



# Michigan REVENUE REPORT

August revenue collections (July activity) turned in the weakest performance in a number of months, as total collections (adjusted) fell 0.3 percent below the August 1988 figure. (See Table 1.) Personal income tax withholding collections fell 5.1 percent below the year-ago level, but there were only four Fridays (paydays) in July this year compared with five Fridays last year. On an adjusted basis, collections increased 1.7 percent.

Sales and use tax collections increased only 2.4 percent, the smallest gain since last November. Motor vehicle collections continued weak, declining 0.2 percent below the year-ago level.

Single business tax collections declined 4 percent in August, but this does not tell the whole story. Collections for the last three months, which include quarterly payments due July 31, increased 13.5 percent above the year-ago level. This performance is a little surprising as collections for the March-May period, which includes annual payments and quarterly payments due April 30, declined 1.9 percent from the year-ago period.

The weakness in August revenue collections reflects a slowing economy, but revenues were weaker than the underlying economic activity. Also, activity was depressed by temporary layoffs and shutdowns by the motor vehicle industry in July. Revenue collections are expected to be slower in the second half of 1989 than in the first half but will not be as weak as in August.

*Table 1. Monthly Tax Collections*

*Dollars in Thousands*

Type of Revenue	Preliminary August 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 <sup>a</sup>	\$290,375	1.7% <sup>a</sup>	\$969,473	4.4%	\$3,316,095	5.2%
Quarterly and Annual Payments	12,108	-3.5	117,574	15.8	686,710	15.5
Gross Personal Income Tax	302,483	1.5 <sup>a</sup>	1,087,047	5.5	4,002,805	6.8
Less: Refunds	-16,015	39.1	-54,829	35.1	-920,703	6.8
Net Personal Income Tax	286,468	-0.02 <sup>a</sup>	1,032,218	4.3	3,082,102	6.8
Sales and Use Taxes	256,573	2.4	797,890	4.0	2,513,696	5.7
Motor Vehicles	45,160	-0.2	148,381	1.9	416,250	4.2
Single Business Tax	203,587	-4.0	431,255	13.5	1,678,899	8.9
Cigarette Tax	23,009	-4.2	69,495	-4.1	220,317	-3.9 <sup>b</sup>
Public Utility Taxes	53,636	7.4	72,546	10.8	137,192	8.3
Oil and Gas Severance	3,830	13.0	11,941	14.1	35,344	-4.7
Lottery <sup>c</sup>	37,118	-5.9	119,997	0.5	420,175	0.2
Penalties and Interest	538	8.5	11,810	-6.3	50,764	-5.2
SUW—Annuals and Undistributed <sup>d</sup>	4,561	-15.5	5,676	-3.7	20,389	12.9
Other Taxes <sup>e</sup>	12,421	2.3	47,204	64.8	326,335	52.6
TOTAL TAXES (GF & SAF) <sup>f</sup>	\$881,741	-0.3% <sup>a</sup>	\$2,600,032	6.1%	\$8,485,213	7.5%
Motor Fuel Tax <sup>g</sup>	\$57,394	-0.6%	\$177,166	-0.8%	\$569,325	0.3%

SOURCE: Data supplied by Michigan Department of Treasury.

NM = Not meaningful

<sup>a</sup>Adjusted to reflect difference in number of Fridays (paydays) in a month.

<sup>b</sup>Adjusted for four-cent increase on January 1, 1988.

<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 43.6 percent, based on the average profit to the state for the fiscal year ended April 30, 1989. The previous year's figures are adjusted to the current year's profit margin; the percentage change reflects the increase in ticket sales.

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

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

<sup>f</sup>Excluded are beer and wine, liquor, and horse racing taxes, which are not collected by the Department of Treasury. These taxes account for less than 3 percent of GF and SAF revenue and have shown little growth in recent years.

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

Michigan personal income figures for the first quarter of 1989 and revisions for the fourth quarter of 1988 recently were released by the U.S. Department of Commerce. As expected (see June 1989 *Revenue Report*), the fourth quarter estimate was revised downward by \$2.44 billion. The quarter to quarter change was 2.7 percent, down from the previously reported 4.6 percent. Most of the revision was in manufacturing income, which was reduced by \$2.04 billion. The U.S. estimates were revised upward slightly, from \$4,172.9 billion to \$4,198.1 billion. The new fourth quarter numbers are shown in Table 2.

The first quarter estimate for Michigan of \$160.6 billion is 2 percent above the revised fourth quarter estimate (seasonally adjusted) and 9.1 percent above the first quarter of 1988.

As shown in Table 2, the major areas of strength in the first quarter were in the other (38.6 percent), construction (3.9 percent), wholesale and retail trade (2.9 percent), and finance, insurance, and real estate (2.8 percent) categories. The large increase in the other category was due to the recovery in the farm sector. The 0.6 percent decline in services, which has been one of the strongest growth areas in the past year, was a surprise. The number likely will be revised upward in the future. Total wages and salaries increased only 1.1 percent, while the nonwage categories—transfer payments and dividends, interest, and rent—recorded strong increases.

Michigan personal income increased slower than U.S. personal income in the first quarter, but wages and salaries did slightly better due mainly to stronger growth in construction and wholesale and retail trade in Michigan than nationally.

The 9.3 percent increase in Michigan wages and salaries above the first quarter last year appears too high, as personal income tax withholding collections increased only 3.9 percent for this period.

TABLE 2. Michigan and U.S. Personal Income, Fourth Quarter 1988 and First Quarter 1989  
(dollars in millions at seasonally adjusted annual rates)

Category	Fourth Quarter 1988		First Quarter 1989		Percentage Change		Percentage Change First Quarter 1989 from First Quarter 1988	
	U.S.	Michigan	U.S.	Michigan	U.S.	Michigan	U.S.	Michigan
Earnings	\$3,080,019	\$116,187	\$3,138,910	\$117,919	1.9%	1.5%	9.5%	8.8%
Construction	198,030	5,878	200,822	6,109	1.4	3.9	8.1	15.9
Manufacturing	612,507	40,160	622,080	40,623	1.6	1.2	6.5	5.8
Transportation and public utilities	207,377	6,027	210,995	6,048	1.7	0.3	7.7	1.4
Wholesale and retail trade	495,837	17,297	506,979	17,797	2.2	2.9	9.4	13.0
Finance, insurance, and real estate	219,916	4,938	225,608	5,076	2.6	2.8	9.7	5.3
Services	795,423	25,787	779,922	25,644	-1.9	-0.6	14.4	14.5
Government	470,121	14,917	480,740	14,984	2.3	0.4	6.4	5.0
Other	80,807	1,182	111,766	1,638	38.3	38.6	11.9	9.2
Dividends, interest, and rent	721,186	24,730	750,641	25,786	4.1	4.3	12.3	12.7
Transfer Payments	596,904	23,694	617,653	24,442	3.5	3.2	7.1	11.0
TOTAL	\$4,198,095 <sup>a</sup>	\$157,530 <sup>a</sup>	\$4,297,169 <sup>a</sup>	\$160,621 <sup>a</sup>	2.4%	2.0%	9.5%	9.1%
Addendum:								
Wages and salaries	\$2,536,167	\$97,773	\$2,557,808	\$98,804	0.9%	1.1%	9.8%	9.3%

SOURCE: U.S. Department of Commerce, Bureau of Economic Analysis.

<sup>a</sup>Components do not add to total because residence adjustment and deduction for personal contributions for social insurance are not included.