

# MICHIGAN REVENUE REPORT

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The trend in revenue collections did not change appreciably in August (July activity). Income tax collections continued moderately strong, sales and use tax collections continued weak, and single business tax collections increased at about the same rate as recent months. If there is not an improvement on the recent performance, sales and use tax collections could fall about \$10 million short of the current Department of Management and Budget estimates.

Lottery collections have shown some weakness during the summer, due partly to the lack of a large build-up in the Lotto jackpot; the Department of Management and Budget has reduced their fiscal year estimate for this revenue source by \$10 million.

Motor fuel tax collections fell 7 percent in August after increasing 13 percent in July, indicating the strength in July was due mainly to a change in the pattern of collections. However, motor fuel collections for the year-to-date are still a strong 4.5 percent above the year-ago level.

(over)

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

Type of Revenue	Preliminary August 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>	\$270,305	8.3%	\$ 873,833	8.5%	\$3,052,190	8.6%
Quarterly and Annual Payments <sup>a</sup>	8,308	12.0	90,955	14.8	441,818	16.2
SAFRA <sup>a,b</sup>	257	NM	1,197	NM	45,724	-71.9
Gross Personal Income Tax <sup>a</sup>	278,870	8.5	965,985	9.0	3,539,732	10.9
Less: Refunds	-16,978	-46.5	-99,620	-56.4	-940,657	-1.1
Net Personal Income Tax <sup>a</sup>	261,892	16.2	866,365	31.6	2,590,075	13.5
Sales and Use Taxes	219,673	3.0	690,257	4.1	2,181,548	7.1
-Motor Vehicles	45,318	3.5	140,515	2.4	380,680	5.9
Single Business Tax	205,547	4.6	360,422	5.5	1,309,921	5.8
Cigarette Tax	20,992	-3.4	60,715	-5.6	197,066	-1.7
Public Utility Taxes	52,693	17.1	59,735	6.3	114,745	2.1
Oil and Gas Severance Tax	3,607	-43.4	11,389	-40.9	48,814	-22.7
Lottery <sup>c</sup>	32,360	-5.9	100,713	5.3	345,460	13.2
Penalties and Interest <sup>d</sup>	418	NM	13,020	28.4	36,501	35.0
SUW—Annuals and Undistributed <sup>e</sup>	3,493	109.5	4,173	162.9	12,937	22.8
Other Taxes <sup>f</sup>	8,450	20.8	22,224	14.0	178,943	18.1
<b>TOTAL TAXES (GF-GP &amp; SAF)<sup>g</sup></b>	<b>\$809,125</b>	<b>7.6%</b>	<b>\$2,189,013</b>	<b>11.8%</b>	<b>\$7,015,740</b>	<b>9.1%</b>
Motor Fuel Tax <sup>h</sup>	\$ 51,122	-7.0%	\$ 172,146	5.5%	\$ 537,628	4.5%

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, August withholding collections declined 2.3% 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, July lottery collections are included in this month's report. The State share of lottery collections is estimated to be 41.7%, based on the average profit to the State for the first ten months of the current fiscal year. The percentage increase is calculated on gross sales.

<sup>d</sup>Penalty and interest collections for the past three months exclude August and cover the May through July 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: State Unemployment Rates

In 1982, the Michigan unemployment rate was 15.5 percent, the highest in the nation. In June 1986, the Michigan unemployment rate was 9.4 percent, eighth highest in the nation. In the past year, progress in reducing the unemployment rate in Michigan has slowed as the economic recovery has matured. However, Michigan was one of the thirteen states that reduced its unemployment rate by 0.8 percentage points or more between June 1985 and June 1986. Despite impressive progress, the Michigan unemployment rate is still the highest in the Great Lakes region. (See Table 2.)

Ironically, the unemployment rate in Texas is now considerably above Michigan's. In 1982, the unemployment rate in Texas was less than half the Michigan rate and the vibrant Texas economy was often contrasted with the stagnant Michigan economy; many Michigan residents migrated to Texas. The high current unemployment rate in Texas and several other states economically dependent on natural resource industries is due largely to the collapse of petroleum prices.

**TABLE 2**  
**Unemployment Rates in Selected States:**  
**1982, June 1985, and June 1986<sup>a</sup>**

	1982	June 1985	June 1986	Percentage Point Change June 1985 to June 1986
MICHIGAN	15.5%	10.2%	9.4%	-0.8%
Illinois	11.3	9.4	8.4	-1.0
Indiana	11.9	7.7	6.6	-1.1
Minnesota	7.8	5.3	5.0	-0.3
Ohio	12.5	8.5	8.7	0.2
Wisconsin	10.7	6.6	6.6	0.0
Alabama	14.4	8.6	10.0	1.4
Alaska	9.9	9.1	10.8	1.7
Louisiana	10.3	11.0	13.6	1.7
Mississippi	11.0	10.6	12.6	2.0
New Mexico	9.2	9.2	9.7	0.5
Texas	6.9	7.7	11.1	3.4
West Virginia	13.9	11.7	10.9	-0.8
Wyoming	5.8	6.7	9.3	2.6

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, *State and Metropolitan Area Employment and Unemployment: June 1986*, Washington, D.C.

NOTE: The states with the lowest unemployment rates in June 1986 were New Hampshire (3.2%), Rhode Island (3.6%), Massachusetts (3.7%), Connecticut (3.7%), and Maryland (3.9%).

<sup>a</sup>The unemployment rates are not seasonally adjusted.