

# MICHIGAN REVENUE REPORT

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September revenue collections (August activity) were slightly above trend. The 1.9 percent increase in withholding collections was the smallest of the year, but this was offset by the largest increase in sales and use tax collection (9.8 percent) since March and a robust increase in single business tax collections. The weakness in income tax withholding is more likely an aberration than the beginning of a trend.

With only October collections to be recorded for fiscal year 1985-86, it appears that tax revenue to the general fund-general purpose and school aid funds will exceed current Department of Management and Budget (DMB) estimates (September 24 financial report to the legislature) by \$45 million to \$50 million. About 50 percent of this additional revenue is from the income tax. Assuming DMB estimates for nontax revenue and for expenditures are correct, the budget surplus for FY 1985-86 will be \$100 million to \$105 million. (This estimate assumes that FY 1985-86 revenues will be debited \$105 million due to the rollback of the income tax rate to 4.6 percent, effective January 1, 1986, although these monies will not be refunded until 1987.) (over)

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

Type of Revenue	Preliminary September 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>	\$269,223	1.8%	\$ 846,813	6.6%	\$3,326,450	8.4%
Quarterly and Annual Payments <sup>a</sup>	71,370	33.4	98,261	30.3	515,926	19.4
SAFRA <sup>a,b</sup>	68	NM	1,055	NM	45,985	-74.3
Gross Personal Income Tax <sup>a</sup>	340,661	7.1	946,129	8.6	3,888,361	11.0
Less: Refunds	-4,311	-74.4	-42,025	-48.2	-944,986	-2.4
Net Personal Income Tax <sup>a</sup>	336,350	11.6	904,104	14.5	2,943,375	14.3
Sales and Use Taxes	229,118	9.8	689,948	5.9	2,411,236	8.3
-Motor Vehicles	41,304	12.1	133,276	8.3	421,888	6.5
Single Business Tax	56,844	32.6	363,657	5.0	1,365,846	6.6
Cigarette Tax	19,941	-4.0	61,422	-3.5	217,050	-1.9
Public Utility Taxes	15	-	59,536	5.3	114,759	1.6
Oil and Gas Severance Tax	4,006	-37.2	11,578	-39.5	52,821	-24.1
Lottery <sup>c</sup>	32,775	13.5	97,580	4.8	378,235	13.3
Penalties and Interest <sup>d</sup>	205	NM	13,789	32.5	40,073	29.3
SUW—Annuals and Undistributed <sup>e</sup>	5,702	NM	6,040	NM	14,723	57.2
Other Taxes <sup>f</sup>	7,862	57.2	23,394	27.2	187,049	19.4
<b>TOTAL TAXES (GF-GP &amp; SAF)<sup>g</sup></b>	<b>\$692,818</b>	<b>11.9%</b>	<b>\$2,231,048</b>	<b>8.5%</b>	<b>\$7,725,167</b>	<b>10.1%</b>
Motor Fuel Tax <sup>h</sup>	\$ 55,056	1.9%	\$ 173,643	3.5%	\$ 595,778	4.3%

NM = Not meaningful

<sup>a</sup>Adjusted to reflect changes in tax rates. Withholding is also adjusted to reflect difference in number of Fridays (paydays) in a month. On an unadjusted basis, September withholding collections declined 8.2% from the year-ago level.

<sup>b</sup>State Accounting and Fiscal Responsibility Account. This fund is no longer operational and is only receiving 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, August 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 September and cover the June through August 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: Earnings by State and Industry

Excluding Alaska and the District of Columbia, Michigan residents had the highest average annual pay in 1985 of any state—\$21,969; 14.5 percent above the U.S. average.<sup>1</sup> Michigan was 6.6 percent above the next highest state (Illinois) in the Great Lakes region (see Table 2). Average annual pay in Michigan increased 5 percent between 1984 and 1985, the tenth largest increase among all states.

The highest average annual wage in Michigan is in manufacturing—\$32,208; 35 percent above the national average. The lowest average wage, \$10,170, is in retail trade; 5.3 percent below the U.S. average (see Table 3).

The high wages paid in Michigan mean that while we enjoy a standard of living higher than in most other states, we also suffer from higher unemployment and a weaker business climate. Higher unemployment occurs because high wages relative to other states increase the supply of workers seeking jobs. High wages also can hurt the business climate as many firms are reluctant to locate in the state because they cannot afford to pay comparable wages. Over the longer term, high unemployment will drive down wages and surplus labor will leave the state, restoring a better balance between the demand for and the supply of labor.

**TABLE 2**  
**Average Annual Pay, Selected States, 1985<sup>a</sup>**

State	Average Annual Pay	Rank
Alaska	\$28,699	1
District of Columbia	26,160	2
<b>Michigan</b>	<b>21,969</b>	<b>3</b>
New York	21,901	4
California	20,950	7
Illinois	20,601	8
Massachusetts	19,627	9
Texas	19,616	10
Ohio	19,433	12
United States	19,186	—
Minnesota	18,818	16
Indiana	18,501	18
Wisconsin	17,594	23
Mississippi	14,951	49
South Dakota	13,987	50

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, *Average Annual Pay by State and Industry, 1985*, September 1986, Washington, D.C.

<sup>a</sup>Data are not available for Maryland.

**TABLE 3**  
**Average Annual Pay in Michigan by Industry, 1985**

Industry	Average Annual Pay	Percent of U.S. Average
Mining	\$24,351	77.7%
Construction	22,725	106.4
Manufacturing	32,208	134.9
Transportation, Communications, and Public Utilities	26,923	104.9
Wholesale Trade	25,349	106.6
Retail Trade	10,170	94.7
Finance, Insurance, and Real Estate	19,180	85.9
Services	17,098	101.5
TOTAL PRIVATE	\$22,154	116.7%
TOTAL GOVERNMENT	\$20,936	103.3%

SOURCE: U.S. Department of Labor, Bureau of Labor Statistics, *Average Annual Pay by State and Industry, 1985*, September 1986, Washington, D.C.

<sup>1</sup>The average annual pay of workers covered by state and federal unemployment insurance programs is used in this analysis; 96 million workers are covered.