

# Michigan REVENUE REPORT

The weakness in Michigan's economy, particularly in the motor vehicle sector, was reflected in December (November activity) revenue collections. Personal income tax withholding collections increased 6.9 percent above the same month a year ago, but this large increase is a little misleading as there were five Thursdays (state paydays) in November 1989 and only four in November 1988.

Sales and use tax collections increased only 3.3 percent above the year-ago level, following three consecutive monthly increases of 9 percent or more. Part of the weakness was due to a 4.3 percent decline in motor vehicle collections. This revenue source will continue to be weak for the next few months.

Single business tax (SBT) collections increased 6.7 percent above the year-ago level but are down 6.7 percent for the last three months. The weakness in the SBT is due to the slowing economy in general and declining auto industry profits in particular. This major revenue source also should be quite weak for the next year.

Lottery sales increased 3.4 percent in November and declined 10.8 percent in December. Sales have been flat for the last few months and are unlikely to show much strength in the near future. However, the change in the Lotto game from 44 to 47 numbers will increase the size of the jackpots and could boost sales, although the chances of winning have been reduced.

*Table 1. Monthly Tax Collections*

*Dollars in Thousands*

Type of Revenue	Preliminary December 1989	% Change from Last Year	Past 3 Months' Collections	% Change from Last Year	FY 1989-90 Year-to-Date	% Change from Last Year
Personal Income Tax						
Withholding	\$318,680	6.9%	\$1,006,779	4.1%	\$641,363	5.6%
Quarterly and Annual Payments	35,052	0.6	56,144	4.9	41,228	3.1
Gross Personal Income Tax	353,732	6.2	1,062,943	4.1	682,591	5.5
Less: Refunds	-9,414	-37.6	-37,876	12.4	-17,552	-12.0
Net Personal Income Tax	344,318	8.3	1,025,067	3.8	665,039	6.0
Sales and Use Taxes	251,957	3.3	786,317	6.6	510,088	6.0
Motor Vehicles	36,237	-4.3	125,535	5.2	72,929	0.1
Single Business Tax	62,930	6.7	435,814	-6.7	281,299	-10.5
Cigarette Tax	22,656	7.1	67,638	-1.8	44,265	-3.5
Public Utility Taxes	54,323	10.4	69,874	8.1	69,861	8.1
Oil and Gas Severance	3,664	-1.4	12,546	32.1	8,112	27.2
Lottery <sup>a</sup>	39,974	-10.8	124,716	-0.3	124,716	-0.3
Penalties and Interest	177	NM	13,128	37.5	7,057	86.5
SUW—Annuals and Undistributed <sup>b</sup>	11,756	15.7	10,639	4.5	10,694	6.9
Other Taxes <sup>c</sup>	27,119	21.1	72,894	7.3	44,990	-16.6
TOTAL TAXES (GF & SAF) <sup>d</sup>	\$818,863	6.0%	\$2,618,633	2.8%	\$1,766,121	2.0%
Motor Fuel Tax <sup>e</sup>	\$51,994	1.8%	\$170,014	0.1%	\$111,139	4.5%

SOURCE: Data supplied by Michigan Department of Treasury.

NM = Not meaningful

<sup>a</sup>The state share of lottery collections is estimated to be 42 percent, based on the average profit to the state for the fiscal year period ended August 31, 1989. The previous year's figures are adjusted to the current year's profit margin; the percentage change reflects the increase in ticket sales.

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

<sup>c</sup>Includes intangibles, inheritance, foreign insurance premium, corporate organization, and industrial and commercial facilities taxes.

<sup>d</sup>Excluded are beer and wine, liquor, and horse racing taxes, which are not collected by the Department of Treasury.

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

A recent edition of *State Policy Reports* summarized data released by the U.S. Department of Commerce regarding state and local government spending and revenue trends. Between calendar years (CY) 1985 and 1988, the total receipts of all state governments rose by 21 percent, while the figure for Michigan was only 15.2 percent. (Michigan data are from the Department of Treasury and the Senate Fiscal Agency.) On the other side of the ledger, spending for all states increased by 24 percent, while in Michigan spending rose by 27 percent. Nationally, the revenue source showing the largest percentage gain was corporate income taxes (which rose by 30 percent during the four-year period); in Michigan, SBT receipts rose by 28 percent. Other revenue categories examined increased at fairly similar rates when all states are considered, although this was not true for Michigan: Federal grant monies rose by 20 percent (the same as in Michigan); sales taxes, 22 percent (compared to 17 percent in Michigan); personal income taxes, 23 percent (15.2 percent in Michigan); and property taxes, 24 percent. Michigan does not have a state-levied property tax (other than on certain utilities), but local property taxes increased 21 percent compared with a 22 percent gain nationwide.

The data also show that changes in federal spending have affected state and local governments differently. For states, federal dollars have risen at nearly the same pace as other types of revenue (20 percent), because income-based program increases have offset cutbacks in other areas. In contrast, local governments experienced a 24 percent reduction in federal funding. State governments have picked up some of the slack, increasing their grants to localities by 23 percent, although in Michigan the figure was somewhat below this amount, rising only 14 percent in the four-year period.

Table 2. Percentage Growth in Selected State and Local Financial Items, 1985-1988

	State	Local	Michigan <sup>a</sup>
Total receipts	21%	14.0%	15.0%
Personal income taxes	23	18.0	11.0
Corporate income taxes	30	18.0	28.0
Sales taxes	22	23.0	17.0
Property taxes	24	22.0	21.0
Federal grants	20	-24.0	20.0
State grants	NA	20.3	8.0
Total, excluding grants	22	24.0	16.0
Total revenues	24%	27.0%	27.0%
Grants to local governments	23%	NA	14.0%

SOURCES: *State Policy Reports*, vol. 7, no. 24, pp. 5-6, Senate Fiscal Agency, and Michigan Department of Treasury

NA: not applicable

<sup>a</sup>State level, except property tax.