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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 2009

House Fiscal Agency
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TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>2nd Qtr FY 2007-08</u>	<u>2nd Qtr FY 2008-09</u>	<u>2nd Qtr Change</u>	<u>YTD Change</u>
\$4,572.2 million	\$3,554.3 million	-22.3%	-12.7%

Revenue collections for second quarter (February–April) of fiscal year (FY) 2008-09 were lower than second quarter FY 2007-08 revenue collections by \$1,017.8 million or 22.3%. Fiscal year-to-date (FYTD) revenue was down \$1,287.4 million or 12.7%.

INCOME TAX (NET)

<u>2nd Qtr FY 2007-08</u>	<u>2nd Qtr FY 2008-09</u>	<u>2nd Qtr Change</u>	<u>YTD Change</u>
\$1,322.7 million	\$578.8 million	-56.2%	-22.6%

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 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 second quarter FY 2008-09 were lower than second quarter FY 2007-08 collections by \$743.9 million or 56.2%. The sharp decline was predominately due to the earned income tax credit (EITC) and very weak annual and quarterly payments. Withholding payments were down 8.7%, quarterly and annual payments were down 30.4%, and refunds were up 23.3%. Net income tax collections FYTD were \$2.7 billion—down \$789.2 million or 22.6% from a year ago.

SALES AND USE TAXES

<u>2nd Qtr FY 2007-08</u>	<u>2nd Qtr FY 2008-09</u>	<u>2nd Qtr Change</u>	<u>YTD Change</u>
\$1,885.2 million	\$1,727.4 million	-8.4%	-9.9%

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 2008-09 were lower than the year-ago quarter by \$157.9 million or 8.4%. Sales tax due to motor vehicle sales increased 14.3%; all other sales tax collections were down 9.8% in second quarter FY 2008-09 relative to the year-ago second quarter. Sales and use tax collections FYTD were down \$390.4 million or 9.9% from a year ago.

MICHIGAN/SINGLE BUSINESS AND INSURANCE TAXES

<u>2nd Qtr FY 2007-08</u>	<u>2nd Qtr FY 2008-09</u>	<u>2nd Qtr Change</u>	<u>YTD Change</u>
\$763.2 million	\$699.1 million	-8.4%	9.8%

Michigan business tax (MBT) is applied to gross receipts less purchases from other firms; single business tax is applied to the value added of business activities; insurance tax is based on insurance premiums. For second quarter FY 2008-09, Michigan/single business and insurance tax collections were below the year-ago second quarter by \$64.1 million or 8.4%. Business tax collections FYTD were up \$117.6 million or 9.8% from a year ago.

OTHER REVENUE

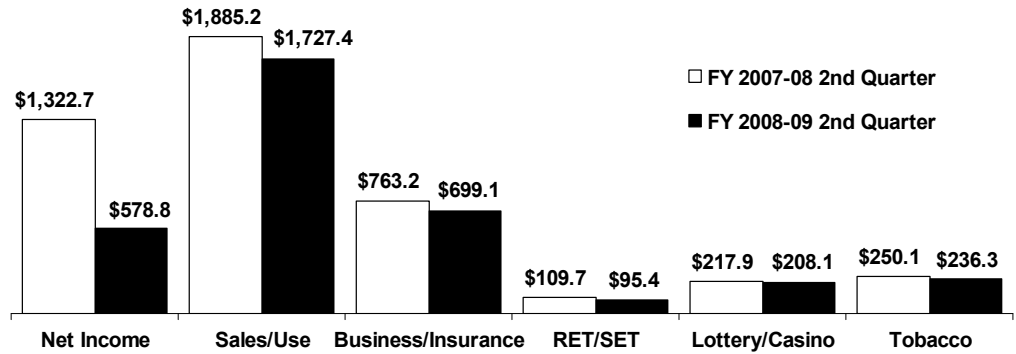
<u>2nd Qtr FY 2007-08</u>	<u>2nd Qtr FY 2008-09</u>	<u>2nd Qtr Change</u>	<u>YTD Change</u>
\$601.1 million	\$549.1 million	-8.7%	-14.6%

Other revenue collections— primarily state education tax, real estate transfer tax, tobacco tax, and lottery revenue— for second quarter FY 2008-09 were down \$52.0 million or 8.7% from the second quarter of FY 2007-08. Other revenue collections FYTD were \$1.3 billion—down \$225.4 million or 14.6% from a year ago.

