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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

AUGUST 2003

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TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

<u>3rd Qtr FY 2001-02</u>	<u>3rd Qtr FY 2002-03</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$4,668.7 million	\$4,443.3 million	-4.8%	-2.0%

Revenue collections for third quarter (May–July) fiscal year (FY) 2002-03 were \$225.5 million or 4.8% lower than third quarter FY 2001-02 collections. This decrease was below the 0.7% decline posted in the first half of FY 2002-03. Revenue for fiscal year-to-date (FYTD) totaled \$13.9 billion—down \$289.0 million or 2.0% from the first three quarters of FY 2001-02.

INCOME TAX (NET)

<u>3rd Qtr FY 2001-02</u>	<u>3rd Qtr FY 2002-03</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$1,495.1 million	\$1,323.1 million	-11.5%	-6.6%

Income tax revenue consists of three components—withholding, annual payments, and quarterly payments. Withholding payments are based on workers' earnings and make up almost 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 third quarter FY 2002-03 were \$172.0 million or 11.5% lower than third quarter FY 2001-02 collections. The third quarter weakness was much more pronounced than the 4.1% decline in the first half. Withholding payments were down 3.1%, quarterly and annual payments decreased 15.7%, and refunds were up 39.2%. Net income tax collections for FYTD totaled \$4.2 billion—down \$293.4 million or 6.6% from the first three quarters of FY 2001-02.

SALES AND USE TAXES

<u>3rd Qtr FY 2001-02</u>	<u>3rd Qtr FY 2002-03</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$1,980.8 million	\$1,977.9 million	-0.1%	-0.7%

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 third quarter FY 2002-03 were \$2.9 million or 0.1% lower than the year-ago quarter. Sales tax due to motor vehicle sales increased 12.4% and all other sales tax collections were down 1.4% in the third quarter FY 2002-03 relative to the year-ago third quarter. Sales and Use tax collections for FYTD totaled \$5.7 billion—down \$38.3 million or 0.7% from the first three quarters of FY 2001-02.

SINGLE BUSINESS AND INSURANCE TAXES

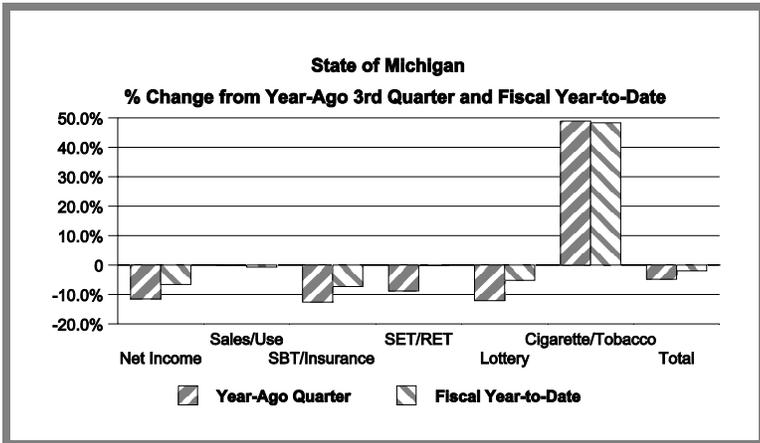
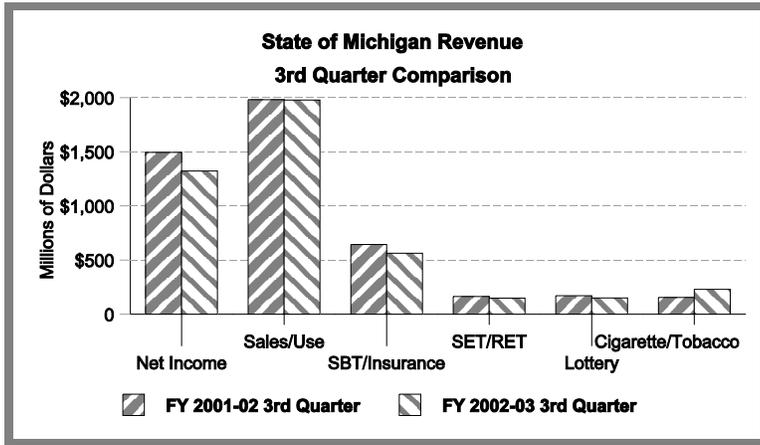
<u>3rd Qtr FY 2001-02</u>	<u>3rd Qtr FY 2002-03</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$643.3 million	\$562.5 million	-12.6%	-7.3%

Single Business and Insurance taxes are applied to the value added of business activities. For third quarter FY 2002-03, Single Business and Insurance tax collections were \$80.8 million or 12.6% below the year-ago third quarter. Single Business and Insurance tax collections for FYTD totaled \$1.6 billion—down \$124.9 million or 7.3% from the first three quarters of FY 2001-02.

