



Michigan REVENUE REPORT

State revenues turned in another lackluster performance in December (November activity). Personal income tax withholding, adjusted to reflect the changes in rates during the year and a difference in the number of paydays, increased only 2.4 percent above the year-ago level, and sales and use tax collections increased only 1.7 percent. The small increase in sales and use tax collections was due partly to a 6.1 percent decline in motor vehicle collections. January motor vehicle collections will be up sharply because of advance buying to take last advantage of the sales tax deduction on the federal income tax, but in coming months motor vehicle collections are expected to be weak.

November lottery collections increased only 1.2 percent above the November 1985 level, the poorest showing since June 1984. The only bright spot among the major taxes was the single business tax: collections jumped 39.9 percent above the year-ago level. This large increase, however, is more a result of a change in the collection pattern than a reflection of economic strength.

The Department of Management and Budget (DMB) is not required to issue the preliminary accounting report for fiscal year 1985-86 until February 1, but indications are the year-end balance will be considerably higher than anticipated. The latest estimate from the Senate Fiscal Agency is \$185.6 million. Expenditures are estimated to be about \$25 million higher and revenues about \$150 million higher than reported by DMB in their December 3 financial report to the legislature. This is likely to be the last substantial surplus in the state budget for several years. *(over)*

Table 1. Monthly Tax Collections

Dollars in Thousands

Type of Revenue	Preliminary December 1986	% Change from Last Year	Past 3 Months Collections	% Change from Last Year	FY 1986-87 Year-to-Date	% Change from Last Year
Personal Income Tax						
Withholding ^a	\$261,731	2.4%	\$ 858,900	5.2%	\$ 579,143	3.9%
Quarterly and Annual Payments ^a	38,553	119.3	52,442	50.3	42,848	99.7
Gross Personal Income Tax ^a	300,284	9.9	911,342	7.0	621,991	7.4
Less: Refunds	(20,119)	347.7	(40,708)	12.2	(30,404)	-24.7
Net Personal Income Tax ^a	280,165	4.3	870,634	6.8	591,587	6.4
Sales and Use Taxes	214,616	1.7	670,163	3.3	421,899	3.0
-Motor Vehicles	27,603	-6.1	130,131	12.7	66,364	2.9
Single Business Tax	65,872	39.9	379,191	17.7	237,272	8.2
Cigarette Tax	18,304	-3.8	59,094	-3.5	38,689	-4.6
Public Utility Taxes	53,176	NM	58,623	6.5	58,620	6.6
Oil and Gas Severance Tax	4,740	-37.0	11,515	-38.4	7,874	-27.4
Lottery ^b	35,280	1.2	105,798	8.3	70,520	5.9
Penalties and Interest	131	NM	11,640	3.4	3,596	12.1
SUW—Annals and Undistributed ^c	6,748	76.4	6,721	NM	8,879	134.3
Other Taxes ^d	26,855	84.8	57,935	38.7	46,481	55.5
TOTAL TAXES (GF-GP & SAF) ^e	\$705,887	7.5%	\$2,237,314	7.6%	\$1,485,518	6.4%
Motor Fuel Tax ^f	\$49,265	2.5%	\$161,635	4.3%	\$109,557	4.6%

NM = Not meaningful

^aAdjusted to reflect changes in tax rates. Withholding is also adjusted to reflect difference in number of Fridays (paydays) in a month. On an unadjusted basis, December withholding collections declined 9.9 percent from the year-ago level.

^bLottery collections run one month behind other tax collections due to a reporting lag. Therefore, November lottery collections are included in this month's report. The State share of lottery collections is estimated to be 41.9 percent based on the average profit to the State for the fiscal year 1985-86. The percentage increase is calculated on gross sales for the month.

^cThese revenues are distributed to the sales, use, and withholding (SUW) accounts when final numbers for the month are reconciled.

^dIncludes intangibles, inheritance, corporate organization, and industrial and commercial facilities taxes.

^eExcluded are beer and wine, liquor, horse racing, and insurance premium taxes, which are not collected by the Department of Treasury. These taxes account for less than 3 percent of GF-GP and SAF revenue and have usually shown little growth in recent years. One exception is the insurance premiums tax, which increased about 26 percent in fiscal year 1985-86 and 14 percent in the previous fiscal year.

^fThe motor fuel tax is restricted to the Transportation Fund.

State Unemployment Rates

Among the ten states with the highest unemployment rates, Michigan achieved the largest reduction in the rate between October 1985 and October 1986: 1.5 percentage points. (See Table 2.) The Michigan unemployment rate (not seasonally adjusted) was 8.1 percent, ninth highest in the nation and the highest in the Great Lakes region. (The unadjusted rate fell to 8 percent in November.)

Despite the improvement in the unemployment rate, payroll employment growth has been relatively slow, increasing only 1.7 percent between October 1985 and October 1986. The weakness has been centered in manufacturing and government, which declined 2.1 percent and 0.6 percent, respectively. The strongest sectors have been construction, finance, insurance, and real estate, and services. (See Table 3.)

In 1987, the unemployment rate is expected to rise slightly from the current level and employment growth is expected to be modest.

Table 2. Unemployment Rates for Selected States, October 1986

State	Rate	Percentage Point Change from October 1985
Louisiana	12.9%	1.6%
West Virginia	11.5	0.2
Mississippi	11.1	2.0
Alaska	10.8	2.4
Alabama	9.4	1.4
Texas	8.9	1.3
New Mexico	8.8	0.3
Arkansas	8.2	0.7
MICHIGAN	8.1	-1.5
Wyoming	8.1	1.7
Illinois	7.3	-1.9
Indiana	6.2	-0.5
Ohio	7.8	-1.2
Wisconsin	6.4	0.5
Massachusetts	3.4	0.1
Rhode Island	3.3	-0.5
New Hampshire	2.4	-0.7

SOURCE: U.S. Department of Commerce, Bureau of Labor Statistics, *News*, December 16, 1986, Washington, D.C.

Table 3. Employees on Nonagricultural Payrolls, by Industry

Industry	October 1985 (thousands)	October 1986 (thousands)	% Change
Construction	114.2	126.8	11.0
Manufacturing	989.1	968.3	-2.1
Transportation and Public Utilities	144.1	148.4	3.0
Trade	792.4	819.1	3.4
Finance, Insurance, and Real Estate	163.0	171.1	5.0
Services	755.5	789.0	4.4
Government	599.5	596.1	-0.6
TOTAL	3,567.6	3,629.4	1.7
Civilian Labor Force	4,336.7	4,416.7	1.8
Number Unemployed	414.4	359.3	-13.3

SOURCE: U.S. Department of Commerce, Bureau of Labor Statistics, *News*, December 16, 1986, Washington, D.C.