

DREYFUS MUNICIPAL INCOME INC  
Form N-Q  
August 26, 2008

**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: 06/30/2008

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**FORM N-Q**

**Item 1. Schedule of Investments.**

**STATEMENT OF INVESTMENTS**

**Dreyfus Municipal Income, Inc.  
June 30, 2008 (Unaudited)**

<b>Long-Term Municipal Investments--148.6%</b>	<b>Coupon Rate (%)</b>	<b>Maturity Date</b>	<b>Principal Amount (\$)</b>	<b>Value (\$)</b>
<b>Alabama--2.7%</b> The Board of Trustees of the University of Alabama, HR (University of Alabama at Birmingham) (Insured; MBIA, Inc.)	5.88	9/1/10	4,620,000 a	4,970,242

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**Alaska--3.7%**

Alaska Housing Finance Corporation, General Mortgage Revenue (Insured; MBIA, Inc.)	6.05	6/1/39	6,845,000	6,882,921
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**Arizona--5.4%**

Arizona Housing Finance Authority, SFMR (Mortgage Backed Securities Program) (Collateralized: FHLMC, FNMA and GNMA)	5.40	6/1/28	4,000,000	3,970,880
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	4,280,000	4,205,014
Pima County Industrial Development Authority, Education Revenue (American Charter Schools Foundation Project)	5.63	7/1/38	2,000,000	1,799,280

**California--14.2%**

ABAG Financial Authority for Nonprofit Corporations, Insured Revenue, COP (Odd Fellows Home of California)	6.00	8/15/24	5,000,000	5,032,050
California Department of Veteran Affairs, Home Purchase Revenue	5.20	12/1/28	2,950,000	2,950,856
California Health Facilities Financing Authority, Revenue (Sutter Health)	6.25	8/15/35	2,500,000	2,626,000
California Housing Finance Agency, Home Mortgage Revenue	4.80	8/1/36	2,500,000	2,225,550
California Statewide Communities Development Authority, COP (Catholic Healthcare West)	6.50	7/1/10	3,545,000 a	3,843,489
California Statewide Communities Development Authority, COP (Catholic Healthcare West) Chabot-Las Positas Community	6.50	7/1/10	1,455,000 a	1,574,543

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College District, GO (Insured; AMBAC)	0.00	8/1/32	6,000,000 b	1,591,260
Golden State Tobacco Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	7.80	6/1/13	3,000,000 a	3,533,850
Golden State Tobacco				

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Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	5.75	6/1/47	3,500,000	2,978,605
<b>Colorado--9.3%</b>				
Colorado Springs, HR	6.38	12/15/10	2,835,000 a	3,091,454
Colorado Springs, HR	6.38	12/15/30	2,890,000	2,985,370
University of Northern Colorado Board of Trustees, Auxiliary Facilities System Revenue (Insured; FSA)	5.00	6/1/35	11,000,000 c,d	11,102,025
<b>District of Columbia--1.4%</b>				
District of Columbia, Revenue (Catholic University America Project) (Insured; AMBAC)	5.63	10/1/09	1,605,000 a	1,687,192
District of Columbia, Revenue (Catholic University America Project) (Insured; AMBAC)	5.63	10/1/29	475,000	487,649
District of Columbia Housing Finance Agency, SFMR (Collateralized: FHA, FNMA, GNMA and GIC; Trinity Funding)	7.45	12/1/30	495,000	503,222
<b>Florida--1.4%</b>				
Orange County Health Facilities Authority, HR (Orlando Regional Healthcare System)	6.00	10/1/09	30,000 a	31,621
Orange County Health Facilities Authority, HR (Orlando Regional Healthcare System)	6.00	10/1/26	1,470,000	1,499,253
South Lake County Hospital District, Revenue (South Lake Hospital, Inc.)	5.80	10/1/34	1,095,000	1,102,271
<b>Illinois--11.9%</b>				
Chicago (Insured; FGIC)	6.13	7/1/10	3,685,000 a	3,963,254
Chicago (Insured; FGIC)	6.13	7/1/10	315,000 a	338,786
Illinois Development Finance Authority, Revenue (Community Rehabilitation Providers Facilities Acquisition Program)	8.75	3/1/10	40,000	40,110

