

MICHIGAN REVENUE REPORT

A monthly publication of the FISCAL AWARENESS SERVICE

DR. GERALD FAVERMAN, Chairman of the Board

Volume 2, Number 10

August 1985

Governor Blanchard recently signed into law a bill imposing an additional tax of 4% on the retail selling price of liquor for both on- and off-premise consumption. The additional liquor tax along with companion legislation requiring a graduated excise tax on the price of hotel-motel rooms in the tri-county Detroit metropolitan area (Wayne, Oakland, and Macomb counties) will be used to help fund a \$200 million expansion of Cobo Hall, Detroit's main convention center. Excess revenue raised by these taxes will be returned to the counties. Proponents of the new taxes contend the expansion effort will create 22,000 additional jobs in the Detroit area.

The additional liquor tax could have an impact on tax collections in the state. More specifically, sales tax collections could increase by an estimated \$880,000 a year assuming liquor sales remain at current levels. Sales tax is applied at the rate of 4% of the retail selling price of a taxable item. The inclusion of the additional tax in the retail selling price of liquor will expand the base upon which the 4% sales tax is applied.

Because sales tax collections are distributed among the School Aid Fund; cities, villages, and townships; and the General Fund, both state and local governmental units would benefit from increased collections.

Monthly Tax Collections (dollars in thousands)

Type of Revenue	Preliminary July 1985	July 1984	Percent Change	FY 1984-85 Year to Date	FY 1983-84 Year to Date	Percent Change
Personal Income Tax	\$307,695 ^a	\$353,634	- 13.0	\$3,336,068 ^a	\$3,583,074	- 6.9
SAFRA ^b	13,085	14,563	+ 3.6	162,312	162,685	- 0.2
Gross Personal Income Tax	322,780	368,217	- 12.3	3,498,378	3,745,759	- 6.6
Less: Refunds	- 32,418	- 25,372	+ 27.8	- 931,859	- 957,849	- 2.7
Net Personal Income Tax	290,362	342,845	- 15.3	2,566,519	2,787,910	- 7.9
Net Sales Tax	197,038	174,531	+ 12.9	1,751,071	1,586,145	+ 10.4
Net Use Tax	31,130	29,439	+ 5.7	269,970	262,737	+ 2.8
Net Single Business Tax	105,696	88,452	+ 19.5	1,146,544	1,029,352	+ 11.4
Net Cigarette Tax	21,138	21,686	- 2.5	197,796	199,686	- 1.0
Net Motor Fuel Tax	53,827	52,513	+ 2.5	508,845	470,311	+ 8.2
All Other Taxes and Fees	41,460	24,699	N.A. ^c	366,937	324,420	N.A. ^c
TOTAL NET COLLECTIONS	\$740,651 ^d	\$734,165	+ 0.8	\$6,807,682 ^d	\$6,660,561	+ 2.2

^aThe personal income tax rate was reduced to 6.1% on January 1, 1984, and from 6.1% to 5.35% on September 1, 1984.

^bState Accounting and Fiscal Responsibility Account.

^cNot applicable as the figures are not comparable; preliminary 1985 numbers are before identification and appropriate distribution of miscellaneous receipts, while 1984 numbers reflect the results of this distribution.

^dExcludes escheats and investment income of \$85,382,400 for the month of July and \$651,577,700 for 1984-85 year-to-date totals.

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