



# Michigan REVENUE REPORT

June collections (May activity) appeared to be better than in recent months; however, analysis indicates the improvement was slight. Personal income tax withholding revenues increased 8.9 percent above the year-ago level, but because there was extra state pay day in May, collections were not as strong as the figure suggests. Over the last three months they increased only 2 percent, a better measure of the actual performance of the income tax.

Although sales and use tax collections were up 6.9 percent from that of June 1989, sales tax revenues increased only 2.6 percent; while use tax collections rose 37.4 percent, this most likely was the result of large, one-time payments.

Single business tax (SBT) collections rose 17.1 percent above the year-ago level, but collections historically are lower in June, so the increase has little significance. The year-to-date figure still is 5.8 percent below last year.

Lottery collections fell one percent in May and were off 1.6 percent for the first four weeks of June.

Overall, collections were a little better than expected, but no significant improvement is likely in the next few months because underlying economic activity continues to be weak.

In the May 30 financial report to the legislature, the DMB lowered its estimate for FY 1989-90 by \$7 million for general fund/general purpose revenue and \$20 million for the school aid fund. The SBT revenue estimate was reduced by \$77.5 million, but this was largely offset by a projected increase in personal income tax collections.

As reported last month, PSC believes that the DMB's estimates still are at least \$175 million too high.

*Table 1. Monthly Tax Collections*

*Dollars in Thousands*

Type of Revenue	Preliminary June 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	\$330,217	8.9%	\$1,001,057	2.0%	\$2,728,748	3.0%
Quarterly and Annual Payments	95,440	8.0	469,194	-4.0	671,907	2.7
Gross Personal Income Tax	425,657	8.7	1,470,251	1.9	3,400,635	2.8
Less: Refunds	-28,985	18.0	-541,300	13.7	-974,787	9.5
Net Personal Income Tax	396,672	8.0	928,951	-3.9	2,425,848	0.4
Sales and Use Taxes	280,617	6.9	780,424	2.0	2,055,879	3.9
Motor Vehicles	52,772	-0.7	139,415	-3.8	311,598	-2.9
Single Business Tax	53,975	17.1	532,751	0.9	1,218,939	-5.8
Cigarette Tax	23,459	2.5	66,657	0.3	170,284	-1.8
Public Utility Taxes	121	NM	130	20.4	69,990	8.1
Oil and Gas Severance	3,142	-27.6	10,692	-5.5	30,033	8.3
Lottery <sup>a</sup>	41,805	-1.0	126,539	2.4	322,015	0.0
Penalties and Interest	539	-6.9	12,649	-1.1	42,586	7.7
SUW—Annuals and Undistributed <sup>b</sup>	-597	NM	1,950	-67.9	15,548	-16.9
Other Taxes <sup>c</sup>	19,399	-5.2	145,174	10.4	279,622	-6.7
<b>TOTAL TAXES (GF &amp; SAF)<sup>d</sup></b>	<b>\$819,132</b>	<b>6.3%</b>	<b>\$2,605,917</b>	<b>-0.2%</b>	<b>\$6,630,744</b>	<b>-0.1%</b>
Motor Fuel Tax <sup>e</sup>	\$56,592	2.9%	\$169,497	2.0%	\$451,148	0.9%

SOURCE: Data supplied by Michigan Department of Treasury.

NM=not meaningful

<sup>a</sup>Lottery collections run one month behind other tax collections due to a reporting lag; May lottery collections are included in this month's report. The state share of lottery collections is estimated to be 40.8 percent, based on the average profit to the state for fiscal period ended March 31, 1990. The previous year's figures are adjusted to the current year's profit margin; the percentage change reflects the increase in ticket sales.

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

<sup>c</sup>Includes intangibles, inheritance, foreign insurance premium, corporate organization, and industrial and commercial facilities taxes.

<sup>d</sup>Excluded are beer and wine, liquor, and horse racing taxes, which are not collected by the Department of Treasury.

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

## Automobile Sales, First Half 1990

Sluggish vehicle sales are a major reason for the weakness in state revenues; in the first six months of 1990 sales declined 5 percent below a year ago. Domestic car sales were off 3.3 percent (for the Big Three, the dip was 8.6 percent), and import sales were down 9.3 percent. Truck sales declined only 0.8 percent.

The big winners in the first half of 1990 were the Japanese manufacturers. Their share of sales rose from 23.8 percent to 27.3 percent; import sales increased 9.3 percent, while sales of Japanese cars produced in this country (transplants) went up a robust 44.9 percent. The big losers were Chrysler, with a decline of 19.7 percent, and Hyundai (Korean), which suffered a 28.6 percent drop. Ford sales were off 11.3 percent, and its market share dipped from 22.7 percent to 21.1 percent; sales of the Escort and Mustang were down sharply.

Most automobile analysts forecast continued sluggishness in the second half of the year: Ten analysts surveyed by *Automotive News* made car sales predictions for 1990 ranging from 9.2 million to 9.6 million units. Forecasts of truck sales range from 4.7 million to 5.0 million. PSC forecasts sales of 9.45 million cars, down 4.5 percent from 1989, and 4.9 million trucks, down about 2 percent from 1989.

Table 2: U.S. Car Sales, Selected Categories, First Half 1989 and 1990  
(thousands)

Category	First Half 1989	Market Share	First Half 1990	Market Share	Percent Change 1989 to 1990
GM	1,837	36.1%	1,754	36.2%	-4.5%
Ford	1,158	22.7	1,022	21.1	-11.3
Chrysler	543	10.7	436	9.0	-19.7
Japanese	1,210	23.8	1,322	27.3	9.3
Honda	380	7.5	434	9.0	14.2
Toyota	313	6.2	389	8.0	24.3
Nissan	262	5.1	226	4.7	-13.7
Mazda	113	2.2	118	2.4	4.4
European	249	4.9	237	4.9	-4.8
Korean	98	1.9	70	1.4	-28.6
<b>TOTAL</b>	<b>5,094</b>	<b>100.0</b>	<b>4,840</b>	<b>100.0</b>	<b>-5.0%</b>
<b>Addendum</b>					
Imports	1,406	-	1,275	-	-9.3%
Transplants	365	-	529	-	44.9
Light-Duty Trucks	2,443	-	2,423	-	-0.8

SOURCE: *Automotive News*, July 9, 1990. Calculations by Public Sector Consultants, Inc.