



# Michigan REVENUE REPORT

Total general fund and school aid fund revenues declined 1.4 percent in November (October activity) compared with November 1988. The decline was due mainly to a 14.8 percent drop in single business tax (SBT) collections. SBT collections declined 8.8 percent in the last three months, most likely the result of declining profits in the automobile industry.

Personal income tax withholding collections increased 4.2 percent in November. This is in line with increases in recent months and consistent with other economic indicators.

Sales and use tax collections were surprisingly strong, increasing 10.6 percent above the year-ago level. Motor vehicle collections increased 5.1 percent. Sales and use tax collections have been very strong for the last three months and have outpaced income gains. Without stronger income gains, sales are certain to weaken in the next few months. The recent weakness in automobile sales is also likely to show up in sales tax collections beginning with December's.

Lottery sales are off to a good start in FY 1989-90, as October sales increased 7.4 percent. This strength continued in November, as sales for the first four weeks of the month increased 7 percent.

*Table 1. Monthly Tax Collections*

*Dollars in Thousands*

Type of Revenue	Preliminary November 1989	% Change from Last Year	Past 3 Months' Collections	% Change from Last Year	FY 1989-90 Year-to-Date	% Change from Last Year
Personal Income Tax						
Withholding	\$318,653	4.2%	\$1,000,108	4.8%	\$318,653	4.2%
Quarterly and Annual Payments	3,964	2.3	116,792	7.9	3,964	2.3
Gross Personal Income Tax	322,617	4.2	1,116,900	5.1	322,617	4.2
Less: Refunds	-8,141	67.6	-47,571	46.3	-8,141	67.6
Net Personal Income Tax	314,476	3.1	1,069,329	3.8	314,476	3.1
Sales and Use Taxes	262,546	10.6	805,097	8.2	262,546	10.6
Motor Vehicles	36,809	5.1	142,050	10.7	36,809	5.1
Single Business Tax	216,828	-14.8	423,390	-8.8	216,828	-14.8
Cigarette Tax	21,457	-13.2	68,923	-3.8	21,457	-13.2
Public Utility Taxes	15,537	0.5	15,551	0.5	15,537	0.5
Oil and Gas Severance	4,448	67.1	12,374	34.0	4,448	67.1
Lottery	44,711	7.4	127,883	-10.1	44,711	7.4
Penalties and Interest	636	NM	12,954	11.8	636	NM
SUW—Annuals and Undistributed <sup>b</sup>	2,153	-10.7	2,328	-5.7	2,153	-10.7
Other Taxes <sup>c</sup>	19,477	-38.2	61,827	15.3	19,477	-38.2
TOTAL TAXES (GF & SAF) <sup>d</sup>	\$902,269	-1.4%	\$2,516,124	3.0%	\$902,269	-1.4%
Motor Fuel Tax <sup>e</sup>	\$55,179	5.9%	\$178,246	0.5%	\$55,179	5.9%

SOURCE: Data supplied by Michigan Department of Treasury.

NM = Not meaningful

<sup>a</sup>Lottery collections run one month behind other tax collections due to a reporting lag; October lottery collections are included in this month's report. The state share of lottery collections is estimated to be 42 percent, based on the average profit to the state for the fiscal year period ended July 31, 1989. The previous year's figures are adjusted to the current year's profit margin; the percentage change reflects the increase in ticket sales.

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

<sup>c</sup>Includes intangibles, inheritance, foreign insurance premium, corporate organization, and industrial and commercial facilities taxes.

<sup>d</sup>Excluded are beer and wine, liquor, and horse racing taxes, which are not collected by the Department of Treasury.

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

Michigan Employment

Michigan employment figures for October portrayed a weakening economy. October employment of 3,920,100 was only 1.2 percent above the same month a year ago, the smallest increase of the year. In January and February, employment was 2.7 percent above the year-ago level.

As shown in Table 2, all sectors except services and wholesale and retail trade were relatively weak. Manufacturing employment was off 1.4 percent, due mainly to a 4 percent decline in motor vehicle manufacturing employment, as well as weakness in furniture and fixtures and food and kindred products employment. Employment in the stone, glass, and clay and lumber and wood products sectors was quite strong, but these sectors do not provide substantial employment. Construction employment, which has been the fastest growing sector for the past five years, was only 0.8 percent above the year-ago level. Government employment was flat due to a small decline in local government employment.

The two strongest sectors were services and wholesale and retail trade, with increases of 3.5 percent and 3 percent, respectively. In the latter category strong gains in employment in food stores, auto dealers and service stations, and eating and drinking places offset declines in employment at general merchandise stores. In the services category employment in business services and other services (which includes professional services such as engineering and accounting, social services, and agricultural services) recorded above-average growth.

Michigan employment will continue to weaken, with gains slipping below one percent in 1990.

Table 2. Michigan Employment in Selected Industries and Percentage Change, October 1988 to October 1989

Industry	October 1989 Employment	% Change from October 1988
Mining	10.4	-2.8%
Construction	149.1	0.8
Manufacturing	942.3	-1.4
Durable	716.5	-1.7
-Motor vehicles	286.4	-4.0
-Nonelectrical machinery	122.9	2.0
-Stone, clay, glass	20.3	8.0
-Lumber and wood	15.7	4.7
-Furniture and fixtures	33.9	-0.6
Nondurable	225.8	-0.5
-Food and kindred products	44.8	-4.1
-Chemicals	42.8	2.4
Transportation, communications, and public utilities	155.0	-0.6
Wholesale and retail trade	929.0	3.0
Finance, insurance, and real estate	188.2	1.6
Services	898.0	3.5
-Business	198.2	3.9
-Health	283.8	1.2
-Other	137.5	9.7
Government	648.2	0.0
<b>TOTAL</b>	<b>3,920.1</b>	<b>1.2</b>

SOURCE: Michigan Employment Security Commission.