than second quarter FY 2004-05 total revenue collection by \$129.4 million or 3.4%—in contrast to the 0.7% decrease posted for first quarter FY 2005-06. Fiscal year-to-date (FYTD), total revenue collection is up 1.0%.

## INCOME TAX (NET)

<u>2nd Qtr FY 2004-05</u>	<u>2nd Qtr FY 2005-06</u>	<u>2nd Qtr % Change</u>	<u>YTD % Change</u>
\$861.3 million	\$939.5 million	9.1%	4.2%

Income tax revenue consists of three components— withholding, annual payments, and quarterly payments. Withholding payments are based on workers' earnings and make up almost 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 collection (which includes income tax refunds) for second quarter FY 2005-06 is higher than second quarter FY 2004-05 collection by \$78.2 million or 9.1%. Withholding payments are up 2.1%, quarterly and annual payments are up 11.6%, and refunds are up 1.6%. Net income tax collection FYTD is \$2.9 billion—up \$116.6 million or 4.2% from a year ago.

## SALES AND USE TAXES

<u>2nd Qtr FY 2004-05</u>	<u>2nd Qtr FY 2005-06</u>	<u>2nd Qtr % Change</u>	<u>YTD % Change</u>
\$1,790.3 million	\$1,812.0 million	1.2%	-0.3%

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 second quarter FY 2005-06 are higher than the year-ago quarter by \$21.7 million or 1.2%. Sales tax due to motor vehicle sales decreased 12.5% while all other sales tax collection is up 2.9% in second quarter FY 2005-06 relative to the year-ago second quarter. Sales and use tax collections FYTD are down \$12.8 million or 0.3% from a year ago.

## SINGLE BUSINESS AND INSURANCE TAXES

<u>2nd Qtr FY 2004-05</u>	<u>2nd Qtr FY 2005-06</u>	<u>2nd Qtr % Change</u>	<u>YTD % Change</u>
\$472.5 million	\$487.0 million	3.1%	-2.0%

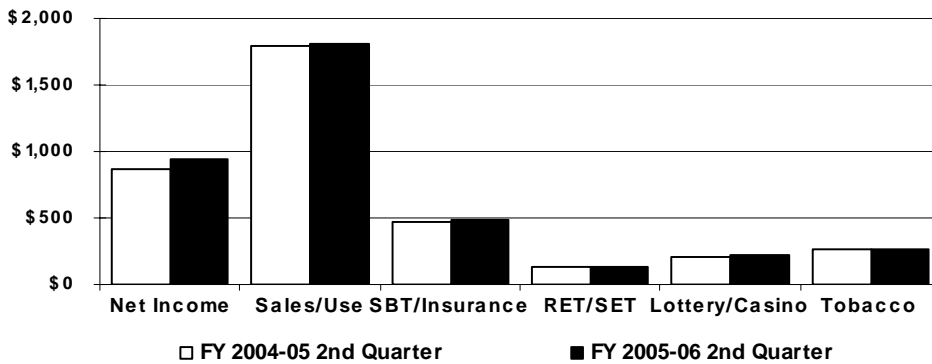
Single business tax is applied to the value added of business activities; insurance tax is based on insurance premiums. For second quarter FY 2005-06, single business and insurance tax collections are above the year-ago second quarter by \$14.5 million or 3.1%. Business tax collection FYTD is \$1.0 billion—down \$20.3 million or 2.0% from a year ago.

## OTHER REVENUE

<u>2nd Qtr FY 2004-05</u>	<u>2nd Qtr FY 2005-06</u>	<u>2nd Qtr % Change</u>	<u>YTD % Change</u>
\$642.1 million	\$657.0 million	2.3%	0.6%

