



# Michigan REVENUE REPORT

The big news in December collections (November activity) was the weakness in sales and use tax collections. After a strong advance in November, December collections increased only 1.5 percent above the year-ago level. Excluding motor vehicle sales, which increased 14.4 percent, collections declined 0.4 percent. As reported last month, November collections were not as strong as they appeared due to a change in the collection pattern. For the same reason, December collections were not as weak as they appeared. However, November sales activity likely was adversely affected by the October stock market crash. A clearer picture is expected to emerge when December sales activity is reported. The strength in motor vehicle collections was due, in part, to a strong performance by light trucks in response to incentives offered by the Big Three domestic manufacturers. December sales activity was much weaker and will be reflected in January collections.

Personal income tax withholding increased 3.3 percent in December but is up only 2.1 percent for the last three months compared with the year-ago period. Given the sharp decline in employment in December and the reduction of hours in the motor vehicle industry, January collections also are likely to be very weak.

Single business tax collections, which increased 5.9 percent in December, have shown some improvement recently after declining in FY 1986-1987. *(over)*

**Table 1. Monthly Tax Collections**

*Dollars in Thousands*

Type of Revenue	Preliminary December 1987	% Change from Last Year	Past 3 Months Collections	% Change from Last Year	FY 1987-88 Year-to-Date	% Change from Last Year
Personal Income Tax						
Withholding <sup>a</sup>	\$270,403	3.3%	\$876,909	2.1%	\$588,337	1.6%
Quarterly and Annual Payments	39,491	2.4	59,223	12.9	46,772	9.2
Gross Personal Income Tax	309,894	3.2	936,132	2.7	635,109	2.1
Less: Refunds	-14,686	-27.0	-20,904	-48.6	-11,537	-62.1
Net Personal Income Tax	295,208	5.4	915,228	5.1	623,572	5.4
Sales and Use Taxes	219,671	1.5	704,950	4.3	459,019	6.2
-Motor Vehicles	31,591	14.4	114,011	-12.4	65,666	-1.0
Single Business Tax	69,741	5.9	402,329	6.1	306,423	29.1
Cigarette Tax	18,457	0.8	59,798	1.2	38,610	-0.2
Public Utility Taxes	48,050	-9.6	61,312	4.6	61,236	4.5
Oil and Gas Severance	4,169	-12.0	12,092	5.0	8,068	2.5
Lottery <sup>b</sup>	34,702	1.8	102,461	1.7	67,681	1.5
Penalties and Interest	410	NM	13,393	68.0	6,901	92.0
SUW—Annals and Undistributed <sup>c</sup>	-479	NM	-266	NM	-2,646	NM
Other Taxes <sup>d</sup>	20,899	-22.2	55,760	-3.8	33,454	-27.9
<b>TOTAL TAXES (GF &amp; SAF)<sup>e</sup></b>	<b>\$710,828</b>	<b>0.6%</b>	<b>\$2,327,057</b>	<b>-4.4%</b>	<b>\$1,602,318</b>	<b>7.5%</b>
Motor Fuel Tax <sup>f</sup>	\$49,918	1.3%	\$156,993	-2.9%	\$109,846	3.2%

SOURCE: Data supplied by Bob Bowman, Michigan Department of Treasury.

NM = Not meaningful

<sup>a</sup>Adjusted to reflect difference in number of Fridays (paydays) in a month.

<sup>b</sup>Lottery 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 percentage change is calculated on the basis of gross sales. On the basis of preliminary data, December ticket sales increased about 24 percent above the year-ago level.

<sup>c</sup>These revenues are distributed to the sales, use, and withholding (SUW) accounts when final numbers for the month are reconciled.

<sup>d</sup>Includes intangibles, inheritance, corporate organization, and industrial and commercial facilities taxes.

<sup>e</sup>Excluded 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.

<sup>f</sup>The motor fuel tax is restricted to the Transportation Fund.

Property Tax Relief

The Michigan Department of Treasury recently released its report on the Michigan individual income tax for the 1985 tax year. The information on the homestead property tax relief program is particularly interesting. The number of participants (returns claiming credit) and the cost of the program peaked in 1982 at 1,533,200 and \$655.1 million, respectively. Since then, the number of participants has declined 11.3 percent to 1,361,400 in 1985, and the cost of the program has declined 6.4 percent to \$613.1 million. (See Table 2.) The average credit declined from \$347.75 in 1982 to \$331.71 in 1985. In contrast, the number of recipients and the cost of the credit for senior citizens has continued to increase. This can be attributed to the increase in the senior citizen population. Preliminary data for the 1986 tax year indicate that general credits are continuing to decline while senior citizen credits are continuing to increase.

The slowdown in the growth of the property tax relief program is due to the slowdown in the growth of property taxes relative to the growth in income. (The credit is based on the relationship of property taxes to household income.) From 1977 to 1981 Michigan property taxes increased 52.7 percent compared to a 38.9 percent increase in Michigan personal income. From 1981 to 1985 property taxes increased only 14.2 percent compared to a 27.1 percent increase in Michigan personal income.

The slow growth in property tax credits has helped ease the strain on the state budget in recent years. Significant growth in property tax credits is unlikely in the near future unless Michigan again experiences high inflation during a period of weak economic growth. However, modest growth rather than decline in the cost of property tax credits is likely for the next year or two as the housing market has firmed and personal income is expected to grow slowly.

*Table 2. Homestead and Farmland Property  
Tax Credits, 1982-1986  
(number and amount in thousands)*

Category	1982			1983			1984		
	Number	Amount	Average Credit	Number	Amount	Average Credit	Number	Amount	Average Credit
General	1,035	\$359.8	\$348	986	\$337.1	\$342	912	\$311.8	\$342
Senior Citizens	411	224.4	546	419	228.1	544	423	229.5	543
Veteran	39	7.9	201	38	7.6	203	35	7.2	207
Blind and Disabled	34	9.4	276	29	8.0	276	32	8.9	278
Farmland	15	53.6	3,624	15	63.0	4,171	17	71.7	4,216
TOTAL	1,533	\$655.1	\$427	1,487	\$643.9	\$433	1,419	\$629.2	\$433

  

Category	1985			1986 (Preliminary Estimate)		
	Number	Amount	Average Credit	Number	Amount	Average Credit
General	847	\$280.9	\$332	846	\$277.8	\$328
Senior Citizens	439	240.9	548	459	255.6	557
Veteran	32	6.7	208	31	6.4	206
Blind and Disabled	25	6.9	276	21	5.8	276
Farmland	18	77.6	4,262	18	71.1	3,950
TOTAL	1,361	\$613.1	\$450	1,375	\$616.7	\$449

SOURCE: Data supplied by Michigan Department of Treasury, "Analysis of the Michigan Individual Income Tax for 1985," October 1987.