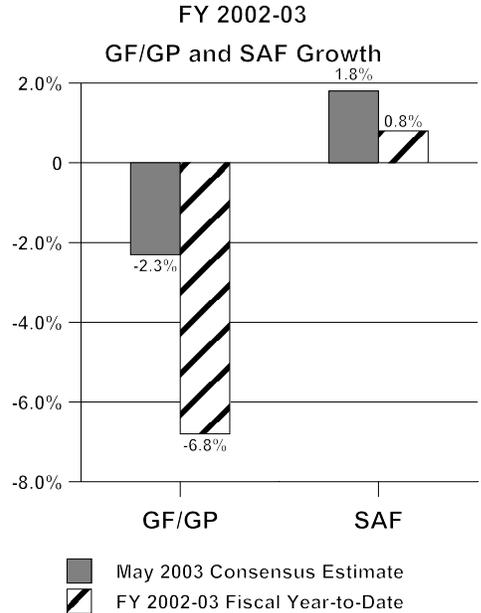
OTHER REVENUE

<u>3rd Qtr FY 2001-02</u>	<u>3rd Qtr FY 2002-03</u>	<u>3rd Qtr % Change</u>	<u>YTD % Change</u>
\$549.5 million	\$579.8 million	5.5%	7.4%

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 third quarter FY 2002-03 was up \$30.3 million or 5.5% from the third quarter of FY 2001-02. Other revenue for FYTD totaled \$2.4 billion—up \$167.6 million or 7.4% from the first three quarters of FY 2001-02.



Business taxes, the net income tax, and the inheritance/estate tax have all posted large percentage declines.



Revenue Quarterly Review: 3rd Quarter (May-July) FY 2002-03 (Millions of Dollars)

Revenue	FY 2002-03		Percent Change From Year-Ago	Change From Previous Fiscal Year-to-Date		FY 2002-03 May Consensus Forecast Growth
	3rd Qtr	3rd Qtr		Dollar	Percent	
Annual Income Tax	\$25.6		-36.0%	\$392.8	(\$80.1)	-14.8%
Quarterly Income Tax	127.7		-10.0%	438.7	(34.8)	-7.7%
Withholding	<u>1,507.8</u>		-3.1%	<u>4,799.7</u>	(43.6)	-0.9%
..... Subtotal	1,661.1		-4.4%	5,631.2	(158.5)	-2.7%
Income Tax Refunds	<u>338.0</u>		39.2%	<u>1,454.9</u>	134.9	10.2%
..... Net Income Tax	1,323.1		-11.5%	4,176.3	(293.4)	-6.6%
Sales Tax	1,659.8		0.9%	4,774.1	26.9	0.6%
Use Tax	<u>318.1</u>		-5.1%	<u>915.7</u>	(65.2)	-6.6%
..... Subtotal	1,977.9		-0.1%	5,689.8	(38.3)	-0.7%
Single Business Tax	508.3		-12.9%	1,411.9	(135.2)	-8.7%
Insurance Tax	<u>54.2</u>		-9.7%	<u>178.7</u>	10.3	6.1%
..... Subtotal	562.5		-12.6%	1,590.6	(124.9)	-7.3%
Inheritance/Estate Tax	19.5		-44.4%	78.9	(27.5)	-25.8%
Cigarette/Tobacco Tax	229.5		48.9%	654.8	213.4	48.3%
Lottery	150.2		-12.1%	449.3	(24.5)	-5.2%
Industrial/CommFacility Taxes	31.9		20.8%	121.5	8.1	7.1%
Real Estate Transfer (RET) Tax	65.3		-4.1%	184.6	5.0	2.8%
State Education Tax (SET)*	<u>83.4</u>		-12.2%	<u>953.3</u>	(6.9)	-0.7%
..... Subtotal	579.8		5.5%	2,442.4	167.6	7.4%
TOTAL	\$4,443.3		-4.8%	\$13,899.1	(289.0)	-2.0%

*Does not include the SET timing change or one-mill reduction under 2002 PA 244.

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