

DREYFUS MUNICIPAL INCOME INC
Form N-Q
February 24, 2009

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM N-Q

**QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT
INVESTMENT COMPANY**

Investment Company Act file number

811-5652

Dreyfus Municipal Income, Inc.
(Exact name of Registrant as specified in charter)

c/o The Dreyfus Corporation
200 Park Avenue
New York, New York 10166
(Address of principal executive offices) (Zip code)

Michael A. Rosenberg, Esq.
200 Park Avenue
New York, New York 10166
(Name and address of agent for service)

Registrant's telephone number, including area code:

(212) 922-6000

Date of fiscal year end:

09/30

Date of reporting period:

12/31/2008

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FORM N-Q

Item 1. Schedule of Investments.

STATEMENT OF INVESTMENTS

**Dreyfus Municipal Income, Inc.
December 31, 2008 (Unaudited)**

Long-Term Municipal Investments--143.3%	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)
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Alabama--3.2%

The Board of Trustees of the
University of Alabama, HR

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(University of Alabama at Birmingham) (Insured; MBIA, Inc.)	5.88	9/1/10	4,620,000 a	5,014,964
Alaska--4.2%				
Alaska Housing Finance Corporation, General Mortgage Revenue (Insured; MBIA, Inc.)	6.05	6/1/39	6,845,000	6,650,123
Arizona--5.2%				
City of Phoenix, County of Maricopa and the County of Pima Industrial Development Authorities, SFMR (Collateralized: FHLMC, FNMA and GNMA)	5.80	12/1/39	4,105,000	3,758,702
Glendale Western Loop 101 Public Facilities Corporation, Third Lien Excise Tax Revenue	6.25	7/1/28	1,000,000	1,028,450
Glendale Western Loop 101 Public Facilities Corporation, Third Lien Excise Tax Revenue	7.00	7/1/28	2,000,000	2,123,340
Pima County Industrial Development Authority, Education Revenue (American Charter Schools Foundation Project)	5.63	7/1/38	2,000,000	1,236,340
California--12.6%				
ABAG Financial Authority for Nonprofit Corporations, Insured Revenue, COP (Odd Fellows Home of California)	6.00	8/15/24	5,000,000	4,951,650
California Health Facilities Financing Authority, Revenue (Sutter Health)	6.25	8/15/35	2,500,000	2,478,950
California Statewide Communities Development Authority, COP (Catholic Healthcare West)	6.50	7/1/10	3,545,000 a	3,864,724
California Statewide Communities Development Authority, COP (Catholic Healthcare West)	6.50	7/1/10	1,455,000 a	1,583,476
Chabot-Las Positas Community College District, GO (Insured; AMBAC)	0.00	8/1/32	6,000,000 b	1,376,820
Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	7.80	6/1/13	3,000,000 a	3,620,790
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Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	5.75	6/1/47	3,500,000	2,006,130

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Colorado--4.5%

Colorado Educational and Cultural Facilities Authority, Charter School Revenue (American Academy Project)	8.00	12/1/40	1,500,000	1,428,795
Colorado Springs, HR	6.38	12/15/10	2,835,000 a	3,129,500
Colorado Springs, HR	6.38	12/15/30	2,890,000	2,513,231

District of Columbia--1.7%

District of Columbia, Revenue (Catholic University America Project) (Insured; AMBAC)	5.63	10/1/09	1,605,000 a	1,680,034
District of Columbia, Revenue (Catholic University America Project) (Insured; AMBAC)	5.63	10/1/29	475,000	471,219
District of Columbia Housing Finance Agency, SFMR (Collateralized: FHA, FNMA, GNMA and GIC; Trinity Funding)	7.45	12/1/30	490,000	496,439

Florida--1.3%

Orange County Health Facilities Authority, HR (Orlando Regional Healthcare System)	6.00	10/1/09	30,000 a	31,454
Orange County Health Facilities Authority, HR (Orlando Regional Healthcare System)	6.00	10/1/26	1,470,000	1,259,863
South Lake County Hospital District, Revenue (South Lake Hospital, Inc.)	5.80	10/1/34	1,095,000	794,948

