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# R E V E N U E

# REVIEW

Quarterly  
Revenue Report  
for the  
State of Michigan

AUGUST 2004

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## TOTAL REVENUE: 13 MAJOR TAXES AND LOTTERY

3rd Qtr FY 2002-03	3rd Qtr FY 2003-04	3rd Qtr % Change	YTD % Change
\$4,359.9 million	\$4,344.5 million	-0.4%	0.6%

Revenue collections for third quarter (May–July) fiscal year (FY) 2003-04 were \$15.4 million or 0.4% lower than third quarter FY 2002-03 collections. This was a decline from the 1.1% increase posted in the first half of FY 2003-04. Revenue for fiscal year-to-date (FYTD) totaled \$13.0 billion—up \$74.8 million or 0.6% from the first three quarters of FY 2002-03.

## INCOME TAX (NET)

3rd Qtr FY 2002-03	3rd Qtr FY 2003-04	3rd Qtr % Change	YTD % Change
\$1,323.1 million	\$1,370.1 million	3.6%	2.4%

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 2003-04 were \$47.0 million or 3.6% higher than third quarter FY 2002-03 collections. The third quarter increase followed a 1.8% increase in the first half. Withholding payments were up 1.1%, quarterly and annual payments increased 16.6%, and refunds were down 1.6%. Net income tax collections for FYTD totaled \$4.3 billion—up \$99.6 million or 2.4% from the first three quarters of FY 2002-03.

## SALES AND USE TAXES

3rd Qtr FY 2002-03	3rd Qtr FY 2003-04	3rd Qtr % Change	YTD % Change
\$1,977.9 million	\$1,980.6 million	0.1%	0.3%

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, gas and electric utilities, and remote sales.

Sales and Use tax collections for third quarter FY 2003-04 were \$2.7 million or 0.1% higher than the year-ago quarter. Sales tax due to motor vehicle sales decreased 21.5%; all other sales tax collections were up 3.0% in the third quarter FY 2003-04 relative to the year-ago third quarter. Sales and Use tax collections for FYTD totaled \$5.7 billion—up \$17.9 million or 0.3% from the first three quarters of FY 2002-03.

## SINGLE BUSINESS AND INSURANCE TAXES

3rd Qtr FY 2002-03	3rd Qtr FY 2003-04	3rd Qtr % Change	YTD % Change
\$562.5 million	\$466.5 million	-17.1%	-5.2%

Single Business and Insurance taxes are applied to the value added of business activities. For third quarter FY 2003-04, Single Business and Insurance tax collections were \$96.0 million or 17.1% below the year-ago third quarter. Single Business and Insurance tax collections for FYTD totaled \$1.5 billion—down \$83.1 million or 5.2% from the first three quarters of FY 2002-03.

## OTHER REVENUE

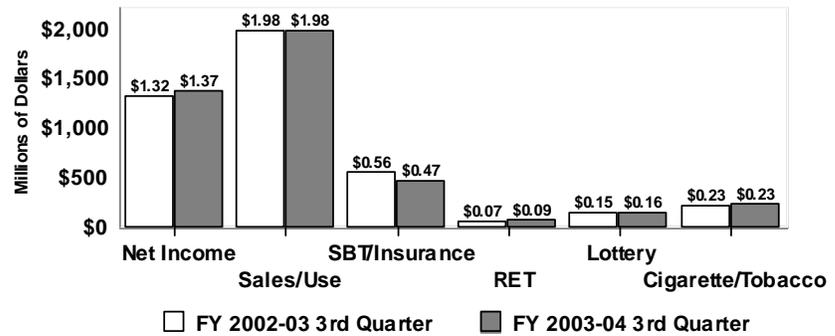
3rd Qtr FY 2002-03	3rd Qtr FY 2003-04	3rd Qtr % Change	YTD % Change
\$496.4 million	\$527.3 million	6.2%	2.7%

Other revenue—which includes primarily the Real Estate Transfer (RET) tax, the Cigarette/Tobacco tax, and revenue from the Lottery—for third quarter FY 2003-04 was up \$30.9 million or 6.2% from the third quarter of FY 2002-03. Other revenue for FYTD totaled \$1.5 billion—up \$40.4 million or 2.7% from the first three quarters of FY 2002-03.

