

MICHIGAN REVENUE REPORT

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Fiscal year 1984-85 came to a close with receipt of October collections (September activity). These numbers, however, will change somewhat due to adjustments for accruals of revenues not yet collected.

There were two noteworthy revenue occurrences in October. First, withholding collections were only 5.4% above the year-ago period, making this the third consecutive decline in the growth rate of this major revenue source. This is clear evidence of the maturing of Michigan's economic recovery and should be viewed as a yellow caution light to those favoring early rollback of the income tax rate. Second, sales and use tax collections increased a robust 18.1% over the year-ago period, led by a 58.6% increase in motor vehicle collections. This latter increase reflects the low interest rate financing offered by the auto companies, but is also somewhat inflated because a portion of the previous month's activity is included in these collections.

Monthly Tax Collections (dollars in thousands)

Type of Revenue	Preliminary October 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	\$288,774	5.4	\$866,986	8.8	\$3,512,965	11.3
Quarterly and Annual Payments ^a	13,923	55.9	87,458	9.7	491,380	15.5
SAFRA ^b	14,921	12.0	46,847	9.3	195,605	15.7
Gross Personal Income Tax ^a	317,618	7.1	1,001,291	8.9	4,199,950	12.0
Less: Refunds	-13,367	2.1	-61,989	14.8	-980,682	-0.9
Net Personal Income Tax ^a	304,251	7.5	939,302	8.4	3,219,268	16.2
Sales and Use Taxes	234,812	18.1	656,472	12.4	2,479,818	10.2
- Motor Vehicles	50,710	58.6	131,076	29.6	478,899	21.7
Single Business Tax	103,744	5.0	364,014	28.7 ^c	1,381,891	11.9 ^c
Cigarette Tax	19,981	4.5	62,464	0.2	241,123	0.1
Public Utility Taxes	36	-65.0	45,580	-17.3	112,918	-0.2
Oil and Gas Severance Tax	6,110	-0.8	18,857	-1.8	75,624	-3.2
Lottery ^d	NA	—	92,050	38.6	361,050	52.7
Penalties and Interest	1,193	NM	8,330	NM	35,021	-7.0
Other Taxes ^e	11,960	-9.9	24,011	0.6	167,819	7.3
TOTAL TAXES (GF-GP & SAF)^f	682,087	10.0	2,211,080	12.4^c	8,074,532	14.0^c
Motor Fuel Tax ^g	\$50,496	8.1	\$159,437	3.8	\$615,328	2.8

NA = Not available
NM = Not meaningful

^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 -5.8% for the past three months collections, and -10.9% for FY 1984-85 total.

^bState Accounting and Fiscal Responsibility Account.

^cThese increases are inflated due to large refunds to financial institutions resulting from a court decision. If an adjustment is made for these refunds, the three-month increase in the single business tax is 10.7% and the year-to-date increase is 7.9%; the three-month increase in total collections is 9.8% and the year-to-date increase is 13.3%.

^dAssumes State share of 40.8%, which is based on the average profit to the State for the first eleven months of FY 1984-85. The figure for the past three months covers the July to September period.

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

^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: Revenue Forecasts

Revenue growth in fiscal year 1984-85 was not as strong as in the previous year, but was somewhat better than most forecasters expected.

It now appears that the final General Fund-General Purpose (GF-GP) and School Aid Fund revenue figure for the year will be between \$7,390 million and \$7,410 million. In January 1985, the Governor's Executive Budget estimated 1984-85 revenues at \$7,195 million, about \$200 million below the projected final figure. In March 1985, the Senate Fiscal Agency estimated that 1984-85 revenue would total \$7,358 million—a very accurate estimate, even allowing for the short forecasting period.

In the October 1985 financial report to the Legislature, the Department of Management and Budget estimated GF-GP and School Aid revenues at \$7,334 million and the budget surplus at \$59.9 million. Assuming no increases in expenditures or unusual accounting adjustments, the surplus for fiscal year 1984-85 will exceed \$115 million and may approach \$125 million.