Illinois--13.5%

Chicago, GO (Insured; FGIC)	6.13	7/1/10	3,685,000 a	3,988,755
Chicago, GO (Insured; FGIC)	6.13	7/1/10	315,000 a	340,965
Illinois Development Finance Authority, Revenue (Community Rehabilitation Providers Facilities Acquisition Program)	8.75	3/1/10	40,000	39,684
Illinois Finance Authority, Revenue (Sherman Health Systems)	5.50	8/1/37	2,000,000	1,304,280
Illinois Health Facilities Authority, Revenue (Advocate Health Care Network)	6.13	11/15/10	5,800,000 a	6,304,658
Illinois Health Facilities Authority, Revenue (OSF Healthcare System)	6.25	11/15/09	7,000,000 a	7,383,810
Illinois Health Facilities				

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Authority, Revenue (Swedish American Hospital)	6.88	5/15/10	1,995,000 a	2,140,096
Indiana--1.7%				
Franklin Township School Building Corporation, First Mortgage Bonds	6.13	7/15/10	2,500,000 a	2,735,775
Maryland--6.1%				
Maryland Economic Development Corporation, Student Housing Revenue (University of Maryland, College Park Project)	5.63	6/1/13	2,000,000 a	2,299,040
Maryland Health and Higher Educational Facilities Authority, Revenue (The Johns Hopkins University Issue)	6.00	7/1/09	7,000,000 a	7,246,120
Massachusetts--4.9%				
Massachusetts Development Finance Agency, SWDR (Dominion Energy Brayton Point Issue)	5.00	2/1/36	2,000,000	1,243,220
Massachusetts Health and Educational Facilities Authority, Healthcare System Revenue (Covenant Health Systems Obligated Group Issue)	6.00	1/1/12	530,000 a	597,003
Massachusetts Health and Educational Facilities Authority, Healthcare System Revenue (Covenant Health Systems Obligated Group Issue)	6.00	7/1/31	1,970,000	1,735,294
Massachusetts Industrial Finance Agency, Water Treatment Revenue (Massachusetts-American Hingham Project)	6.95	12/1/35	5,235,000	4,217,107
Michigan--2.3%				
Michigan Strategic Fund, SWDR (Genesee Power Station Project)	7.50	1/1/21	4,585,000	3,554,017
Minnesota--5.0%				
Minneapolis, Health Care System Revenue (Fairview Health Services)	6.75	11/15/32	3,000,000	2,992,620
Minnesota Agricultural and Economic Development Board, Health Care Facilities Revenue (Essentia Health Obligated Group) (Insured; Assured Guaranty)	5.00	2/15/37	2,600,000	2,124,876
Minnesota Agricultural and				

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Economic Development Board, Health Care System Revenue (Fairview Health Care Systems)	6.38	11/15/10	2,420,000 a	2,651,037
Minnesota Agricultural and Economic Development Board, Health Care System Revenue (Fairview Health Care Systems)	6.38	11/15/29	80,000	75,005
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Mississippi--2.7%				
Mississippi Business Finance Corporation, PCR (System Energy Resources, Inc. Project)	5.88	4/1/22	6,000,000	4,227,240
Missouri--1.8%				
Missouri Health and Educational Facilities Authority, Health Facilities Revenue (Saint Anthony's Medical Center)	6.25	12/1/10	2,500,000 a	2,756,100
Missouri Housing Development Commission, SFMR (Homeownership Loan Program) (Collateralized: FNMA and GNMA)	6.30	9/1/25	130,000	131,977
Nebraska--1.1%				
Nebraska Public Power District, General Revenue	5.00	1/1/38	2,000,000	1,797,300
Nevada--1.7%				
Clark County, IDR (Southwest Gas Corporation Project) (Insured; AMBAC)	6.10	12/1/38	4,000,000	2,611,240
New Jersey--2.2%				
New Jersey Economic Development Authority, Cigarette Tax Revenue	5.50	6/15/31	1,610,000	1,107,599
New Jersey Higher Education Student Assistance Authority, Student Loan Revenue (Insured; Assured Guaranty)	6.13	6/1/30	2,500,000	2,288,600
New Mexico--2.4%				
Farmington, PCR (Public Service Company of New Mexico San Juan Project)	6.30	12/1/16	3,000,000	2,575,380
New Mexico Mortgage Finance Authority, Single Family Mortgage Program (Collateralized: FHLMC and GNMA)	6.85	9/1/31	1,145,000	1,157,492
New York--.9%				
Long Island Power Authority, Electric System General Revenue	5.00	9/1/27	1,500,000	1,365,735
North Carolina--.7%				
North Carolina Housing Finance				