*In the current fiscal year, revenue declined 2.2% in the first quarter, increased 5.2% in the second quarter, and declined 0.4% in the third quarter.*

*Revenue must grow 1.7% in the fourth quarter to meet the May consensus forecast of 1.1% for FY 2003-04.*

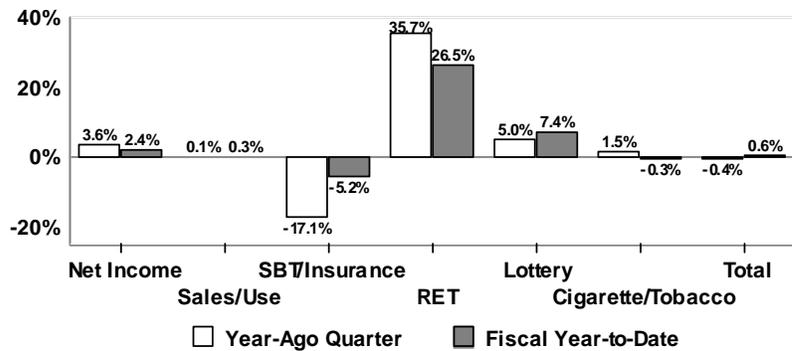
**State of Michigan Revenue  
3rd Quarter Comparison**



*Weakness in sales tax revenue was offset by growth in use tax, annual and quarterly income tax payments, and the real estate transfer tax.*

**State of Michigan**

**% Change from Year-Ago 3rd Quarter and Fiscal Year-to-Date**



**\* Revenue Quarterly Review: 3rd Quarter (May-July) FY 2003-04 (Millions of Dollars)**

	FY 2003-04 3rd Quarter	Percent Change from Year-Ago 3rd Quarter	FY 2003-04 Year-to-Date	Change from Previous Fiscal Year-to-Date		FY 2003-04 May Consensus Forecast Growth
				Dollar	Percent	
Annual Income Tax	\$45.6	78.1%	\$451.9	\$59.1	15.0%	9.2%
Quarterly Income Tax	133.1	4.2%	449.7	11.0	2.5%	1.6%
Withholding	1,524.0	1.1%	4,813.5	13.8	0.3%	1.4%
<b>Subtotal</b>	<b>1,702.7</b>	<b>2.5%</b>	<b>5,715.1</b>	<b>83.9</b>	<b>1.5%</b>	<b>1.9%</b>
Income Tax Refunds	332.6	-1.6%	1,439.2	(15.7)	-1.1%	5.8%
<b>Net Income Tax</b>	<b>1,370.1</b>	<b>3.6%</b>	<b>4,275.9</b>	<b>99.6</b>	<b>2.4%</b>	<b>0.9%</b>
Sales Tax	1,633.7	-1.6%	4,736.8	(37.3)	-0.8%	1.2%
Use Tax	346.9	9.1%	970.9	55.2	6.0%	4.3%
<b>Subtotal</b>	<b>1,980.6</b>	<b>0.1%</b>	<b>5,707.7</b>	<b>17.9</b>	<b>0.3%</b>	<b>1.7%</b>
Single Business Tax	430.2	-15.4%	1,333.3	(78.6)	-5.6%	-1.0%
Insurance Tax	36.3	-33.0%	174.2	(4.5)	-2.5%	6.9%
<b>Subtotal</b>	<b>466.5</b>	<b>-17.1%</b>	<b>1,507.5</b>	<b>(83.1)</b>	<b>-5.2%</b>	<b>-0.2%</b>
Inheritance/Estate Tax	29.9	53.3%	65.6	(13.3)	-16.9%	-34.1%
Cigarette/Tobacco Tax	233.0	1.5%	652.7	(2.1)	-0.3%	-1.6%
Lottery	157.7	5.0%	482.6	33.3	7.4%	8.7%
Industrial/CommFacility Taxes	18.1	-43.2%	95.1	(26.4)	-21.7%	-3.2%
Real Estate Transfer (RET) Tax	88.6	35.7%	233.5	48.9	26.5%	8.1%
<b>Subtotal</b>	<b>527.3</b>	<b>6.2%</b>	<b>1,529.5</b>	<b>40.4</b>	<b>2.7%</b>	<b>1.0%</b>
<b>TOTAL*</b>	<b>\$4,344.5</b>	<b>-0.4%</b>	<b>\$13,020.6</b>	<b>\$74.9</b>	<b>0.6%</b>	<b>1.1%</b>

\*State Education Tax (SET) is not included due to the accelerated collection.

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