



Michigan REVENUE REPORT

June revenue collections (May activity) showed some signs of weakness, but there is no indication that growth will fall below current budget projections. (See Table 1.)

Personal income withholding collections increased 5.9 percent above the year-ago level, slightly below the average increase for the year. Sales and use tax collections rose only 4.6 percent, despite a 7.5 percent increase in motor vehicle collections. The weakness stemmed from a 16.8 percent drop in use tax collections, probably due to a change in the collection pattern rather than a weakening of the tax base. Single business tax collections continued to falter, declining 1.6 percent below the year-ago level. This is no cause for alarm, as June is a slow collection month, but of more concern is the 2.3 percent decline for the last three months. Nevertheless, year-to-date collections still are ahead of current budget projections by the Department of Management and Budget (DMB) and the Senate Fiscal Agency (SFA).

Lottery collections in May rose 5 percent, the largest increase since December, but for the first four weeks of June were off 5.3 percent from a year ago. Unless there is a large Lotto jackpot, sales likely will be below the year-ago level for the remainder of the fiscal year. However, the profit to the state still should reach the SFA estimate of \$480 million and exceed the current DMB estimate of \$460 million.

In its June 30 financial report to the legislature, the DMB raised its FY 1988-89 general fund/general purpose and school aid fund estimates by \$130.6 million and \$42.6 million, respectively. Together, these DMB figures total approximately \$45 million less than the SFA is forecasting.

Table 1. Monthly Tax Collections

Dollars in Thousands

Type of Revenue	Preliminary June 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	\$303,353	5.9%	\$981,808	4.8%	\$2,649,975	6.4% ^a
Quarterly and Annual Payments	88,358	16.0	461,734	23.7	657,494	15.5
Gross Personal Income Tax	391,711	8.0	1,443,542	10.2	3,307,469	8.1 ^a
Less: Refunds	-24,567	34.4	-476,251	23.8	-890,441	6.1
Net Personal Income Tax	367,144	6.6	967,291	4.5	2,417,028	8.8 ^a
Sales and Use Taxes	262,503	4.6	765,023	5.5	1,978,308	6.2
-Motor Vehicles	53,122	7.5	144,858	3.1	320,991	6.2
Single Business Tax	46,088	-1.6	528,172	-2.3	1,293,733	7.0
Cigarette Tax ^b	22,656	-5.1	66,477	-2.6	173,480	-3.9 ^b
Public Utility Taxes	107	-63.7	107	-63.9	67,753	5.2
Oil and Gas Severance	4,342	23.1	11,320	7.0	27,744	-8.0
Lottery ^c	40,421	5.0	120,421	2.0	315,684	-0.9
Penalties and Interest	579	NM	12,810	7.3	39,551	-3.0
SUW—Annuals and Undistributed ^d	4,025	14.1	6,068	0.4	18,717	19.3
Other Taxes ^e	20,460	212.7	131,451	41.7	299,592	56.3
TOTAL TAXES (GF & SAF) ^f	\$768,325	7.0%	\$2,609,140	4.4%	\$6,628,600	8.3 ^a
Motor Fuel Tax ^g	\$55,002	-0.8%	\$166,139	-0.5%	\$447,161	0.7%

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 four-cent increase on January 1, 1988.

^cLottery 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 40.7 percent, based on the average profit to the state for FY 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 three percent of general fund and school aid revenue and usually have shown little growth in recent years.

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

State Equalized Value

The State Tax Commission recently released 1988 state equalized valuation (SEV) numbers for Michigan counties. The statewide SEV increase was 8.1 percent, the largest since 1981; the increase last year was 7 percent. As indicated in Table 2, the largest growth by category was for commercial property and residential property, which also were the strongest categories last year. The farm sector, which was hit hard by declining incomes and property values in the mid-1980s, shows signs of stabilizing; agricultural SEV declined only 0.4 percent after a sharp drop of 4.6 percent last year.

As shown in Table 3, the largest increases in SEV among the 83 counties were 13.2 percent in Livingston County, 12.3 percent in Washtenaw County, and 12.3 percent in Oakland County. Oakland and Washtenaw were one and two in SEV growth last year. This year Kent and Ottawa counties ranked fourth and sixth, respectively, the same as in 1987. Macomb and Leelanau were also in the top ten in both years. These data confirm that the major growth areas in the state are the counties north and west of Detroit, the Grand Rapids area, and the Grand Traverse area.

The only county with declining SEV was Alpena (-4.1 percent): Industrial SEV dropped about 41 percent, and personal property fell 23.5 percent due to a \$23.3 million property tax abatement for the La Farge cement plant. Most counties at the bottom of the SEV growth list are located in northern lower Michigan and the Upper Peninsula.

These data provide additional evidence that the economic expansion begun in Michigan in 1982 still has plenty of life.

Table 2. State Equalized Value by Category in Michigan, 1987 and 1988 (dollar amounts in millions)

Category	Amount (1988) ^a	Percentage Change from 1987	Percentage Change, 1987 over 1986
Residential	\$75,467.1	9.6%	8.2%
Commercial	19,315.6	10.3	11.3
Personal	16,104.4	4.9	5.9
Industrial	11,417.8	5.3	3.0
Agricultural	5,904.6	-0.4	-4.6
Other	603.6	1.8	4.1
TOTAL	\$128,813.2	8.1%	7.0%

SOURCE: State Tax Commission, Michigan Department of Treasury, May 1989.

^aAssessments as of December 31, 1988.

Table 3. State Equalized Value by Selected Michigan Counties, 1988 (dollar amounts in millions)

County	Amount ^a	Percentage Change from 1987	Rank
Livingston	\$1,787	13.2%	1
Washtenaw	4,750	12.3	2
Oakland	23,395	12.3	3
Kent	6,949	10.7	4
Macomb	10,975	10.6	5
Ottawa	2,825	9.8	6
Midland	1,553	9.6	7
Emmet	613	8.7	8
Leelanau	511	8.6	9
Iosco	414	8.4	10
Ingham	3,241	7.9	14
Wayne	22,009	7.9	15
Genesee	5,155	2.7	69
Crawford	197	1.6	78
Presque Isle	227	1.5	79
Houghton	246	1.1	80
Ontonogan	114	1.1	81
Kalkaska	276	0.9	82
Alpena	349	-4.1	83

SOURCE: Michigan Department of Treasury, State Tax Commission, May 1989.

^aAssessments as of December 31, 1988.