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Revenue (Sherman Health

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Systems) Illinois Health Facilities Authority, Revenue (Advocate Health Care Network)	5.50	8/1/37	2,000,000	1,876,100
Illinois Health Facilities Authority, Revenue (OSF Healthcare System)	6.13	11/15/10	5,800,000 a	6,239,930
Illinois Health Facilities Authority, Revenue (Swedish American Hospital)	6.25	11/15/09	7,000,000 a	7,422,030
<b>Indiana--1.5%</b> Franklin Township School Building Corporation, First Mortgage Bonds	6.88	5/15/10	2,000,000 a	2,153,980
<b>Louisiana--1.5%</b> Parish of Saint John the Baptist, Revenue (Marathon Oil Corporation Project)	6.13	7/15/10	2,500,000 a	2,717,275
<b>Maryland--5.1%</b> Maryland Economic Development Corporation, Student Housing Revenue (University of Maryland, College Park Project)	5.13	6/1/37	3,000,000	2,698,590
Maryland Health and Higher Educational Facilities Authority, Revenue (The Johns Hopkins University Issue)	5.63	6/1/13	2,000,000 a	2,202,160
<b>Massachusetts--6.5%</b> Massachusetts Development Finance Agency, SWDR (Dominion Energy Brayton Point Issue)	6.00	7/1/09	7,000,000 a	7,329,070
Massachusetts Health and Educational Facilities Authority, Healthcare System Revenue (Covenant Health Systems Obligated Group Issue)	5.00	2/1/36	2,000,000	1,806,400
Massachusetts Health and Educational Facilities Authority, Healthcare System Revenue (Covenant Health Systems Obligated Group Issue)	6.00	1/1/12	530,000 a	581,792
Massachusetts Housing Finance Agency, SFHR	6.00	7/1/31	1,970,000	2,020,452
Massachusetts Industrial Finance Agency, Water Treatment Revenue (Massachusetts-American Hingham Project)	5.00	12/1/31	2,500,000	2,330,175
	6.95	12/1/35	5,235,000	5,244,580

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**Michigan--3.6%**

Hancock Hospital Finance  
Authority, Mortgage Revenue

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(Portgag Health) (Insured; MBIA, Inc.)	5.45	8/1/08	2,145,000 a	2,151,328
Michigan Strategic Fund, SWDR (Genesee Power Station Project)	7.50	1/1/21	4,585,000	4,458,958

**Minnesota--2.9%**

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	2,605,772
Minnesota Agricultural and Economic Development Board, Health Care System Revenue (Fairview Health Care Systems)	6.38	11/15/10	2,420,000 a	2,640,002
Minnesota Agricultural and Economic Development Board, Health Care System Revenue (Fairview Health Care Systems)	6.38	11/15/29	80,000	82,778

**Mississippi--3.2%**

Mississippi Business Finance Corporation, PCR (System Energy Resources, Inc. Project)	5.88	4/1/22	6,000,000	5,866,680
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**Missouri--1.5%**

Missouri Health and Educational Facilities Authority, Health Facilities Revenue (Saint Anthony's Medical Center)	6.25	12/1/10	2,500,000 a	2,719,725
Missouri Housing Development Commission, SFMR (Homeownership Loan Program) (Collateralized: FNMA and GNMA)	6.30	9/1/25	130,000	131,745

**Nevada--2.1%**

Clark County, IDR (Southwest Gas Corporation Project) (Insured; AMBAC)	6.10	12/1/38	4,000,000	3,960,960
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**New Jersey--.8%**

New Jersey Economic Development Authority, Cigarette Tax Revenue	5.50	6/15/31	1,610,000	1,529,532
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**New Mexico--2.3%**

Farmington,

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PCR (Public Service Company of New Mexico San Juan Project)	6.30	12/1/16	3,000,000	2,976,090
New Mexico Mortgage Finance Authority, Single Family Mortgage Program (Collateralized: FHLMC and GNMA)	6.85	9/1/31	1,305,000	1,324,170
<b>New York--.8%</b>				
Long Island Power Authority,				
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Electric System General Revenue	5.00	9/1/27	1,500,000	1,514,865
<b>North Carolina--.6%</b>				
North Carolina Housing Finance Agency, Home Ownership Revenue	6.25	1/1/29	1,145,000	1,151,824
<b>Ohio--10.0%</b>				
Buckeye Tobacco Settlement Financing Authority, Tobacco Settlement Asset-Backed Bonds Cuyahoga County,	6.50	6/1/47	8,000,000	7,309,680
Hospital Improvement Revenue (The Metrohealth System Project)	6.13	2/15/09	5,000,000 a	5,177,850
Ohio Housing Finance Agency, Residential Mortgage Revenue (Collateralized; GNMA)	5.75	9/1/30	5,000	5,055
Rickenbacker Port Authority, Capital Funding Revenue (OASBO Expanded Asset Pooled)	5.38	1/1/32	4,090,000	4,260,185
Toledo-Lucas County Port Authority, Special Assessment Revenue (Crocker Park Public Improvement Project)	5.38	12/1/35	2,000,000	1,877,400
<b>Oklahoma--1.4%</b>				
Oklahoma Development Finance Authority, Revenue (Saint John Health System)	6.00	2/15/29	625,000	638,975
Oklahoma Development Finance Authority, Revenue (Saint John Health System)	6.00	2/15/09	1,875,000 a	1,943,363
<b>Oregon--2.8%</b>				
Oregon Department of Transportation, Highway User Tax Revenue	5.00	11/15/28	5,000,000	5,125,800
<b>Pennsylvania--7.4%</b>				
Lancaster Higher Education Authority, College Revenue (Franklin and Marshall College				

