

Michigan REVENUE REPORT

Revenue collections turned in a mixed performance in April (March activity). Personal income tax withholding collections increased 6.7 percent above the year-ago level. However, there were five paydays (Fridays) in March compared to four in March 1988. Adjusted for this difference, withholding increased only 0.7 percent. This small increase, however, likely is due to a change in the collection pattern, as it cannot be explained fully by economic activity.

Sales and use tax collections increased 5.3 percent, the smallest increase in several months. This slowdown occurred even though sales were given a boost by Easter buying, which fell in March this year and in April last year. Part of the weakness was due to the slump in motor vehicle sales—collections declined 1.6 percent in April. Excluding motor vehicle sales, collections increased 6.9 percent.

Single business tax collections continued strong, increasing 8.9 percent above the year-ago level.

Lottery sales continued to slump, falling 2.1 percent in March compared to March 1988. Sales for the past three months are off 16 percent. Sales for the first three weeks of April perked up, however, rising 3.6 percent above the year-ago level.

Overall, revenues continue to run well above projections. It now appears that general fund/general purpose and school aid fund revenue will exceed the FY 1988-89 budget estimate by about \$250 million. The Senate Fiscal Agency is projecting a year-end balance of \$115 million for the current fiscal year and \$245 million for FY 1989-90.

Table 1. Monthly Tax Collections

Type of Revenue	Dollars in Thousands					
	Preliminary April 1989	% Change from Last Year	Past 3 Months' Collections	% Change from Last Year	FY 1988-89 Year-to-Date	% Change from Last Year
Personal Income Tax						
Withholding	\$374,663	0.7% ^a	\$991,778	3.9%	\$2,042,830	6.1%
Quarterly and Annual Payments	204,973	-6.1	242,131	-8.0	400,733	-3.1
Gross Personal Income Tax	579,636	1.8 ^a	1,233,909	1.4	2,443,563	4.4
Less: Refunds	-243,748	-3.5	-622,266	-7.7	-657,937	-7.0
Net Personal Income Tax	335,888	-0.6	611,643	12.6	1,785,626	9.4
Sales and Use Taxes	243,255	5.3	675,979	6.7	1,463,102	7.0
-Motor Vehicles	43,338	-1.6	112,485	6.4	425,213	6.3
Single Business Tax	120,464	8.9	417,573	14.1	886,025	13.7
Cigarette Tax ^b	22,543	-2.1	60,354	1.8	129,547	6.7
Public Utility Taxes	0	--	0	--	64,647	5.6
Oil and Gas Severance	3,731	16.4	10,403	-0.1	20,155	-11.5
Lottery ^c	38,869	-2.1	112,882	-16.0	235,042	-2.1
Penalties and Interest	348	NM	13,748	39.2	27,091	-6.6
SUW—Annuals and Undistributed ^d	4,331	-46.1	14,875	17.8	16,979	18.9
Other Taxes ^e	69,790	61.9	160,867	82.9	237,932	67.4
TOTAL TAXES (GF & SAF) ^f	\$839,219	5.3%	\$2,078,325	11.9%	\$4,866,146	10.3%
Motor Fuel Tax ^g	\$53,988	-4.3%	\$166,828	1.8%	\$335,011	1.4%

SOURCE: Data supplied by Michigan Department of Treasury.

NM = Not meaningful

^aAdjusted to reflect difference in number of Fridays (paydays in a month).

^bAdjusted for 4-cent increase on January 1, 1988, the percentage changes are: April, -17.8 percent; past three months, -14.5 percent; year-to-date, -3.0 percent.

^cLottery 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 40.7 percent, based on the average profit to the state for fiscal year 1987-88. The previous year's figures are adjusted to the current year's profit margin; the percentage change reflects the increase in ticket sales.

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

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

^fExcluded 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 and SAF revenue and usually have shown little growth in recent years.

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

State Employment and Unemployment

Among the most populous states, Michigan and Illinois experienced the largest drop in their unemployment rates between February 1988 and February 1989, 2.1 percentage points (based on the latest data available for all states). The Michigan unemployment rate averaged 7.2 percent in the first quarter of 1989, the lowest rate since the fourth quarter of 1978, when the rate was 6.3 percent.

Louisiana had the nation's highest unemployment rate in February, 11.7 percent, while New Hampshire had the lowest rate, 2.8 percent.

Michigan did not fare quite as well in employment growth, ranking 7th among the 14 states listed in Table 2, with a 2.6 percent increase in employment from February 1988 to February 1989. Manufacturing employment increased only 1.1 percent, while employment in the services sector rose 3.3 percent. Growth in construction and trade employment was also strong, increasing 9.9 percent and 3.5 percent, respectively.

Table 2. Employment and Unemployment, Selected States

State	Unemployment Rate February 1989	Percentage Change in Unemployment Rate February 1988- February 1989	Percentage Change in Employment, February 1988- February 1989
Louisiana (1)	11.7%	0.2%	1.1%
Texas	7.3	-1.4	2.3
Michigan	6.8	-2.1	2.6
Illinois	6.1	-2.1	2.1
Ohio	5.9	-1.2	2.7
New York	5.5	1.1	1.6
California	5.5	-0.3	3.4
Indiana	5.4	-1.5	3.8
Florida	5.2	0.2	4.8
Minnesota	4.9	-0.1	3.2
Pennsylvania	4.8	-1.1	1.9
New Jersey	4.5	0.5	1.6
Massachusetts	3.9	0.1	1.7
New Hampshire (51)	2.8	0.1	2.8
United States	5.1%	-0.5%	3.4%

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, *News*, April 19, 1989.