



Michigan REVENUE REPORT

March revenue collections (February activity) were relatively weak. Personal income tax withholding collections fell 3.5 percent below the year-ago level. However, this likely reflects an aberration in the collections pattern rather than weakness in economic activity. Sales and use tax collections increased 5.4 percent, about in line with increases in recent months. Motor vehicle collections increased only 2.1 percent, but this was the largest gain since November.

Single business tax collections in March declined 29.6 percent, but March is not an important collection month. Year-to-date collections are 10.4 percent below the year-ago level.

Lottery collections declined 3.9 percent from the year-ago level in February, continuing the recent weakness in this revenue source. However, preliminary March figures point to an increase of about 8 percent, due mainly to a large Lotto jackpot in late March. Year-to-date collections are 0.9 percent below the year-ago level. If this weakness continues, collections will fall about \$20 million short of the budget estimate.

Table 1. Monthly Tax Collections

Dollars in Thousands

Type of Revenue	Preliminary March 1990	% 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	\$286,881	-3.5%	\$1,064,992	1.5%	\$1,714,925	3.1%
Quarterly and Annual Payments	21,811	-14.7	157,785	2.5	200,523	3.2
Gross Personal Income Tax	308,692	-4.3	1,222,777	1.6	1,915,448	3.1
Less: Refunds	-245,581	-9.2	-415,641	5.4	-433,218	4.8
Net Personal Income Tax	63,111	21.0	807,136	-0.3	1,482,230	2.6
Sales and Use Taxes	220,510	5.4	772,208	5.0	1,279,567	5.2
Motor Vehicles	32,371	2.1	99,361	-4.0	172,267	-2.3
Single Business Tax	35,995	-29.6	400,537	-11.1	684,455	-10.4
Cigarette Tax	19,216	5.9	59,364	8.4	103,628	2.8
Public Utility Taxes	-0-	—	1	—	69,861	8.1
Oil and Gas Severance	3,799	-18.3	11,228	11.8	19,341	17.8
Lottery ^a	35,796	-3.9	118,403	-4.5	202,201	-0.9
Penalties and Interest	-116	NM	12,888	-10.3	23,632	29.4
SUW—Annuals and Undistributed ^b	12,345	34.4	16,588	8.7	17,948	15.5
Other Taxes ^c	45,743	-15.5	78,942	-13.3	123,650	-14.7
TOTAL TAXES (GF & SAF)^d	\$436,399	0.0%	\$2,316,488	-1.2%	\$4,006,513	0.4%
Motor Fuel Tax ^e	\$50,429	-11.7%	\$165,204	-2.6%	\$279,243	0.3%

SOURCE: Data supplied by Michigan Department of Treasury.

NM=not meaningful

^aLottery collections run one month behind other tax collections due to a reporting lag; February lottery collections are included in this month's report. The state share of lottery collections is estimated to be 41.9 percent, based on the average profit to the state for fiscal year 1988-89. The previous year's figures are adjusted to the current year's profit margin; the percentage change reflects the increase in ticket sales.

^bThese revenues are distributed to the sales, use, and withholding (SUW) accounts when final numbers for the month are reconciled.

^cIncludes intangibles, inheritance, foreign insurance premium, corporate organization, and industrial and commercial facilities taxes.

^dExcluded are beer and wine, liquor, and horse racing taxes, which are not collected by the Department of Treasury.

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

U.S. Consumer Expenditures

According to the U.S. Bureau of Labor Statistics Consumer Expenditure Survey, annual expenditures per household increased about 6 percent in 1988 (latest data available), following increases of about 2 percent in 1986 and 1987. As shown in Table 2, health care, transportation, and entertainment increased at above-average rates. Vehicle purchases, a major component of transportation, increased 16.8 percent, following a 14 percent drop in 1987. Food and apparel and services registered below-average increases. Table 2 also shows changes in the consumer price index (CPI) for comparable components. If the expenditure increase exceeds the CPI increase, this generally indicates an increase in the quantity purchased—entertainment being one example. In the opposite case, as with alcoholic beverages, the quantity purchased likely declined.

The distribution of expenditures, shown in Table 3, has been relatively stable since 1985. Only housing and other transportation (not shown in table) recorded consistent increases.

Table 2. U.S. Consumer Expenditures by Category and Percent Changes and Consumer Price Index Changes, 1987-88

Category	Expenditures 1988	Percent Change from 1987	Percent Change in CPI, 1987-88
Food	\$3,748	2.3%	4.1%
Alcoholic beverages	269	-6.9	3.9
Housing	8,079	6.7	NA
Apparel and Services	1,489	3.0	4.3
Transportation	5,093	10.7	3.1
—Vehicles	2,361	16.8	2.3
—Gasoline and Motor Oil	932	5.0	0.9
Health Care	1,298	14.4	6.5
Entertainment	1,329	11.4	4.3
Personal Insurance and Pensions	2,249	3.4	NA
Other	2,339	0.2	NA
AVERAGE ANNUAL EXPENDITURE	\$25,892	6.1	NA

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, "Consumer Expenditures in 1988," *News*, February 1990.

Table 3. Distribution of Expenditures, Consumer Expenditure Survey 1985-88^a

Category	1985	1986	1987	1988
Food	14.8%	14.4%	15.0%	14.5%
Housing	30.2	30.6	31.0	31.2
Apparel and Services	6.0	5.6	5.9	5.8
Transportation	19.5	20.3	18.8	19.7
—Vehicles	8.7	9.8	8.3	9.1
—Gasoline and Motor Oil	4.4	3.8	3.6	3.6
Health Care	4.7	4.8	4.6	5.0
Personal Insurance and Pensions	8.6	8.9	8.9	8.7
Other	16.2	15.4	15.7	15.2
TOTAL	100.0% ^b	100.0% ^b	100.0% ^b	100.0% ^b

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, "Consumer Expenditures in 1988," *News*, February 1990.

^aData for Michigan are not available. Data are available for the Midwest, but the distribution of expenditures is little different from the U.S. distribution.

^bMay not add to 100 due to rounding.