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Agency, Home Ownership Revenue	6.25	1/1/29	1,130,000	1,074,415
Ohio--7.1%				
Buckeye Tobacco Settlement				
Financing Authority, Tobacco Settlement Asset-Backed Bonds	6.50	6/1/47	8,000,000	4,802,000
Cuyahoga County,				
Hospital Improvement Revenue (The Metrohealth System Project)	6.13	2/15/09	5,000,000 a	5,080,050
Toledo-Lucas County Port Authority, Special Assessment Revenue (Crocker Park Public Improvement Project)				
	5.38	12/1/35	2,000,000	1,370,820
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Oklahoma--1.6%				
Oklahoma Development Finance Authority, Revenue (Saint John Health System)				
	6.00	2/15/09	1,875,000 a	1,906,144
Oklahoma Development Finance Authority, Revenue (Saint John Health System)				
	6.00	2/15/29	625,000	611,737
Pennsylvania--7.9%				
Lancaster Higher Education Authority, College Revenue (Franklin and Marshall College Project)				
	5.00	4/15/37	2,000,000	1,758,600
Pennsylvania Economic Development Financing Authority, RRR (Northampton Generating Project)				
	6.60	1/1/19	3,500,000	2,509,990
Sayre Health Care Facilities Authority, Revenue (Guthrie Health)				
	5.88	12/1/11	5,995,000 a	6,747,492
Sayre Health Care Facilities Authority, Revenue (Guthrie Health)				
	5.88	12/1/31	1,755,000	1,454,913
South Carolina--10.8%				
Lancaster Educational Assistance Program, Inc., Installment Purchase Revenue (The School District of Lancaster County, South Carolina, Project)				
	5.00	12/1/26	5,000,000	3,608,950
Medical University of South Carolina, Hospital Facilities Revenue				
	6.00	7/1/09	2,500,000 a	2,591,125
Piedmont Municipal Power Agency, Electric Revenue				
	5.25	1/1/21	3,500,000	3,248,035
South Carolina Public Service Authority, Revenue Obligations				
	5.50	1/1/38	3,000,000	3,013,740
Tobacco Settlement Revenue				

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Management Authority of South Carolina, Tobacco Settlement Asset-Backed Bonds	6.38	5/15/30	3,750,000	4,490,288
Tennessee--2.4%				
Johnson City Health and Educational Facilities Board, Hospital First Mortgage Revenue (Mountain States Health Alliance)	5.50	7/1/36	2,000,000	1,269,640
Knox County Health, Educational and Housing Facility Board, Revenue (University Health System, Inc.)	5.25	4/1/36	4,000,000	2,541,640
Texas--14.3%				
Cities of Dallas and Fort Worth, Dallas/Fort Worth International Airport, Joint Revenue Improvement (Insured; FSA)	5.00	11/1/35	1,600,000	1,183,472
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Gregg County Health Facilities Development Corporation, HR (Good Shepherd Medical Center Project) (Insured; Radian)	6.38	10/1/10	2,500,000 a	2,692,050
Harris County Health Facilities Development Corporation, HR (Memorial Hermann Healthcare System)	6.38	6/1/11	3,565,000 a	3,984,707
Lubbock Educational Facilities Authority, Improvement Revenue (Lubbock Christian University)	5.25	11/1/37	1,500,000	962,070
North Texas Tollway Authority, First Tier System Revenue (Insured; Assured Guaranty)	5.75	1/1/40	4,000,000	3,892,880
North Texas Tollway Authority, Second Tier System Revenue	5.75	1/1/38	4,000,000	3,265,040
Texas, GO (Veterans Housing Assistance Program) (Collateralized; FHA)	6.10	6/1/31	7,000,000	6,703,270
Utah--.1%				
Utah Housing Finance Agency, SFMR (Collateralized; FHA)	6.00	1/1/31	105,000	98,076
Vermont--2.6%				
Vermont Educational and Health Buildings Financing Agency, Revenue (Middlebury College Project)	5.00	11/1/38	2,500,000	2,345,375
Vermont Educational and Health Buildings Financing Agency,				

