



Michigan REVENUE REPORT

Revenue collections for April (March activity) improved modestly from the March performance. Personal income tax withholding increased 6.1 percent above the year-ago level, and quarterly and annual tax payments continued strong. Income tax refunds continue to run ahead of the year-ago pace due to faster processing. The amount of the average refund is down from a year ago, but the number of refunds is likely to be higher. The final total could be as much as 5 percent above or below the budget estimate. Sales and use collections increased 5.5 percent above April 1986, the best increase since January, due in part to a 17.1 percent increase in motor vehicle collections. Sales other than motor vehicles increased only 1.3 percent, the reverse of last month when non-motor vehicle sales were much stronger than motor vehicle sales.

Single business tax collections continued to weaken, as April collections fell 15.2 percent below the year-ago level. If collections do not improve in May, when final payments for the second quarter and 1986 annuals are received, last month's forecast of a \$90 million shortfall in collections for the current fiscal year may be on the low side.

Lottery sales also continued weak in March, declining 2.8 percent from the year-ago level. The available numbers for April show no improvement, as sales in the first four weeks of the month declined 3.8 percent from the April 1986 level. In last month's report, lottery revenue for FY 1986-87 was forecast to fall \$65 million below the budget estimate. Based on March and April sales, the shortfall could approach \$75 million. (over)

Table 1. Monthly Tax Collections

Dollars in Thousands

Type of Revenue	Preliminary April 1987	% Change from Last Year	Past 3 Months Collections	% Change from Last Year	FY 1986-87 Year-to-Date	% Change from Last Year
Personal Income Tax						
Withholding ^a	\$291,755	6.1%	\$887,096	4.2%	\$1,801,215	4.8%
Quarterly and Annual Payments ^a	145,919	17.7	175,498	15.6	326,173	28.8
Gross Personal Income Tax ^a	437,694	9.5	1,062,454	5.9	2,127,388	7.9
Less: Refunds	-247,144	5.6	-735,734	29.3	-793,055	24.6
Net Personal Income Tax ^a	190,550	15.1	326,720	-25.3	1,334,333	-0.1
Sales and Use Taxes	218,431	5.5	604,436	1.8	1,306,666	2.7
-Motor Vehicles	41,238	17.1	97,950	-2.4	198,765	2.0
Single Business Tax	101,894	-15.2	324,257	-11.3	659,211	-3.6
Cigarette Tax	19,121	0.7	53,535	-2.1	113,355	-2.6
Public Utility Taxes	0	0	15	NM	58,635	6.6
Oil and Gas Severance Tax	3,638	-11.4	11,288	-24.1	23,109	-31.5
Lottery ^b	36,450	-2.8	109,265	-0.8	210,215	0.7
Penalties and Interest	36	NM	10,755	32.1	21,856	11.7
SUW—Annuals and Undistributed ^c	965	NM	8,065	-34.4	14,068	0.1
Other Taxes ^d	45,551	7.4	83,090	-0.3	153,052	19.5
TOTAL TAXES (GF & SAF)^e	\$616,636	2.6%	\$1,531,426	-12.0%	\$3,894,500	1.7%
Motor Fuel Tax ^f	\$52,444	4.2%	\$152,512	3.0%	\$317,970	3.5%

NM = Not meaningful

^aAdjusted to reflect changes in tax rates. Withholding is also adjusted to reflect difference in number of Fridays (paydays) in a month. On an unadjusted basis, April withholding collections declined 4.1 percent from the year-ago level.

^bLottery collections run one month behind other tax collections due to a reporting lag. Therefore, March 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 1985-86. The percentage change is calculated on gross sales for the month. The numbers in this table include only ticket sales; an additional \$6.5 million has been received from interest and other sources as of March 31, 1987.

^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 shown little growth in recent years. One exception is the insurance premiums tax, which increased 27 percent in fiscal year 1985-86 and 13.1 percent in the previous fiscal year.

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

Michigan Personal Income

The U.S. Department of Commerce released its report on 1986 state personal income in mid-April. Based on 1986 personal income growth, New England and the Far West are the fastest growing regions and the energy-producing Southwest and Rocky Mountain regions are the slowest growing.

Total personal income in the Great Lakes region increased 4.4 percent above the 1985 level compared with a 5.3 percent increase for the nation. (See Exhibit 1.) Total Michigan personal income in 1986 increased 4 percent.

On a per capita basis, Michigan personal income increased 3.4 percent to \$14,064 compared to a 4.1 percent increase to \$14,178 for the Great Lakes region and a 4.3 percent increase to \$14,461 for the nation. Michigan ranks 20th in per capita income among the states. Connecticut ranks first at \$19,208 per capita and Mississippi is last at \$9,552.

Michigan per capita income in 1986 was 97.3 percent of the U.S. average. (See Exhibit 2.) As recently as 1978, Michigan per capita income was 105.2 percent of the U.S. average and the state ranked ninth among all the states. The recession of the early 1980s severely buffeted the Michigan economy and the state has not fully recovered—it may be a long time before Michigan per capita income again exceeds the U.S. average.

Exhibit 1. Personal Income Growth by Region, 1986
(Percentage Change from 1985 Level)

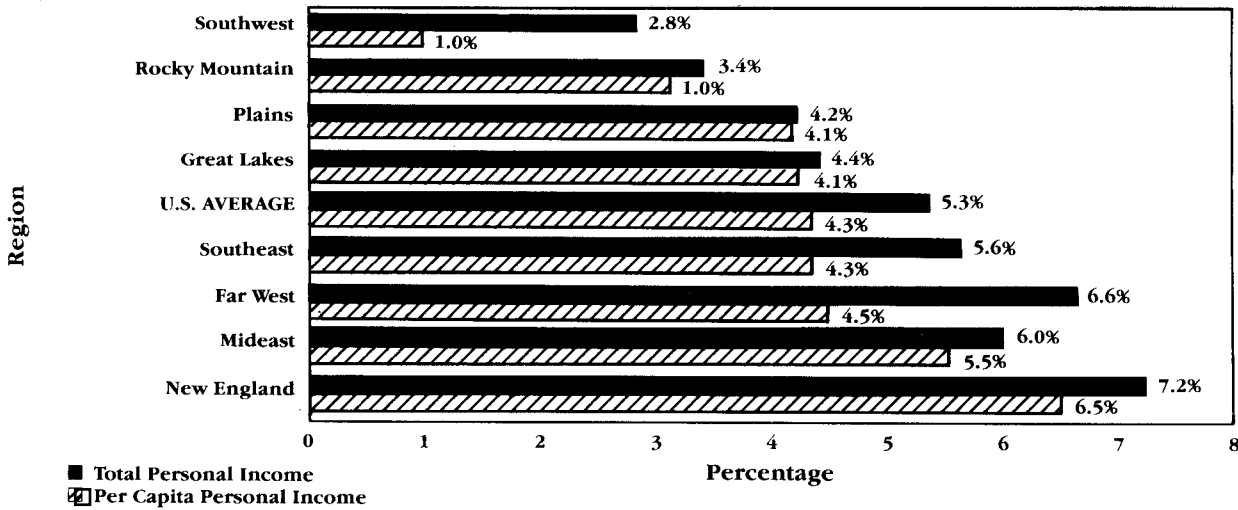


Exhibit 2. Michigan Per Capita Income as a Percentage of U.S. Per Capita Income, 1960-86, Selected Years

