



# Michigan REVENUE REPORT

Growth in most major revenue sources slowed in November (October activity). Personal income tax withholding collections increased 4.5 percent above the year-ago level (adjusted for one less payday than in November 1987), the smallest increase since August.

Sales and use tax collections fell 0.8 percent below the year-ago level, the first decline since June 1987. We are expecting some weakening in retail sales activity, but this decline is likely an aberration due to a temporary change in the collection pattern.

Single business tax collections continued to surge. November collections increased 8.3 percent, but more significant was the 19.9 percent increase for the last three months, which encompasses the major portion of the quarterly payment due on October 31. The majority of this revenue will be accrued back to the previous fiscal year.

Lottery sales fell an estimated 10 percent in October, as players took a breather after setting sales records in September. Sales showed signs of recovering in late October.

**Table 1. Monthly Tax Collections**

*Dollars in Thousands*

Type of Revenue	Preliminary November 1988	% 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	\$305,874	4.5% <sup>a</sup>	\$954,006	10.7%	\$305,874	4.5% <sup>a</sup>
Quarterly and Annual Payments	3,876	14.7	108,224	15.9	3,876	14.7
Gross Personal Income Tax	309,750	4.3 <sup>a</sup>	1,062,230	11.2	309,750	4.3 <sup>a</sup>
Less: Refunds	-4,856	-43.2	-32,525	5.0	-4,856	-43.2
Net Personal Income Tax	304,894	5.6 <sup>a</sup>	1,029,705	11.4	304,894	5.6 <sup>a</sup>
Sales and Use Taxes	237,462	-0.8	743,832	3.2	237,462	-0.8
-Motor Vehicles	35,031	2.6	128,306	3.1	35,031	2.6
Single Business Tax	254,350	8.3	464,244	19.9	254,350	8.3
Cigarette Tax <sup>b</sup>	24,722	22.7	71,643	17.0	24,722	22.7
Public Utility Taxes	15,453	17.2	15,470	15.9	15,453	17.2
Oil and Gas Severance	2,662	-31.7	9,231	-24.6	2,662	-31.7
Lottery <sup>c</sup>	30,820	-10.0	130,290	22.9	30,820	-10.0
Penalties and Interest	31	NM	11,263	-19.4	31	NM
SUW—Annuals and Undistributed <sup>d</sup>	2,411	48.8	2,471	-39.0	2,411	48.8
Other Taxes <sup>e</sup>	31,506	151.2	53,627	26.7	31,506	
<b>TOTAL TAXES (GF &amp; SAF)<sup>f</sup></b>	<b>\$904,311</b>	<b>6.4%<sup>a</sup></b>	<b>\$2,886,486</b>	<b>10.1%</b>	<b>\$904,311</b>	<b>6.4%<sup>a</sup></b>
Motor Fuel Tax <sup>g</sup>	\$52,122	-6.6%	\$177,446	0.3%	\$52,122	-6.6%

SOURCE: Data supplied by Michigan Department of Treasury.

NM = Not meaningful

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

<sup>b</sup>Adjusted for the 4-cent increase on January 1, 1988, the percentage changes are: November and year-to-date, 3.0 percent; past three months, -1.8 percent.

<sup>c</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 State share of lottery collections is estimated to be 40.7 percent, based on the average profit to the State for the fiscal year period ending August 31. The previous year's figures are adjusted to the current year's profit margin; the percentage change reflects the increase in ticket sales.

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

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

<sup>f</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 and SAF revenue and usually have shown little growth in recent years.

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

## Automotive Trade

One advantage of the decline in the value of the U.S. dollar has been a decline in the automotive trade deficit. For the 12 months ended August 31, the motor vehicle trade deficit fell from \$45.5 billion to \$43.2 billion, a 5 percent decline. As shown in Table 2, this improvement was due largely to a 10.3 percent decline in the trade deficit with Japan and a 23.4 percent drop in the trade deficit with West Germany. The trade deficits with Canada, South Korea, Mexico, and the United Kingdom increased.

Another important reason for the decline in the trade deficit with Japan is the increased production of Japanese-owned plants located in the United States (transplants), which replaces motor vehicles that would otherwise be imported. This helps the U.S. economy but is not as beneficial as would be increased production of domestic models due to the large foreign-made content in vehicles produced in these plants.

Our trade deficit with Canada increased by 47 percent from \$5.2 billion to \$7.6 billion, as 621,000 more vehicles were imported than exported by the United States. The reason for this large increase is that U.S. auto manufacturers have shifted production to Canada to take advantage of lower labor costs, and the market has been strong for several of the models produced in Canada.

*Table 2. U.S. Automotive Trade by Quantity and Value,  
September 1987-August 1988  
(dollar amounts in millions)*

	Value of Imports	Deficit (-)/ Surplus (+)	Percentage Change from Previous Year	Quantity Imported (units)	Deficit (-)/ Surplus (+)	Percentage Change from Previous Year
Japan	\$23,164	-\$23,000	-10.3%	2,747,000	-\$2,735,000	-16.6%
Canada	15,470	-7,615	47.0	1,392,000	-621,000	41.1
West Germany	6,771	-6,771	-23.4	276,000	-276,000	-31.0
South Korea	2,290	-2,290	34.9	431,000	-431,000	27.9
Sweden	1,657	-1,657	-14.8	108,000	-108,000	-26.0
Mexico	1,277	-1,277	35.9	148,000	-148,000	57.4
United Kingdom	1,070	-1,070	24.6	39,000	-39,000	-4.6
Yugoslavia	104	-104	-64.0	39,000	-39,000	-26.0
Other	1,194	+576	443.4	117,000	+21,000	NM
TOTAL	\$52,997	-\$43,217	-5.0%	5,295,000	-\$4,374,000	9.0%

SOURCE: Calculated by Public Sector Consultants from data in *Automotive News*, November 21, 1988, Detroit. Original data from U.S. Department of Commerce.

NOTE: Figures may not add to totals because of rounding.

NM = Not measureable, improved from -20,000 units.