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Revenue (Saint Michael's College Project)	6.00	10/1/28	1,500,000	1,389,600
Vermont Housing Finance Agency, SFHR (Insured; FSA)	6.40	11/1/30	330,000	335,250
Washington--7.7%				
Washington Health Care Facilities Authority, Mortgage Revenue (Highline Medical Center) (Collateralized; FHA)	6.25	8/1/36	3,000,000	2,962,890
Washington Health Care Facilities Authority, Revenue (Catholic Health Initiatives)	6.38	10/1/36	1,500,000	1,495,935
Washington Higher Educational Facilities Authority, Revenue (Whitman College)	5.88	10/1/09	5,000,000 a	5,194,500
Washington Housing Finance Commission, Revenue (Single-Family Program) (Collateralized: FHLMC, FNMA and GNMA)	5.15	6/1/37	3,160,000	2,431,810
West Virginia--1.0%				
The County Commission of Pleasants County, PCR (Allegheny Energy Supply Company, LLC Pleasants Station Project)	5.25	10/15/37	2,500,000	1,622,325
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Wisconsin--4.4%				
Badger Tobacco Asset Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	7.00	6/1/28	2,500,000	2,244,125
Wisconsin Health and Educational Facilities Authority, Revenue (Aurora Health Care, Inc.)	5.60	2/15/29	4,975,000	3,402,552
Wisconsin Health and Educational Facilities Authority, Revenue (Marshfield Clinic)	5.38	2/15/34	2,000,000	1,363,740
Wyoming--1.7%				
Sweetwater County, SWDR (FMC Corporation Project)	5.60	12/1/35	1,500,000	889,860
Wyoming Municipal Power Agency, Power Supply System Revenue	5.50	1/1/38	2,000,000	1,713,960
U.S. Related--2.0%				
Puerto Rico Electric Power Authority, Power Revenue	5.50	7/1/38	4,000,000	3,172,760
Total Long-Term Municipal Investments (cost \$245,592,415)				225,917,793
Short-Term Municipal Investments--17.9%	Coupon Rate (%)	Maturity Date	Principal Amount (\$)	Value (\$)

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Florida--4.3%

Hillsborough County School Board, COP (Master Lease Purchase Agreement) (LOC; Wachovia Bank)	1.60	1/1/09	1,600,000 c	1,600,000
Hillsborough County School Board, COP (Master Lease Purchase Agreement) (LOC; Wachovia Bank)	1.6	1/1/09	2,700,000 c	2,700,000
Orange County School Board, COP (Master Lease Purchase Agreement) (LOC; Wachovia Bank)	1.10	1/1/09	2,500,000 c	2,500,000

New York--2.6%

Monroe County, GO Notes, RAN	6.50	4/15/09	4,000,000	4,029,720
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North Carolina--6.7%

Charlotte-Mecklenburg Hospital Authority, Health Care Revenue (Carolinas HealthCare System) (LOC; Wachovia Bank)	1.25	1/1/09	10,700,000 c	10,700,000
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Pennsylvania--4.3%

Bethlehem Area School District, GO Notes (Insured; FSA and Liquidity Facility; Dexia Credit Locale)	4.25	1/7/09	6,700,000 c	6,700,000
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Total Short-Term Municipal Investments

(cost \$28,200,000) **28,229,720**

Total Investments (cost \$273,792,415) **161.2%** **254,147,513**

Cash and Receivables (Net) **2.2%** **3,466,628**

Preferred Stock, at redemption value **(63.4%)** **(100,000,000)**

Net Assets Applicable to Common Shareholders **100.0%** **157,614,141**

a These securities are prerefunded; the date shown represents the prerefunded date. Bonds which are prerefunded are collateralized by U.S. Government securities which are held in escrow and are used to pay principal and interest on the

municipal issue and to retire the bonds in full at the earliest refunding date.

b Security issued with a zero coupon. Income is recognized through the accretion of discount.

c Variable rate demand note - rate shown is the interest rate in effect at December 31, 2008. Maturity date represents the next demand date, or the ultimate maturity date if earlier.

d At December 31, 2008, the fund had \$42,213,277 or 26.8% of net assets applicable to common shareholders invested in securities whose payment of principal and interest is dependent upon revenues generated from health care projects.

At December 31, 2008, the aggregate cost of investment securities for income tax purposes was \$273,792,415. Net unrealized depreciation on investments was \$19,644,902 of which \$9,448,007 related to appreciated investment securities and \$29,092,909 related to depreciated investment securities.

Securities valuation policies and other investment related disclosures are hereby incorporated by reference to the annual and semi-annual reports previously filed with the Securities and Exchange Commission on Form N-CSR.

