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# REVENUE REVIEW

Quarterly  
Revenue Report  
for the  
State of  
Michigan

AUGUST 2000

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## TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>3rd Qtr FY 1998-99</u>	<u>3rd Qtr FY 1999-2000</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$4,593.6 million	\$5,046.4 million	9.9%	5.5%

Revenue collections for the third quarter (May—July 2000) of fiscal year (FY) 1999-2000 were \$452.8 million, or 9.9% higher than third quarter collections in FY 1998-99. This pace of growth was significantly above the 3.6% rate in the first half of FY 1999-2000. Revenue collections for fiscal year-to-date totaled \$15.3 billion, which was up \$797.5 million or 5.5% from the level of the first three quarters of FY 1998-99.

### INCOME TAX (NET)

<u>3rd Qtr FY 1998-99</u>	<u>3rd Qtr FY 1999-2000</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$1,570.5 million	\$1,708.3 million	8.8%	6.3%

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 third quarter of FY 1999-2000 were \$137.8 million or 8.8% higher than third quarter collections in FY 1998-99. The growth was not balanced, as withholding payments posted weak growth while annual and quarterly payments increased 38.1%. To a large degree, the weakness in withholding payments reflects the income tax rate reduction from 4.4% to 4.2%. Net income tax collections for fiscal year-to-date totaled \$5.5 billion, which was up \$325.9 million or 6.3% from the first three quarters of FY 1998-99.

### SALES AND USE TAXES

<u>3rd Qtr FY 1998-99</u>	<u>3rd Qtr FY 1999-2000</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$1,849.3 million	\$2,034.5 million	10.0%	8.3%

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 third quarter of FY 1999-2000 were \$185.2 million or 10.0% higher than the year-ago quarter. The third quarter growth depicts an increase from the 7.3% pace in the first half of the fiscal year. Sales and Use tax collections for fiscal year-to-date totaled \$5.7 billion, which were up \$435.5 million or 8.3% from the first three quarters of FY 1998-99.

### SINGLE BUSINESS AND INSURANCE TAXES

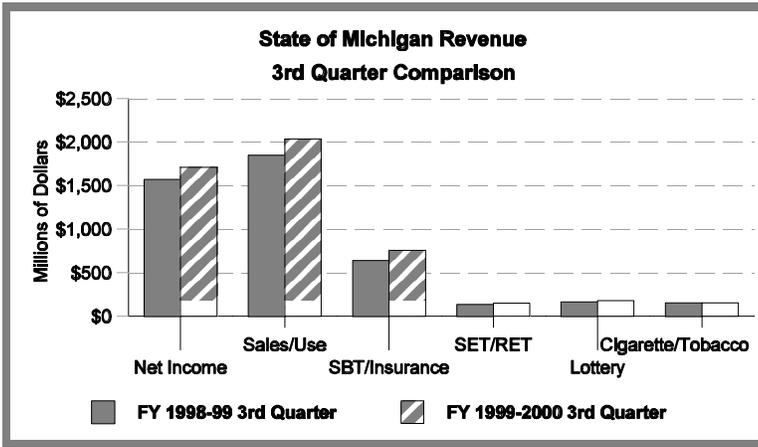
<u>3rd Qtr FY 1998-99</u>	<u>3rd Qtr FY 1999-2000</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$640.0 million	\$755.3 million	18.0%	-2.3%

Single Business and Insurance taxes are applied to the value added of business activities. For the third quarter of FY 1999-2000, Single Business and Insurance tax collections were \$115.3 million or 18.0% above the year-ago quarter. This robust growth, which is due partly to timing differences, marks a significant change from the 12.2% decline in the first half of the fiscal year. Single Business and Insurance tax collections for fiscal-year-to-date totaled \$1.9 billion, which were down \$46.1 million or 2.3% from the first three quarters of FY 1998-99.

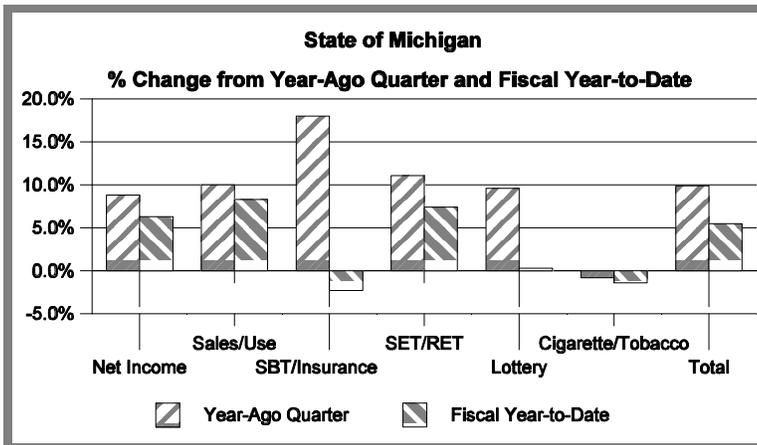
### OTHER REVENUE

<u>3rd Qtr FY 1998-99</u>	<u>3rd Qtr FY 1999-2000</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$533.7 million	\$548.3 million	2.7%	4.0%

