

Michigan REVENUE REPORT

October revenue collections (September activity) were mixed. Personal income tax withholding increased only 2 percent above the year-ago level. This weakness, however, likely was due to a change in the collection pattern: September collections were up an usually strong 11 percent. The average of the two months, 6.8 percent, is a better indicator of economic activity during the period.

Sales and use tax collections increased 9.3 percent above the year-ago level, led by a 12.9 percent increase in motor vehicle collections. This major revenue source has been very strong in the last two months, but sales are likely to slow in the coming months due to a decline in motor vehicle sales and a slowdown in employment growth.

Single business tax collections in October were about the same as in October 1988, but no conclusions about this quarter's collections (due October 31) can be drawn until November collections are processed.

Lottery sales in September fell 16.7 percent from a year ago when ticket sales were boosted by two unusually large Lotto jackpots.

Collections for FY 1988–89 are complete except for accruals, which will be reported later this month. Our estimate is that general fund/general purpose and school aid fund revenues will be \$60–70 million more than the \$9,180 million estimated by the Department of Management and Budget in its latest financial report to the legislature.

Table 1. Monthly Tax Collections

Dollars in Thousands

Type of Revenue	Preliminary October 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	\$362,072	2.0%	\$969,879	4.8% ^a	\$3,995,600	5.9% ^a
Quarterly and Annual Payments	12,340	11.0	122,017	5.7	796,619	14.2
Gross Personal Income Tax	374,412	2.2	1,091,896	4.9 ^a	4,792,219	7.2 ^a
Less: Refunds	-20,318	72.8	-56,845	46.5	-961,534	8.1
Net Personal Income Tax	354,094	-0.1	1,035,051	3.3 ^a	3,830,685	7.0 ^a
Sales and Use Taxes	280,342	9.3	811,488	7.1	3,068,608	6.3
Motor Vehicles	52,624	12.9	150,280	8.5	521,368	5.8
Single Business Tax	151,249	0.1	406,246	-3.7	1,881,557	7.4
Cigarette Tax	23,372	1.7	70,325	-0.8	267,631	-3.0 ^b
Public Utility Taxes	13	NM	53,652	7.4	135,206	6.7
Oil and Gas Severance	4,434	42.3	11,756	18.0	43,270	-0.9
Lottery ^c	47,203	-16.7	153,910	-11.5	495,947	-3.3
Penalties and Interest	564	NM	7,004	-15.2	57,230	-6.6
SUW—Annals and Undistributed ^d	2,755	-54.0	6,896	-44.6	22,724	-9.5
Other Taxes ^e	27,910	99.9	58,584	71.3	372,680	58.0
TOTAL TAXES (GF & SAF) ^f	\$891,936	3.1%	\$2,614,912	2.9% ^a	\$10,175,538	6.6% ^a
Motor Fuel Tax ^g	\$55,875	-8.0%	\$177,584	-1.3%	\$689,517	0.0%

SOURCE: Data supplied by Michigan Department of Treasury.

NM = Not meaningful

^aAdjusted to reflect difference in number of Fridays (paydays).

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

^cLottery collections run one month behind other tax collections due to a reporting lag; September lottery collections are included in this month's report. The state share of lottery collections is estimated to be 42.7 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.

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

^eIncludes intangibles, inheritance, foreign insurance premium, corporate organization, and industrial and commercial facilities taxes. The percentage changes are distorted because the foreign insurance premiums tax was not included in this report in FY 1987–88. The adjusted percentage changes are: October, 69.8 percent; three months, 30.1 percent; year-to-date, 28.4 percent.

^fExcluded are beer and wine, liquor, and horse racing taxes, which are not collected by the Department of Treasury.

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

Motor Vehicle Sales and Production

U.S. passenger car production declined 1.7 percent in the first ten months of 1989 compared with the same period one year ago. A similar decline occurred in the first ten months of 1988. (See Table 2.) The decline would have been larger except for production by transplants, plants built in the United States by foreign manufacturing firms. Passenger car production in these plants totaled about 950,000 (another 100,00 trucks were produced by Nissan), a 43.9 percent increase from the year-ago period. In 1983 transplant factories produced only 174,000 vehicles and 98,000 of these were produced by Volkswagen, which no longer operates a U.S. plant. The transplants are now all Japanese owned. Production is expected to reach 1.2 million units this year and 1.7 million units by 1991. Subaru-Isuzu opened a plant in Lafayette, Indiana, in September and Honda's plant in East Liberty, Ohio, starts production in late November. Among U.S. manufacturers, Chrysler suffered the largest production decline, 10.7 percent, and Ford the smallest, 4.1 percent.

U.S. truck production increased 0.6 percent in the first ten months of 1989, a sharp slowdown from the 7.2 percent increase during the first ten months of 1988. Transplants are a small factor in truck production, accounting for only 3 percent of total production, whereas transplants account for about 16 percent of passenger car production. Chrysler managed a 5.2 percent increase in production, while at GM production fell 4.7 percent.

The recent weakness in car and truck sales portends additional production cutbacks and continued temporary plant shut-downs and layoffs. Production is likely to decline more in 1990 than it did in 1988 or 1989.

Table 2. U.S. Motor Vehicle Production, January-October 1987, 1988, and 1989

	Jan-Oct 1987 (000)	Jan-Oct 1988 (000)	% Change	Jan-Oct 1989 (000)	% Change
Passenger cars					
Chrysler	952	985	-3.5%	799	-10.7%
Ford	1,566	1,540	-1.7	1,477	-4.1
GM	2,994	2,899	-3.2	2,702	-6.8
Honda	279	315	12.9	313	-0.6
Mazda	2	130	NM	175	35.4
Nissan	105	96	-8.6	100	4.2
Nummi	166	116	-30.1	169	45.7
Toyota	0	0	NM	124	NM
VW	54	6	NM	0	NM
Diamond-Star	0	0	NM	72	NM
TOTAL	6,119	6,027	-1.5%	5,923	-1.7%
Trucks					
Chrysler	454	538	18.5	566	5.2
Ford	1,270	1,286	1.3	1,308	1.7
GM	1,301	1,421	9.2	1,354	-4.7
Navistar	64	74	15.6	67	-9.5
Nissan	80	79	-1.2	103	30.4
AM General	14	20	42.9	19	-5.0
Other	101	101	0	124	22.8
TOTAL	3,284	3,519	7.2%	3,541	0.6%

SOURCE: *Automotive News*, Crain Communications, Detroit, selected issues.