

# MICHIGAN REVENUE REPORT

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There were no major surprises in the performance of June (May activity) revenue collections. Income tax withholding increased 8% above the year-ago level (adjusted for the change in tax rate), slightly below the May increase. Gross income tax collections increased a robust 74%, because, as reported last month, income tax refunds were processed faster this year than last year. As a result, income tax refunds in June were 62.3% below the June 1985 level.

Sales and use tax collections increased 5.5% above June 1985, the best performance since February. Motor vehicle sales continued to be sluggish, declining 3.7%. The increase excluding motor vehicles was 8.3%.

Single business tax collections in June were 33.3% above the year-ago level; year-to-date collections are running very close to the budget estimates.

(over)

**TABLE 1**  
**Monthly Tax Collections**  
**(dollars in thousands)**

Type of Revenue	Preliminary June 1986	% Change from Last Year	Past 3 Months Collections	% Change from Last Year	FY 1985-86 Year-to-Date	% Change from Last Year
Personal Income Tax						
Withholding <sup>a</sup>	\$299,803	8.0%	\$ 876,558	6.4%	\$2,478,161	8.6%
Quarterly and Annual Payments <sup>a</sup>	63,517	8.2	271,020	11.3	414,381	14.4
SAFRA <sup>a,b</sup>	240	NM	7,294	NM	44,767	-64.7
Gross Personal Income Tax <sup>a</sup>	363,560	8.1	1,154,872	7.5	2,937,309	9.4
Less: Refunds	-61,348	-62.3	-499,987	-3.6	-902,285	1.8
Net Personal Income Tax <sup>a</sup>	302,212	74.0	654,885	17.9	2,034,924	13.2
Sales and Use Taxes	230,577	5.5	656,740	3.5	1,721,870	8.0
-Motor Vehicles	48,654	-3.7	129,118	-5.4	289,178	6.1
Single Business Tax	49,066	33.3	434,769	13.8	998,564	6.7
Cigarette Tax	19,317	-9.5	58,361	-3.0	155,721	-1.2
Public Utility Taxes	213	NM	213	NM	55,222	-1.8
Oil and Gas Severance Tax	3,817	-41.5	11,608	-37.5	41,243	-18.2
Lottery <sup>c</sup>	35,375	14.5	105,670	14.4	289,696	23.2
Penalties and Interest <sup>d</sup>	-329	NM	11,380	31.1	25,805	27.6
SUW—Annuals and Undistributed <sup>e</sup>	5,504	NM	5,332	242.2	14,266	47.9
Other Taxes <sup>f</sup>	6,959	11.0	78,089	-0.2	163,726	22.1
<b>TOTAL TAXES (GF-GP &amp; SAF)<sup>g</sup></b>	<b>\$652,765</b>	<b>30.9%</b>	<b>\$2,017,047</b>	<b>10.1%</b>	<b>\$5,501,037</b>	<b>10.6%</b>
Motor Fuel Tax <sup>h</sup>	\$ 52,588	4.6%	\$ 161,200	5.0%	\$ 418,074	4.2%

NM = Not meaningful

<sup>a</sup>Adjusted to reflect changes in tax rates. Withholding is adjusted to reflect difference in number of Fridays (paydays) in a month. On an unadjusted basis, June withholding collections declined 4.6% from the year-ago level.

<sup>b</sup>State Accounting and Fiscal Responsibility Account. This fund is no longer operational and is receiving only residual payments. These monies are not included in totals for purposes of calculating percent changes.

<sup>c</sup>Lottery collections run one month behind other tax collections due to a reporting lag. Therefore, May lottery collections are included in this month's report. The State share of lottery collections is estimated to be 40.8%, based on the average profit to the State for FY 1984-85, except for the year-to-date figure, which uses the actual State share for the first six months of the fiscal year—42.8%.

<sup>d</sup>Penalty and interest collections for the past three months exclude June and cover the March through May period.

<sup>e</sup>These revenues are distributed to the sales, use, and withholding (SUW) accounts when final numbers for the month are reconciled.

<sup>f</sup>Includes intangibles, inheritance, corporate organization, and industrial and commercial facilities taxes.

<sup>g</sup>Excluded 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% of GF-GP and SAF revenue and have shown little growth in recent years.

<sup>h</sup>The motor fuel tax is restricted to the Transportation Fund.

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## Monthly Focus: Sales Tax

Table 2 presents sales tax collections by category for the October 1985 to April 1986 period, the latest data available. The 9% increase for total collections was a little stronger than expected; however, in the April to June period total collections increased only 3.5% as motor vehicle sales weakened and consumers became more reluctant to increase their near record level of consumer debt.

Two of the strongest areas of retail sales in the first seven months of the fiscal year were those categories affected by the strong recovery in housing: building materials and furniture.

The general merchandise category, which includes the large department stores, was the only major category to decline, while miscellaneous retail, which includes specialty stores, recorded the second largest increase.

**TABLE 2**  
**Sales Tax Collection by Category, October 1985-April 1986**

Category	Amount (000)	% Change from Year-Ago Period
Building Materials	\$ 68,932	15.5%
General Merchandise	113,772	-2.6
Food	184,023	4.7
Automotive	351,810	12.5
— Gasoline Stations	103,998	2.6
Apparel	58,367	9.1
Furniture	58,672	13.3
Misc. Retail	132,321	14.0
Nonretail	324,479	8.5
— Gas and Electricity	138,641	3.2
<b>TOTAL</b>	<b>\$1,292,376</b>	<b>9.0%</b>

SOURCE: Michigan Department of Treasury, *Monthly Research and Statistical Bulletin*, May 31, 1986.