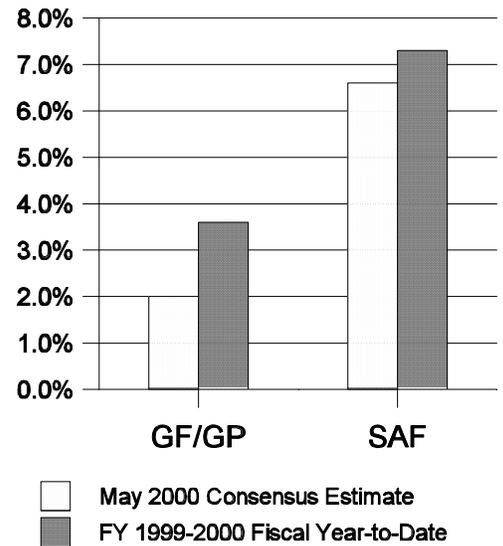
Other revenue [which includes primarily the State Education Tax (SET), the Real Estate Transfer (RET) tax, the Cigarette/Tobacco tax, and revenue from the Lottery] for the third quarter of FY 1999-2000 was up \$14.6 million or 2.7% from the third quarter of FY 1998-99. On a fiscal year-to-date basis, other revenue totaled \$2.2 billion — up \$82.2 million or 4.0% from the first three-quarters of FY 1998-99.



The robust revenue growth in the first three quarters of FY 1999-2000 was a direct result of strong economic conditions. As the pace of the economy slows and tax cuts are phased in, revenue growth for the last quarter



### FY 1999-2000 GF/GP and SAF Growth



Revenue Quarterly Review: 3rd Quarter (May - July) FY 1999-2000 (Millions of Dollars)						
Revenue	FY 1999-2000 3rd Quarter	Percent Change From Year-Ago 3rd Quarter	FY 1999-2000 Year-to-Date	Change From Previous Fiscal Year- to-Date		FY 1999-2000 Consensus Forecast Percent Change
				Dollar	Percent	
Annual Income Tax	\$164.2	72.8%	\$738.4	\$71.0	10.6%	8.4%
Quarterly Income Tax	216.3	19.8%	654.4	40.6	6.6%	0.8%
Withholding	1,589.9	1.2%	5,182.6	253.3	5.1%	4.2%
..... Subtotal	1,970.4	6.7%	6,575.4	364.9	5.9%	4.2%
Income Tax Refunds	262.1	-4.9%	1,076.3	39.0	3.8%	8.3%
..... Net Income Tax	1,708.3	8.8%	5,499.1	325.9	6.3%	3.7%
Sales Tax	1,660.9	9.5%	4,707.7	363.8	8.4%	6.9%
Use Tax	373.6	12.6%	1,002.8	71.7	7.7%	7.0%
..... Subtotal	2,034.5	10.0%	5,710.5	435.5	8.3%	6.9%
Single Business Tax	706.2	18.8%	1,769.0	(48.2)	-2.7%	-0.7%
Insurance Tax	49.1	7.2%	148.5	2.1	1.4%	1.5%
..... Subtotal	755.3	18.0%	1,917.5	(46.1)	-2.3%	-0.5%
Inheritance/Estate Tax	46.0	-14.5%	126.6	(1.6)	-1.3%	6.9%
Cigarette/Tobacco Tax	153.0	-0.8%	445.9	(6.3)	-1.4%	-2.7%
Lottery	179.9	9.6%	470.4	1.4	0.3%	-2.0%
Industrial/CommFacility Taxes	18.6	-28.3%	122.9	21.0	20.6%	20.2%
Real Estate Transfer (RET) Tax	59.7	-1.5%	180.3	14.7	8.9%	0.9%
State Education Tax (SET)	91.2	21.3%	804.9	53.1	7.1%	6.8%
..... Subtotal	548.3	2.7%	2,151.0	82.2	4.0%	3.2%
<b>TOTAL</b>	<b>\$5,046.4</b>	<b>9.9%</b>	<b>\$15,278.1</b>	<b>\$797.5</b>	<b>5.5%</b>	<b>3.7%</b>

*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.*