



Michigan REVENUE REPORT

There were two surprises in the September revenue collections (August activity): the 11 percent increase in personal income tax withholding collections and the 10.3 percent increase in sales and use tax collections. However, the large increase in income tax collections was likely due to a change in the collection pattern rather than strong economic activity. The 6.1 percent increase for the last three months reflects the current level of economic activity. The sharp increase in sales and use tax collections was the largest since last December. Some of the strength was due to the 13.8 percent increase in motor vehicle collections, which reflected the large incentives offered in August to clear out dealer inventories of 1989 models. Excluding motor vehicles, however, sales and use collections still increased 9.5 percent, a surprisingly strong performance given the recent weakness in consumer spending. It is unlikely that the August results signal a permanent upturn in consumer spending.

Single business tax (SBT) collections fell 10 percent below the year-ago level, but this is not significant, as September is an off month for SBT collections. Lottery collections fell 18.3 percent in August and about 17 percent in September compared with 1988, as sales last August and September were inflated by large Lotto jackpots.

With only one more month's collections (and accruals) to be booked to FY 1988-89, it appears that GF-GP revenue will exceed the latest Department of Management and Budget estimate by about \$75 million, and that school aid fund revenues will be \$15-20 million higher than estimated (financial report to legislature for period ending August 31, 1989).

Table 1. Monthly Tax Collections

Dollars in Thousands

Type of Revenue	Preliminary September 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 ^a	\$310,316	11.0%	\$979,356	6.1%	\$3,633,529	5.7%
Quarterly and Annual Payments	95,576	12.1	123,630	8.6	784,278	14.3
Gross Personal Income Tax	364,738	11.3	1,102,986	6.3	4,417,807	7.1
Less: Refunds	-16,002	27.9	-50,693	34.1	-941,216	7.3
Net Personal Income Tax	348,736	10.5	1,052,293	5.3	3,476,591	7.1
Sales and Use Taxes	274,737	10.3	810,324	5.7	2,788,287	6.0
Motor Vehicles	52,673	13.8	147,920	2.7	468,764	5.1
Single Business Tax	50,066	-10.0	436,165	11.9	1,730,308	8.1
Cigarette Tax	24,092	0.9	70,766	-2.4	244,259	-3.5 ^a
Public Utility Taxes	—	—	70,439	8.0	135,193	6.7
Oil and Gas Severance	3,492	1.2	11,091	6.8	38,836	-4.2
Lottery ^c	37,242	-18.3	106,707	-9.1	448,744	-1.6
Penalties and Interest	415	25.8	11,557	-16.8	56,667	-7.4
SUW—Annuals and Undistributed ^d	5,548	-17.2	4,360	-36.3	19,927	4.2
Other Taxes ^e	16,788	106.8	43,738	45.1	343,427	54.7
TOTAL TAXES (GF & SAF)^f	\$797,810	7.5%	\$2,617,440	5.9%	\$9,282,237	7.4%
Motor Fuel Tax ^g	\$61,767	4.6%	\$183,142	0.5%	\$633,642	0.8%

SOURCE: Data supplied by Michigan Department of Treasury.

NM = Not meaningful

^aAdjusted for four-cent increase on January 1, 1988.

^bLottery 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 42.4 percent, based on the average profit to the state for the fiscal year period ended June 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.

^cThese revenues are distributed to the sales, use, and withholding (SUW) accounts when final numbers for the month are reconciled.

^dIncludes intangibles, inheritance, foreign insurance premium, corporate organization, and industrial and commercial facilities taxes.

^eExcluded 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.

^fThe motor fuel tax is restricted to the Transportation Fund.

The following revenue sources are expected to exceed current estimates: quarterly and annual income tax payments, \$30–35 million; sales and use taxes (gross), \$15–20 million; single business tax, \$10–20 million; penalties and interest, \$10 million; and lottery profits, \$5–10 million.

Monthly Focus: Michigan Employment by Labor Market

Like the national economy, the Michigan economy has been experiencing steady, moderate growth in 1989. Michigan wage and salary growth increased 2.1 percent from August 1988 to August 1989, almost exactly equal to the national increase in employment. The Michigan unemployment rate fell 0.3 percentage points to 6.7 percent, while the U.S. rate fell 0.4 percentage points to 5.2 percent.

Most of the major labor markets in Michigan grew faster than the state average. The exceptions were Muskegon, -0.3 percent; Ann Arbor, 0.2 percent; Battle Creek, 1.7 percent; and Benton Harbor, 1.8 percent. (See Table 2.) The small increase in Ann Arbor was noteworthy, as this has been an area of strong economic growth. The weakness was due to temporary layoffs at auto plants, resulting in an 11.5 percent decline in manufacturing employment.

The strongest growth, surprisingly, was in Flint where employment rose 6.8 percent, due mainly to a 9.7 percent increase in manufacturing employment. The unemployment rate also fell sharply from 15.3 percent in August 1988 to 9.3 percent in August 1989. The Flint area economy has been hit hard in recent years by cutbacks at General Motors, but auto employment has stabilized and the area is making a comeback. Other areas recording strong growth were Jackson, 4.8 percent; the Upper Peninsula, 3.9 percent; and Lansing, 3.4 percent. Wage and salary numbers are not available for the City of Detroit, but based on total employment numbers, Detroit grew at the same rate as the entire MSA, 2 percent.

Table 2. Wage and Salary Employment Growth and Unemployment Rates in Major Michigan Labor Markets, August 1988 and August 1989

Labor Market	August 1989 Wage and Salary Employment	Percentage Change from August 1988	Unemployment Rate August 1988	Unemployment Rate, August 1989
Flint	168,800	6.8%	15.3%	9.3%
Jackson	54,900	4.8	6.2	6.5
Upper Peninsula	209,200	3.4	5.2	5.1
Lansing	111,575	3.9	5.8	6.0
Saginaw-Bay-Midland	160,200	3.0	6.5	6.0
Grand Rapids	339,700	2.9	4.6	5.0
Detroit	1,930,000	2.9	7.6	7.0
Kalamazoo	108,400	2.7	4.4	4.8
Benton Harbor	67,000	1.8	5.8	7.0
Battle Creek	59,600	1.7	6.3	6.7
Ann Arbor	167,700	0.2	3.8	4.4
Muskegon	58,600	-0.3	7.2	8.2
MICHIGAN	3,833,000	2.1%	7.0%	6.7%

SOURCE: Michigan Employment Security Commission.