

# MICHIGAN REVENUE REPORT

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DR. GERALD FAVERMAN, Chairman of the Board

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February revenue collections (January activity) deviated little from the growth pattern of recent months. One exception was the single business tax (SBT), which declined 6.2% from the year-ago level after a robust increase in January. For the first four months of the fiscal year, SBT collections are running slightly behind the year-ago level.

For the second month in a row, rapid growth in income tax refunds dampened the overall increase in revenues. This is likely due to faster processing than last year, as refunds are expected to record little, if any, growth this fiscal year.

(over)

## Monthly Tax Collections (dollars in thousands)

Type of Revenue	Preliminary February 1985	% Change from Last Year	Past 3 Months Collections	% Change from Last Year	FY 1985-86 Year-to-Date	% Change from Last Year
Personal Income Tax						
Withholding <sup>a</sup>	\$339,495	10.3	\$992,525	8.0	\$1,301,728	10.0
Quarterly and Annual Payments <sup>a</sup>	9,330	20.5	116,506	24.4	121,839	24.3
SAFRA <sup>a,b</sup>	434	NM	21,006	-57.4	36,419	-41.7
Gross Personal Income Tax <sup>a</sup>	349,259	10.7	1,130,037	9.5	1,459,986	11.1
Less: Refunds	-131,316	13.4	-180,318	19.5	-198,802	19.5
Net Personal Income Tax <sup>a</sup>	218,059	9.2	949,719	7.8	1,261,184	9.9
Sales and Use Taxes	203,202	13.0	670,977	11.9	881,806	11.4
-Motor Vehicles	34,701	22.4	94,129	12.3	129,308	13.3
Single Business Tax	193,414	-6.2	339,281	0.3	511,556	-0.8
Cigarette Tax	18,858	-1.7	59,010	-0.2	80,501	—
Public Utility Taxes	—	—	176	NM	55,011	-2.0
Oil and Gas Severance Tax	5,290	-13.8	19,215	5.0	24,163	-4.4
Lottery <sup>c</sup>	40,840	26.4	109,680	23.4	140,960	21.2
Penalties and Interest <sup>d</sup>	116	NM	11,422	39.4	11,422	39.4
SUW—Annals and Undistributed <sup>e</sup>	10,142	-22.5	10,142	-22.5	10,142	-22.5
Other Taxes <sup>f</sup>	13,008	65.4	42,355	45.2	57,689	44.2
<b>TOTAL TAXES (GF-GP &amp; SAF)<sup>g</sup></b>	<b>\$702,929</b>	<b>8.3</b>	<b>\$2,211,977</b>	<b>9.4</b>	<b>\$3,034,434</b>	<b>9.1</b>
Motor Fuel Tax <sup>h</sup>	\$46,698	1.1	\$151,959	4.0	\$205,847	4.1

NM = Not meaningful

<sup>a</sup>Adjusted to reflect changes in tax rates. Withholding is adjusted to reflect difference in number of Fridays (paydays) in a month.

<sup>b</sup>State Accounting and Fiscal Responsibility Account.

<sup>c</sup>Lottery collections run one month behind other tax collections due to a reporting lag. Therefore, January lottery collections are included in this month's report. The State share of lottery collections is estimated to be 40.8%, based on the average profit to the State for FY 1984-85.

<sup>d</sup>The past three months penalty and interest collections exclude February and cover the October through January period.

<sup>e</sup>This category is included for the first time. Figures are the same for the past three months collections and year-to-date because these revenues are distributed to the sales, use, and withholding (SUW) accounts when final numbers for the month are reconciled.

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

<sup>g</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% of GF-GP and SAF revenue and have shown little growth in recent years.

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

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## Monthly Focus: Gasoline Tax

In FY 1985 there was no scheduled increase in the 15-cent gasoline tax rate because, by law, the formula tying the tax rate to construction costs expired at the end of FY 1984. The gasoline tax was increased from 9 cents to 11 cents in 1979, to 13 cents in 1983, and to 15 cents in 1984.

Gasoline consumption, including gasohol, rose 3.1% in FY 1985. However, total gasoline tax revenues rose 8% to \$569.7 million, because the 15-cent tax rate was in effect for a full year (compared with 9 months in FY 1984) and because of the phase-out of a special tax break granted to gasohol. The tax on gasohol dropped from 4 cents (October-December 1984) to 1 cent per gallon in January 1985.

For the first four months of the current fiscal year, gasoline consumption (and revenues) have increased 4.1% above the FY 1985 level. This compares with a forecast of a 2% increase in the Governor's Executive Budget. With the sharp fall in gasoline prices, consumption is likely to grow at an even faster pace in the remaining 8 months of the fiscal year. A growth rate of 5% for the year would generate about \$17 million more in revenues than estimated in the budget.