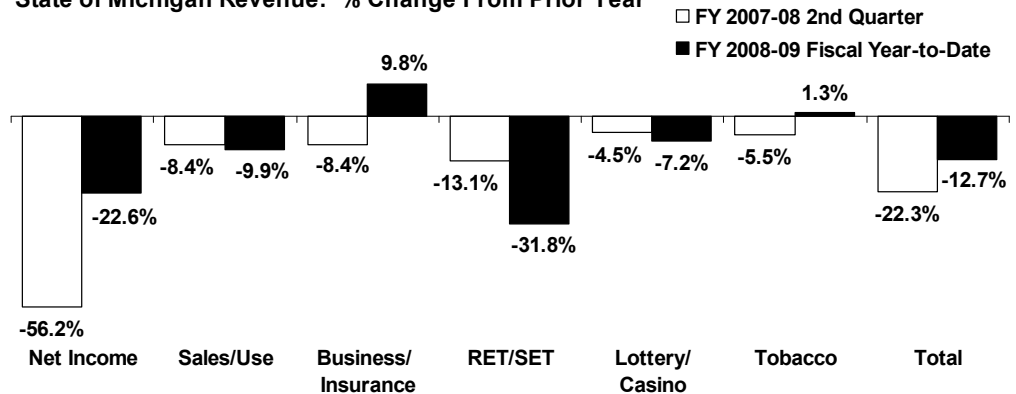
State of Michigan Revenue: 2nd Quarter Comparison
(Millions of Dollars)

Weak revenue collections reflect the national recession and ongoing state structural changes related to motor vehicle manufacturing.

Fiscal year-to-date, GF/GP revenue is down \$380 million, and SAF revenue is down \$220 million from HFA target estimates – which are based on the January 2009 consensus.



State of Michigan Revenue: % Change From Prior Year



Revenue Quarterly Review: 2nd Quarter (February–April) FY 2008-09
(Millions of Dollars)

	% Change From		Change From			FY 2008-09 January Consensus Forecast Growth
	FY 2008-09 2nd Quarter	Year-Ago 2nd Quarter	FY 2008-09 Year-to-Date	Previous Fiscal Year-to-Date	Fiscal Year-to-Date	
Annual Income Tax	\$522.5	-28.4%	\$548.0	(\$213.7)	-28.1%	-11.1%
Quarterly Income Tax	85.8	-40.8%	330.8	(99.1)	-23.0%	-9.2%
Withholding	1,663.9	-8.7%	3,585.5	(190.2)	-5.0%	-3.9%
Subtotal	2,272.2	-15.7%	4,464.3	(503.0)	-10.1%	-5.1%
Income Tax Refunds	1,693.4	23.3%	1,758.4	286.2	19.4%	14.6%
Net Income Tax	578.8	-56.2%	2,705.9	(789.2)	-22.6%	-10.0%
Sales Tax	1,441.6	-7.0%	3,015.4	(248.2)	-7.6%	-4.2%
Use Tax	285.8	-14.8%	520.5	(142.1)	-21.5%	-8.0%
Subtotal	1,727.4	-8.4%	3,535.8	(390.4)	-9.9%	-4.8%
Single Business Tax	(47.3)	-121.3%	(93.8)	(693.4)	-115.6%	-107.5%
Michigan Business Tax	673.5	44.4%	1,271.4	804.9	172.6%	36.7%
Insurance Tax	72.9	-2.8%	136.4	6.1	4.7%	7.0%
Subtotal	699.1	-8.4%	1,314.0	117.6	9.8%	3.4%
Casino Wagering	28.2	-11.8%	56.8	(9.3)	-14.1%	-8.6%
Tobacco Tax	236.3	-5.5%	498.4	6.4	1.3%	-2.8%
Lottery	179.9	-3.2%	354.1	(22.8)	-6.0%	-5.5%
Industrial/CommFacility Taxes	9.3	-60.4%	21.1	(20.0)	-48.6%	-18.8%
Real Estate Transfer Tax	23.3	-43.4%	52.6	(39.8)	-43.1%	-15.0%
State Education Tax	72.1	5.1%	333.3	(140.1)	-29.6%	-3.3%
Subtotal	549.1	-8.7%	1,316.2	(225.4)	-14.6%	-4.5%
TOTAL	3,554.3	-22.3%	8,871.8	(1,287.4)	-12.7%	-5.4%