

Michigan REVENUE REPORT

May (April activity) was one of the worst months for state revenue collections since the deep recession of the early 1980s. Every major revenue source turned in a weak performance.

Personal income tax collections increased only 2.9 percent above the year-ago level, but this was the largest increase since February. Despite this weakness, collections should reach the budget estimate of \$4,110 million, which is 2.6 percent above the FY 1988–89 level. Quarterly and annual payments were off 7.5 percent in May and are up only 1.3 percent for the year. The budget projection of \$852 million, a 6.6 percent increase, appears quite optimistic. A more likely estimate is \$810–820 million. Income tax refunds jumped 19.5 percent in May and, for the year to date, are 9.2 percent above the same period a year ago. The budget projects refunds of \$1,110 million, a 6.7 percent increase. A 9.2 percent increase would produce a refund figure of \$1,135 million. However, refunds are subject to a number of adjustments, and any estimate is perilous until the final numbers are available.

Sales and use tax collections in May increased 1.7 percent, one of the smallest increases in recent years. Motor vehicle collections increased 0.4 percent, continuing the recent weakness. Collections through May are 4 percent above the year-ago level and not likely to achieve the 5.4 percent increase forecast in the budget. Our estimate is that collections will total \$3,200–3,215 million, \$20–35 million short of the budget estimate of \$3,235 million.

Table 1. Monthly Tax Collections

Dollars in Thousands

Type of Revenue	Preliminary May 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	\$304,228	2.9%	\$980,872	0.7%	\$2,408,916	2.9%
Quarterly and Annual Payments	152,777	-7.5	395,430	-0.7	574,142	1.3
Gross Personal Income Tax	456,505	-0.8	1,376,302	0.3	2,983,058	2.6
Less: Refunds	-248,136	19.5	-757,787	4.8	-945,424	9.2
Net Personal Income Tax	208,369	-17.5	618,515	-4.8	2,037,634	-0.2
Sales and Use Taxes	258,166	1.7	727,117	2.2	1,786,183	4.0
Motor Vehicles	45,950	0.4	118,965	-3.6	258,871	-3.4
Single Business Tax	312,820	-12.9	515,051	-3.5	1,163,509	-6.7
Cigarette Tax	21,286	-0.5	62,385	0.7	146,796	-2.7
Public Utility Taxes	10	NM	3	NM	69,863	8.1
Oil and Gas Severance	3,654	12.5	11,350	-2.4	26,892	14.9
Lottery ^a	41,805	-1.0	125,510	3.2	292,885	1.5
Penalties and Interest	138	NM	12,006	-21.3	35,572	8.1
SUW—Annals and Undistributed ^b	5,528	12.2	15,871	20.7	21,474	10.1
Other Taxes ^c	49,365	20.6	170,685	0.3	260,075	-6.8
TOTAL TAXES (GF & SAF)^d	\$901,141	-7.9%	\$2,384,354	-1.2%	\$5,841,063	-0.4%
Motor Fuel Tax ^e	\$51,101	-0.7%	\$162,491	-3.0%	\$391,905	0.7%

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; April 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.

Single business tax collections continued to fall well short of estimates, as May collections declined 12.9 percent below the year-ago level. Collections for the year to date are off 6.7 percent, and, although some improvement is possible in the next few months, collections are going to fall well short of the budget estimate of \$1,907 million—a 4.9 percent increase from FY 1988–89. Our estimate is that total collections will be in the range of \$1,740–1,760 million, \$147–167 million below the budget estimate.

April lottery collections were one percent below April 1989 collections, and preliminary May data show a 6.5 percent drop. With a large jackpot or two, collections could reach the budget estimate of \$502.5 million, but \$485–490 million is more likely.

All other revenues, which comprise about 11.5 percent of general-fund-general purpose (GF/GP) and school aid fund (SAF) revenue, appear to be close to or slightly below the budget estimate.

To summarize, we estimate that total GF/GP and SAF revenue for FY 1989–90 will be \$9,265–9,315 million, \$200–250 million below the January budget estimate. The current Senate Fiscal Agency estimate is \$9,434 million, \$80 million below the budget estimate.

Monthly Focus: State Equalized Value

The State Tax Commission recently released 1989 state equalized valuation (SEV) numbers for Michigan. The statewide SEV increase was 8.8 percent, the largest since 1981; the increase last year was 8.1 percent. As indicated in Table 2, the largest increases were for residential and commercial property, which also recorded the largest increases last year, but in reverse order. The 2.6 percent increase for the agricultural category was the first increase since 1983, a sign that the farm sector has begun to recover from the sharp slump of the mid-1980s, which caused large declines in incomes and property values. The 1989 SEV for this category is still 18.8 percent below the 1983 level.

The largest increases in SEV among the 83 counties were 19.2 percent in Mackinac, 16.5 percent in Livingston, 14.1 percent in Luce, and 13.5 percent in Washtenaw. Oakland County, which tied Washtenaw for second place last year, slipped to 13th with a 10.1 percent gain in total SEV. Livingston, Washtenaw, Kent, Ottawa, Midland, Emmet, and Leelanau were in the top ten both this year and last.

The counties at the bottom of the ranking were generally the same ones as last year—mostly upper peninsula and northern lower peninsula counties. The smallest gains among the counties were 1.3 percent in Keweenaw and 1.4 percent in Gogebic. Genesee (2.7 percent) turned in by far the weakest performance of the state's larger counties, due mainly to the cutbacks in the automobile industry.

For residential property the largest increases were: Livingston, 18.7 percent, and Washtenaw, 15.8 percent. The smallest increase was 0.7 percent in Gogebic County.

TABLE 2. Michigan State Equalized Valuation by Category, 1988 and 1989
(dollar amounts in millions)

Category	Amount (1989) ^a	Percentage Change from 1988	Percentage Change 1988 over 1987
Residential	\$82,927.5	9.9%	9.6%
Commercial	21,188.7	9.7	10.3
Personal	17,380.2	7.9	4.9
Industrial	11,989.3	5.0	5.3
Agricultural	6,057.2	2.6	-0.4
Other	627.8	4.0	1.8
TOTAL	\$140,170.7	8.8%	8.1%

SOURCE: State Tax Commission, Michigan Department of Treasury, May 1990.

^aAssessments as of December 31, 1989.