

MICHIGAN REVENUE REPORT

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When the economy started to pull out of recession, sales tax collections jumped appreciably. During fiscal year 1982-83 sales tax collections were 8.2% higher than for the previous year, and in fiscal year 1983-84 they rose an additional 13.3%. The increases were largely due to increased spending on automobiles, houses, and other consumer durables. This was typical for a postrecession recovery.

As the recovery matured and the economy settled into a slower paced, more stable rate of expansion, the percentage increase in consumer spending began to taper off even as the absolute dollar volume of sales continued to rise. Consequently, sales tax collections have slowed in comparison to last year. For the third consecutive month, they have increased by less than 10% compared to the same period of one year earlier.

This slowing trend has not yet been reflected in single business tax receipts. During the month of February, single business tax collections rose a strong 38.1% over collections for February 1984. The inference is that companies have finally exhausted their tax credits and/or have improved their efficiency in producing goods and services. Better efficiency reduces per unit cost and increases per unit profit, indirectly boosting state revenues derived from the single business tax.

Monthly Tax Collections (dollars in thousands)

Type of Revenue	Preliminary February 1985	February 1984	Percent Change	FY 1984-85 Year to Date	FY 1983-84 Year to Date	Percent Change
Personal Income Tax	\$296,989 ^a	\$306,652	- 3.1	\$1,556,409 ^a	\$1,739,633	- 10.5
SAFRA ^b	14,546	12,908	+ 12.7	76,001	79,875	- 4.8
Gross Personal Income Tax	311,535	319,560	- 2.5	1,632,410	1,819,508	- 10.3
Less: Refunds	- 115,367	- 160,513	- 28.1	- 178,561	- 255,900	- 30.2
Net Personal Income Tax	196,168	159,047	+ 23.3	1,453,849	1,563,608	- 7.0
Net Sales Tax	156,014	146,692	+ 6.3	860,734	783,575	+ 9.8
Net Use Tax	22,563	22,243	+ 1.4	127,629	124,265	+ 2.7
Net Single Business Tax	204,255	147,922	+ 38.1	616,268	525,504	+ 17.3
Net Cigarette Tax	19,173	18,166	+ 5.5	99,613	100,247	- 0.6
Net Motor Fuel Tax	46,512	45,753	+ 1.6	248,377	220,888	+ 12.4
All Other Taxes and Fees	39,932	16,409	N.A. ^c	189,723	155,213	N.A. ^c
TOTAL NET COLLECTIONS	\$684,617^d	\$556,232	+ 23.1	\$3,596,193^d	\$3,473,300	+ 3.5

^a The personal income tax rate was reduced to 6.1% from 6.35% on January 1, 1984, and from 6.1% to 5.35% on September 1, 1984.

^b State Accounting and Fiscal Responsibility Account.

^c Not applicable as the figures are not comparable; preliminary 1985 numbers are before identification and appropriate distribution of miscellaneous receipts; while 1984 numbers reflect the results of this distribution.

^d Excludes escheats and investment income of \$51,498,800 for the month of February and \$329,930,700 for 1984-85 year-to-date totals.

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