



# Michigan REVENUE REPORT

November revenue collections (October activity), the first month credited to FY 1987-88, showed mixed results. Personal income tax withholding increased only 0.6 percent above the November 1986 level—the third consecutive weak month—giving cause for concern that income tax collections may be even weaker than expected. Sales and use tax collections increased a robust 8.6 percent despite a 12 percent decline in motor vehicle collections. However, the increase over last year is a little misleading as about \$11 million in sales, use, and withholding revenue that normally would be credited to November 1986 was credited to December 1986. Adjusting for this change in the collection pattern would reduce the rate of increase over the year-ago level by about 3 percent for sales and use taxes and about 1.5 percent for withholding. The performance of sales and use tax collections was still better than expected, given the stock market crash in mid-October. However, December collections will likely be a better barometer of the effect of the crash on Michigan consumers.

Single business tax collections increased 37.7 percent in November, but this mainly reflects a change in the collection pattern; October collections fell 21.1 percent. The combined October and November increase was 11.9 percent, an improvement from recent months; most of this revenue will be credited to the 1986-87 fiscal year. *(over)*

**Table 1. Monthly Tax Collections**

*Dollars in Thousands*

Type of Revenue	Preliminary November 1987	% Change from Last Year	Past 3 Months Collections	% Change from Last Year	FY 1987-88 Year-to-Date	% Change from Last Year
Personal Income Tax						
Withholding	\$312,381	0.6%	\$860,988 <sup>a</sup>	2.0%	\$312,381	0.6%
Quarterly and Annual Payments	4,445	34.7	93,346	9.4	4,445	34.7
Gross Personal Income Tax	316,826	0.9	954,334	0.7	316,826	0.9
Less: Refunds	-8,543	-16.8	-30,873	23.9	-8,543	-16.8
Net Personal Income Tax	308,283	1.5	923,461	0.1	308,283	1.5
Sales and Use Taxes	233,131	8.6	714,955	3.8	233,131	8.6
-Motor Vehicles	34,125	-12.0	125,081	-13.1	34,125	-12.0
Single Business Tax	234,868	37.7	386,646	5.8	234,868	37.7
Cigarette Tax	20,151	-0.7	61,257	1.0	20,151	-0.7
Public Utility Taxes	13,186	142.2	13,343	144.3	13,186	142.2
Oil and Gas Severance	3,898	24.4	12,280	13.9	3,898	24.4
Lottery <sup>b</sup>	32,979	9.1	103,200	14.3	32,979	9.1
Penalties and Interest	672	NM	14,000	59.3	672	NM
SUW—Annals and Undistributed <sup>c</sup>	8,496	0.9	10,826	8.9	8,496	0.9
Other Taxes <sup>d</sup>	12,540	-35.8	42,091	5.8	12,540	-35.8
TOTAL TAXES (GF & SAF) <sup>e</sup>	\$868,204	11.9%	\$2,282,059	3.6%	\$868,204	11.9%
Motor Fuel Tax <sup>f</sup>	\$55,812	3.2%	\$176,950	7.6%	\$55,812	3.2%

NM = Not meaningful

<sup>a</sup>Adjusted to reflect difference in number of Fridays (paydays) in a month.

<sup>b</sup>Lottery collections run one month behind other tax collections due to a reporting lag. Therefore, October lottery collections are included in this month's report. The percentage change is calculated on the basis of gross sales. On the basis of preliminary data, November ticket sales increased 1.7 percent above the year-ago level.

<sup>c</sup>These revenues are distributed to the sales, use, and withholding (SUW) accounts when final numbers for the month are reconciled.

<sup>d</sup>Includes intangibles, inheritance, corporate organization, and industrial and commercial facilities taxes.

<sup>e</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 percent of GF-GP and SAF revenue and have usually shown little growth in recent years.

<sup>f</sup>The motor fuel tax is restricted to the Transportation Fund.

**Foreign Investment in Michigan**

Recently released U.S. Department of Commerce preliminary estimates show that in 1985 foreign direct investment in Michigan was \$6,192 million (gross book value of property, plant, and equipment), ranking the state thirteenth among the fifty states. As indicated in Table 2, Michigan's share of foreign investment is well below our share of national personal income. Investment by manufacturing firms accounts for 48.5 percent of the total in Michigan versus 37.7 percent nationwide. The second largest sector in Michigan is petroleum, accounting for 23.2 percent.

European nations account for 43.8 percent of investment in Michigan, followed by Canada, 32.1 percent, and Japan, 21 percent. Nationwide, Europe accounts for 58.8 percent of foreign investment; Canada, 23 percent; and Japan, 6.3 percent. Only California exceeds Michigan in total Japanese investment.

Foreign firms located in Michigan provided 81,734 jobs in 1985, 2.5 percent of total employment, ranking the state eleventh among the fifty states. About 59 percent of the jobs were in manufacturing and 24 percent were in wholesale and retail trade. European firms provided about 61 percent of the jobs.

Progress has been made in attracting foreign investment to Michigan in recent years. From 1982 to 1985, direct foreign investment in Michigan increased 28 percent compared with a 30.4 percent increase nationwide; manufacturing investment increased 65.1 percent compared with a 30.6 percent increase nationwide. Michigan employment in these foreign firms increased 29.6 percent between 1982 and 1985, compared with a 16.5 percent increase for all states. Investment by Japanese firms in Michigan increased 992.4 percent from \$119 million in 1982 to \$1.3 billion in 1985. Japanese investment in the United States increased about 113 percent during the same period. (See Table 3.)

**Table 2. Foreign Direct Investment, Top 13 States, FY 1985**  
(dollars in millions)

State	Amount	Percentage of U.S. Total	State Personal Income as Percentage of U.S. Personal Income (1985)
Texas	\$37,883	12.9%	6.4%
California	34,704	11.8	12.9
New York	15,253	5.2	8.6
Alaska	14,514	5.0	0.3
Louisiana	12,938	4.4	1.4
Florida	9,702	3.3	4.8
New Jersey	9,328	3.2	4.0
Illinois	9,119	3.1	5.1
Ohio	8,660	2.9	4.2
Pennsylvania	8,600	2.9	4.8
Georgia	8,048	2.7	2.3
North Carolina	7,598	2.6	2.2
MICHIGAN	6,192	2.1	3.8
United States	\$293,560	62.1%	59.6%

SOURCE: U.S. Department of Commerce, *Foreign Direct Investment in the United States, Preliminary 1985 Estimates*, Table D-13.

**Table 3. Direct Foreign Investment by Country, Michigan and U.S., 1982 and 1985**  
(dollars in millions)

Country	Michigan		United States	
	1982	1985	1982	1985
Canada	\$1,950	\$1,990	\$57,360	\$67,665
United Kingdom	445	557	43,171	58,670
Other European Nations	2,201	2,152	94,454	113,858
Japan	119	1,300	8,666	18,436
Other	121	193	21,584	34,931
TOTAL	\$4,836	\$6,192	\$225,235	\$293,560

SOURCE: U.S. Department of Commerce, *Foreign Direct Investment in the United States*, 1982 and 1985, Table D-14.