Summary of Abbreviations

ABAG	Association Of Bay Area Governments	ACA	American Capital Access
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AGC	ACE Guaranty Corporation	AGIC	Asset Guaranty Insurance Company
AMBAC	American Municipal Bond Assurance Corporation	ARRN	Adjustable Rate Receipt Notes
BAN	Bond Anticipation Notes	BIGI	Bond Investors Guaranty Insurance
BPA	Bond Purchase Agreement	CGIC	Capital Guaranty Insurance Company
CIC	Continental Insurance Company	CIFG	CDC Ixis Financial Guaranty
CMAC	Capital Market Assurance Corporation	COP	Certificate of Participation
CP	Commercial Paper	EDR	Economic Development Revenue
EIR	Environmental Improvement Revenue	FGIC	Financial Guaranty Insurance Company
FHA	Federal Housing Administration	FHLB	Federal Home Loan Bank
FHLMC	Federal Home Loan Mortgage Corporation	FNMA	Federal National Mortgage Association
FSA	Financial Security Assurance	GAN	Grant Anticipation Notes
GIC	Guaranteed Investment Contract	GNMA	Government National Mortgage Association
GO	General Obligation	HR	Hospital Revenue
IDB	Industrial Development Board	IDC	Industrial Development Corporation
IDR	Industrial Development Revenue	LOC	Letter of Credit
LOR	Limited Obligation Revenue	LR	Lease Revenue
MFHR	Multi-Family Housing Revenue	MFMR	Multi-Family Mortgage Revenue
PCR	Pollution Control Revenue	PILOT	Payment in Lieu of Taxes
RAC	Revenue Anticipation Certificates	RAN	Revenue Anticipation Notes
RAW	Revenue Anticipation Warrants	RRR	Resources Recovery Revenue

SAAN	State Aid Anticipation Notes	SBPA	Standby Bond Purchase Agreement
SFHR	Single Family Housing Revenue	SFMR	Single Family Mortgage Revenue
SONYMA	State of New York Mortgage Agency	SWDR	Solid Waste Disposal Revenue
TAN	Tax Anticipation Notes	TAW	Tax Anticipation Warrants
TRAN	Tax and Revenue Anticipation Notes	XLCA	XL Capital Assurance

Various inputs are used in determining the value of the fund's investments relating to Financial Accounting Standard No. 157 (FAS 157), Fair Value Measurements.

These inputs are summarized in the three broad levels listed below.

Level 1 - quoted prices in active markets for identical securities.

Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.)

Level 3 - significant unobservable inputs (including fund's own assumptions in determining the fair value of investments).

The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of December 31, 2008 in valuing the fund's investments carried at fair value:

Valuation Inputs	Investments in Securities (\$)	Other Financial Instruments* (\$)
Level 1 - Quoted Prices	0	0
Level 2 - Other Significant Observable Inputs	254,147,513	0
Level 3 - Significant Unobservable Inputs	0	0
Total	254,147,513	0

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*Other financial instruments include derivative instruments, such as futures, forward currency exchange contracts and swap contracts, which are valued at the unrealized appreciation (depreciation) on the instrument.

Item 2. Controls and Procedures.

(a) The Registrant's principal executive and principal financial officers have concluded, based on their evaluation of the Registrant's disclosure controls and procedures as of a date within 90 days of the filing date of this report, that the Registrant's disclosure controls and procedures are reasonably designed to ensure that information required to be disclosed by the Registrant on Form N-Q is recorded, processed, summarized and reported within the required time periods and that information required to be disclosed by the Registrant in the reports that it files or submits on Form N-Q is accumulated and communicated to the Registrant's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

(b) There were no changes to the Registrant's internal control over financial reporting that occurred during the Registrant's most recently ended fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Registrant's internal control over financial reporting.

Item 3. Exhibits.

(a) Certifications of principal executive and principal financial officers as required by Rule 30a-2(a) under the Investment Company Act of 1940.

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**FORM N-Q
SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the Registrant has duly caused this Report to be signed on its behalf by the undersigned, thereunto duly authorized.

Dreyfus Municipal Income, Inc.

By: /s/ J. David Officer

J. David Officer
President

Date: February 23, 2009

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this Report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ J. David Officer

J. David Officer
President

Date: February 23, 2009

By: /s/ James Windels

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James Windels
Treasurer

Date: February 23, 2009

EXHIBIT INDEX

(a) Certifications of principal executive and principal financial officers as required by Rule 30a-2(a) under the Investment Company Act of 1940. (EX-99.CERT)

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