

MICHIGAN REVENUE REPORT

A monthly publication of the **FISCAL AWARENESS SERVICE**

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Volume 2, Number 12 October 1985

Revenue growth slowed for most categories in September. An exception was sales and use taxes, which increased 9.7% above the September 1984 level, slightly above the year-to-date growth rate of 9.4%.

Withholding collections increased only 7.2% in September (adjusted for change in the tax rate), about one-half the August increase. Although the Michigan economy has shown signs of weakness recently, September collections are not necessarily an omen of things to come—it is unwise to make judgments based on one month's data.

Despite the slower rates of growth of revenue in September, there has been no appreciable change in the budget outlook since last month.

TABLE 1
Monthly Tax Collections
(dollars in thousands)

Type of Revenue	Preliminary September 1985	% Change from Last Year	Past 3 Months Collections	% Change from Last Year	FY 1984-85 Year-to-Date	% Change from Last Year
Personal Income Tax						
Withholding ^a	\$298,252	7.2	\$ 876,176	9.1	\$3,224,191	11.9
Quarterly and Annual Payments ^a	63,237	-11.6	86,745	18.1	477,457	14.9
SAFRA ^b	15,522	-3.2	44,962	2.2	192,190	10.7
Gross Personal Income Tax ^a	377,011	3.0	1,007,883	9.5	3,893,838	12.2
Less: Refunds	-16,800	-2.4	-80,968	31.6	-967,315	-1.0
Net Personal Income Tax ^a	360,211	3.3	926,915	7.9	2,926,523	17.3
Sales and Use Taxes	208,360	9.7	650,995	10.7	2,245,006	9.4
— Motor Vehicles	36,822	7.9	123,585	14.2	428,189	18.5
Single Business Tax	42,858	N.A.	344,847	27.2 ^c	1,278,147	12.6 ^c
Cigarette Tax	20,752	-6.8	63,616	-2.0	221,142	-0.3
Public Utility Taxes	573	-60.8	56,674	-3.0	112,882	-0.2
Oil and Gas Severance Tax	6,375	-2.2	19,115	-2.0	69,514	-3.4
Lottery ^d	29,706	21.1	90,366	38.6	322,700	47.8
Penalties and Interest	3,406	N.A.	9,382	12.0	33,828	-6.0
Other Taxes ^e	4,999	-8.3	18,198	8.5	167,981	21.7
TOTAL TAXES (GF-GP & SAF)^f	\$677,240	14.8^c	\$2,180,108	11.7^c	\$7,377,723	13.9^c
Motor Fuel Tax ^g	\$53,988	-2.0	\$165,008	3.1	\$564,832	2.9

^aThe Personal Income Tax rate dropped from 6.35% to 6.1% on January 1, 1984 and to 5.35% on September 1, 1984. The percentage changes have been adjusted accordingly. The unadjusted percentage changes in withholding collections were -6.6% for August, -7.4% for the past three months collections, and -5.8% for the first 11 months of FY 1984-85.

^bState Accounting and Fiscal Responsibility Account.

^cThese increases are inflated due to large refunds to financial institutions last year resulting from a court decision. If an adjustment is made for these refunds, the increase is 8.8% for the single business tax collected in the past three months and 8.2% for year-to-date collections for this tax, 6.2% for total taxes collected in September, 9.2% for total taxes collected in the past three months, and 13.1% for total taxes collected year-to-date.

^dAssumes State share of 40%, which is based on the average profit to the State for the first ten months of FY 1984-85.

^eIncludes intangibles, inheritance, and industrial and commercial facilities taxes.^f

^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 3% of GF-GP and SAF revenue and have shown little growth in recent years.

^gThe motor fuel tax is restricted to the Transportation Fund. The year-to-date percentage change has been adjusted for the two-cent tax increase on January 1, 1984.

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Monthly Focus: Sales Tax

The sales tax has increased about 10% during the current fiscal year and almost all business categories have been strong.

A breakdown of the sales tax by business category is available for the October 1984 to June 1985 period. These data show that the automotive component of the sales tax has recorded the largest increase, 16%. As can be seen in Table 2 all categories except nonretail increased at least 8% above the year-ago level. The increase in the nonretail category was held back by gas and electricity (43% of the nonretail category), which increased only 1.5% due mainly to a mild winter.

TABLE 2
Sales Tax Collections by Business Category,
October 1984 to June 1985

Business Category	Percent Change from Year-Ago Period
Building, Lumber, and Hardware	14.2%
General Merchandise	10.5
Food	8.2
Automotive	16.0
- Gasoline Stations	10.8
Apparel	8.0
Furniture	12.6
Miscellaneous Retail	8.4
Nonretail	4.6
- Gas and Electricity	1.5
TOTAL	100 %

NOTE: Revised data, received too late to be reflected in Table 1, indicates that September motor vehicle collections increased 70.1% rather than the 7.9% reported above. These additional motor vehicle collections also inflate the increase in total sales and use tax collections for September from 9.7% to 18.7%. The percentage increase for sales and use tax collections for the past three months and year-to-date and total taxes for all three reporting periods were also higher than reported in Table 1.