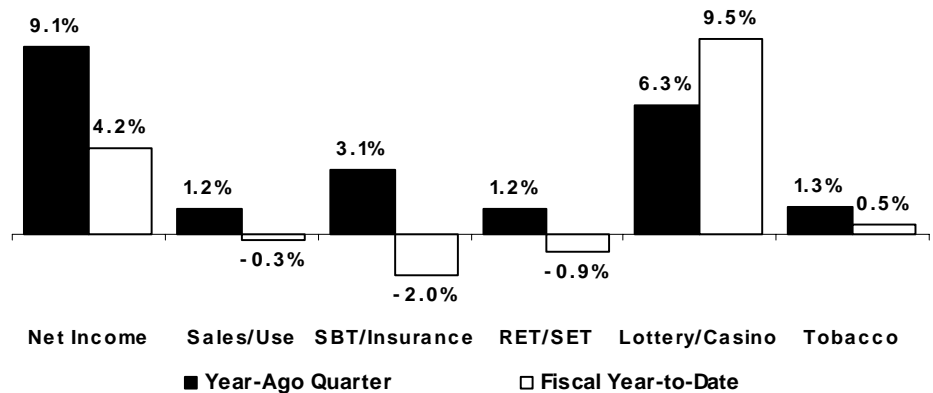
Other revenue collection—which includes primarily the state education tax (SET), real estate transfer (RET) tax, tobacco tax, and lottery revenue—for second quarter FY 2005-06 is up \$15.0 million or 2.3% from the second quarter of FY 2004-05. Other revenue collection FYTD is \$1.6 billion—up \$9.0 million or 0.6% from a year ago.

**State of Michigan Revenue: 2nd Quarter Comparison**  
(Millions of Dollars)



**Fiscal year-to-date, GF/GP revenue is up \$15 million from January 2006 consensus estimates, and SAF revenue is on target.**

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



**Revenue Quarterly Review: 2nd Quarter (February–April) FY 2005-06** (Millions of Dollars)

	FY 2005-06 2nd Quarter	Percent Change from Year-Ago 2nd Quarter	Change from Previous Fiscal Year-to-Date			FY 2005-06 January Consensus Forecast Growth
			FY 2005-06 Year-to-Date	Dollar	Percent	
Annual Income Tax	\$515.5	11.9%	\$550.6	\$59.0	12.0%	-1.3%
Quarterly Income Tax	113.7	10.4%	382.0	57.4	17.7%	4.2%
Withholding	1,559.6	2.1%	3,298.4	15.8	0.5%	2.0%
<b>Subtotal</b>	<b>2,188.8</b>	<b>4.7%</b>	<b>4,231.0</b>	<b>132.2</b>	<b>3.2%</b>	<b>1.9%</b>
Income Tax Refunds	1,249.3	1.6%	1,347.1	15.6	1.2%	5.3%
<b>Net Income Tax</b>	<b>939.5</b>	<b>9.1%</b>	<b>2,883.9</b>	<b>116.6</b>	<b>4.2%</b>	<b>1.0%</b>
Sales Tax	1,478.6	0.8%	3,189.7	0.3	0.0%	3.0%
Use Tax	333.4	3.1%	662.7	(13.1)	-1.9%	2.9%
<b>Subtotal</b>	<b>1,812.0</b>	<b>1.2%</b>	<b>3,852.4</b>	<b>(12.8)</b>	<b>-0.3%</b>	<b>3.0%</b>
Single Business Tax	432.6	7.6%	877.1	(11.6)	-1.3%	-5.0%
Insurance Tax	54.4	-22.7%	114.2	(8.7)	-7.1%	2.2%
<b>Subtotal</b>	<b>487.0</b>	<b>3.1%</b>	<b>991.3</b>	<b>(20.3)</b>	<b>-2.0%</b>	<b>-4.2%</b>
Casino Wagering	39.9	7.3%	77.2	5.5	7.7%	2.5%
Tobacco Tax	271.9	1.3%	561.3	2.9	0.5%	-1.6%
Lottery	181.8	5.6%	368.0	33.0	9.9%	2.6%
Industrial/CommFacility Taxes	28.4	-17.4%	44.2	(27.2)	-38.1%	-1.6%
Real Estate Transfer (RET)Tax	73.3	6.9%	156.7	11.3	7.8%	-1.1%
State Education Tax (SET)	61.7	0.7%	403.4	(16.5)	-3.9%	5.0%
<b>Subtotal</b>	<b>657.0</b>	<b>2.3%</b>	<b>1,610.8</b>	<b>9.0</b>	<b>0.6%</b>	<b>2.1%</b>
<b>TOTAL</b>	<b>\$3,895.5</b>	<b>3.4%</b>	<b>\$9,338.4</b>	<b>\$92.5</b>	<b>1.0%</b>	<b>1.5%</b>

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