

MICHIGAN REVENUE REPORT

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In dollar terms, November 1984 income taxes declined \$19.5 million (7.1%) from the previous month and \$54.5 million (17.6%) from November 1983. There are several reasons for this decline, including a reduction in the state income tax rate, a drop in the number of people employed and paying income taxes, and a redistribution from high- to low-wage types of employment.

Effective September 1, 1984, Michigan's personal income tax rate dropped to 5.35%, one full percentage point below its rate in September 1983. Consequently, while the personal income tax in fiscal year 1983-84 brought in 40% of Michigan's revenue from state tax sources, that proportion will decline to approximately 36% during the current fiscal year.

Income taxes are submitted to the state treasury at the end of the month, so November collections reflect October employment levels. Michigan employment was 6,000 less in October than in September, so part of the month-to-month decline in income taxes was due to lower employment.

Finally, the employment gains that have been achieved in the past year have been concentrated in services and retail trade. These industries traditionally pay less than manufacturing. As the distribution of employment shifts from high-wage to lower wage industries, income tax collections will decline further.

However, total tax collections are running roughly even with last year's levels. Although income taxes have declined, sales and use taxes have increased, canceling the effect lower income taxes have on overall tax collections.

Monthly Tax Collections (dollars in thousands)

Type of Revenue	Preliminary November 1984	November 1983	Percent Change	FY 1984-85 Year to Date	FY 1983-84 Year to Date	Percent Change
Personal Income Tax	\$256,745 ^a	\$302,126 ^b	- 15.0	\$ 543,787 ^a	\$ 648,224 ^b	- 16.1
SAFRA ^c	12,587	14,904	- 15.6	26,537	33,373	- 20.5
Gross Personal Income Tax	269,331	317,030	- 15.0	570,324	681,597	- 16.3
Less: Refunds	- 15,389	- 8,634	+ 78.2	- 28,048	- 26,100	+ 7.5
Net Personal Income Tax	253,942	308,396	- 17.6	542,276	655,497	- 17.3
Net Sales Tax	161,846	145,716	+ 11.1	330,959	298,184	+ 11.0
Net Use Tax	29,122	24,401	+ 19.3	58,804	53,284	+ 10.4
Net Single Business Tax	176,251	178,915	- 1.5	276,836	256,368	+ 8.0
Net Cigarette Tax	21,340	19,766	+ 8.0	40,464	40,754	+ 0.7
Net Motor Fuel Tax	49,402	42,815	+ 15.4	98,831	87,108	+ 13.4
All Other Taxes and Fees	50,049	22,541	NA ^d	77,799	48,265	NA ^d
TOTAL NET COLLECTIONS	\$741,952 ^e	\$742,550	- 0.1	\$1,425,969 ^e	\$1,439,460	- 0.9

^aThe personal income tax was reduced to 6.1% from 6.35% on January 1, 1984, and from 6.1% to 5.35% on September 1, 1984.

^bThe personal income tax rate was increased to 6.35% from 4.6%, retroactive to January 1, 1983, on March 29, 1983.

^cState Accounting and Fiscal Responsibility Account.

^dNot applicable as the figures are not comparable; preliminary fiscal year 1984-85 numbers are before identification and appropriate distribution of miscellaneous receipts, while fiscal year 1983-84 numbers reflect the results of this distribution.

^eExcludes escheats and investment earnings totaling \$58,065,600 for November and \$129,981,200 for the 1984-85 fiscal year.

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