



Michigan REVENUE REPORT

State general and school aid fund revenues turned in a strong performance for the second consecutive month. Personal income tax withholding collections increased only 2.9 percent above the year-ago level, following a 14.6 percent increase last month. However, February collections (January activity) were not as weak as the numbers indicate nor were January collections (December activity) as strong; because January 1 fell on a Friday, some withholding revenue that would normally have been in February collections was included in January. Also, several one-time occurrences added to the large increase in January.

February sales tax collections increased 6.1 percent above the February 1987 level, despite a 0.6 percent decline in activity related to motor vehicles. Single business tax collections continued strong in February, rising 17.3 percent above the year-ago level.

Lottery sales appear to be rebounding after a lackluster performance in FY 1986-87. January sales increased 29.3 percent above the year-ago level, and partial data on February sales indicate a continued strong upward trend. Most of the strength has been due to large Lotto jackpots, and it is unlikely that sales can continue to be this strong.

The cigarette tax increased from 21 cents to 25 cents per pack on January 1, 1988, but these additional revenues were not fully reflected in February collections.

Revenue collections appear to be stronger than the economy. If the current pattern continues, revenues will exceed the administration's budget estimates. (over)

Table 1. Monthly Tax Collections

Dollars in Thousands

Type of Revenue	Preliminary February 1988	% 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 ^a	\$316,894	2.9%	\$970,295	7.3%	\$1,288,229	5.4%
Quarterly and Annual Payments	12,801	29.8	156,784	0.3	164,066	2.1
Gross Personal Income Tax	329,695	3.8	1,127,079	6.2	1,452,295	5.0
Less: Refunds	-131,377	-26.9	-156,126	-31.2	-164,680	-30.5
Net Personal Income Tax	198,318	43.8	970,953	16.4	1,287,615	12.4
Sales and Use Taxes	207,556	6.1	702,804	3.0	942,512	4.9
-Motor Vehicles	30,728	-0.6	96,587	3.9	130,663	-0.8
Single Business Tax	201,078	17.3	377,665	12.8	614,346	21.3
Cigarette Tax	14,782	-15.3	56,779	-0.2	76,931	-0.4
Public Utility Taxes	0	—	48,050	-9.6	61,236	4.5
Oil and Gas Severance	2,916	-20.6	11,379	-7.9	15,277	-1.4
Lottery ^b	50,158	29.3	123,700	19.8	156,679	16.8
Penalties and Interest	-593	NM	12,052	54.0	18,543	64.2
SUW—Annuals and Undistributed ^c	5,303	-61.7	10,769	-44.4	8,602	-56.6
Other Taxes ^d	11,822	63.6	53,448	-7.3	66,003	-14.5
TOTAL TAXES (GF & SAF)^e	\$691,340	17.9%	\$2,367,599	9.5%	\$3,247,384	10.3%
Motor Fuel Tax ^f	\$47,906	5.9%	\$154,378	0.6%	\$214,305	1.7%

SOURCE: Data supplied by Michigan Department of Treasury.

NM = Not meaningful

^aWithholding is adjusted to reflect the difference in number of Fridays (paydays) in a month.

^bLottery 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 percent, based on the average profit to the state for fiscal year 1986-87. The percentage change 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.

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

1987 Unemployment Rates by State

The average U.S. unemployment rate fell to 6.2 percent in 1987 from 7 percent in 1986. Rates in 44 states and the District of Columbia were lower in 1987 than in 1986. The Michigan unemployment rate fell from 8.8 percent in 1986 to 8.2 percent in 1987. Nationwide, 26 states recorded larger unemployment rate declines than Michigan; among the Great Lakes states, only Indiana had a smaller decline. (See Table 2.) Eight states, mainly those dependent on natural resources production, had higher unemployment rates in 1987 than did Michigan.

The decline in 1987 was the fifth consecutive yearly decline for the Michigan unemployment rate. This string is likely to be broken in 1988, as the unemployment rate is expected to average 9 to 9.5 percent this year.

*Table 2. Unemployment Rates,
Michigan and Selected States, 1986 and 1987*

State	1986	1987
California	6.7	5.8
Florida	5.7	5.3
Illinois	8.1	7.4
Indiana	6.7	6.4
Massachusetts	3.8	3.2
MICHIGAN	8.8	8.2
Minnesota	5.3	5.4
New York	6.3	4.9
Ohio	8.1	7.0
Pennsylvania	6.8	5.7
Texas	8.9	8.4
Wisconsin	7.0	6.1
United States	7.0	6.2

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, "State and Regional Unemployment in 1987," *News*, February 19, 1988.