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Project)	5.00	4/15/37	2,000,000	1,969,840
Pennsylvania Economic Development				
Financing Authority, RRR				
(Northampton Generating				
Project)	6.60	1/1/19	3,500,000	3,500,000
Sayre Health Care Facilities				
Authority, Revenue (Guthrie				
Health)	5.88	12/1/11	5,995,000 a	6,543,962
Sayre Health Care Facilities				
Authority, Revenue (Guthrie				
Health)	5.88	12/1/31	1,755,000	1,782,132
<b>South Carolina--8.2%</b>				
Lancaster Educational Assistance				
Program, Inc., Installment				
Purchase Revenue (The School				
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District of Lancaster County,				
South Carolina, Project)	5.00	12/1/26	5,000,000	4,779,450
Medical University of South				
Carolina, Hospital Facilities				
Revenue	6.00	7/1/09	2,500,000 a	2,627,275
Piedmont Municipal Power Agency,				
Electric Revenue	5.25	1/1/21	3,500,000	3,517,885
Tobacco Settlement Revenue				
Management Authority of South				
Carolina, Tobacco Settlement				
Asset-Backed Bonds	6.38	5/15/30	3,750,000	4,251,750
<b>Tennessee--3.0%</b>				
Johnson City Health and				
Educational Facilities Board,				
Hospital First Mortgage				
Revenue (Mountain States				
Health Alliance)	5.50	7/1/36	2,000,000	1,867,720
Knox County Health, Educational				
and Housing Facility Board,				
Revenue (University Health				
System, Inc.)	5.25	4/1/36	4,000,000	3,760,800
<b>Texas--13.4%</b>				
Cities of Dallas and Fort Worth,				
Dallas/Fort Worth				
International Airport, Joint				
Revenue Improvement (Insured;				
FSA)	5.00	11/1/35	1,600,000	1,515,536
Gregg County Health Facilities				
Development Corporation, HR				
(Good Shepherd Medical Center				
Project) (Insured; Radian)	6.38	10/1/10	2,500,000 a	2,719,750

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Harris County Health Facilities Development Corporation, HR (Memorial Hermann Healthcare System)	6.38	6/1/11	3,565,000 a	3,898,435
Lubbock Educational Facilities Authority, Improvement Revenue (Lubbock Christian University)	5.25	11/1/37	1,500,000	1,387,185
North Texas Tollway Authority, System Revenue	5.75	1/1/40	4,000,000	4,023,240
Port of Corpus Christi Authority of Nueces County, Revenue (Union Pacific Corporation Project)	5.65	12/1/22	4,500,000	4,309,425
Texas (Veterans Housing Assistance Program) (Collateralized; FHA)	6.10	6/1/31	7,000,000	7,103,880
<b>Utah--1.0%</b>				
Utah Housing Finance Agency, SFMR (Collateralized; FHA)	6.00	1/1/31	125,000	128,166
<b>Vermont--1.0%</b>				
Vermont Educational and Health				
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Buildings Financing Agency, Revenue (Saint Michael's College Project)	6.00	10/1/28	1,500,000	1,566,645
Vermont Housing Finance Agency, SFHR (Insured; FSA)	6.40	11/1/30	365,000	370,296
<b>Washington--2.8%</b>				
Washington Higher Educational Facilities Authority, Revenue (Whitman College)	5.88	10/1/09	5,000,000 a	5,225,950
<b>West Virginia--1.3%</b>				
The County Commission of Pleasants County, PCR (Allegheny Energy Supply Company, LLC Pleasants Station Project)	5.25	10/15/37	2,500,000	2,402,325
<b>Wisconsin--5.0%</b>				
Badger Tobacco Asset Securitization Corporation, Tobacco Settlement Asset-Backed Bonds	7.00	6/1/28	2,500,000	2,579,850
Wisconsin Health and Educational Facilities Authority, Revenue (Aurora Health Care, Inc.)	5.60	2/15/29	4,975,000	4,742,071
Wisconsin Health and Educational Facilities Authority, Revenue (Marshfield Clinic)	5.38	2/15/34	2,000,000	1,894,820



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**Wyoming--2.2%**

Sweetwater County, SWDR (FMC Corporation Project)	5.60	12/1/35	1,500,000	1,341,315
Wyoming Municipal Power Agency, Power Supply System Revenue	5.50	1/1/38	2,800,000	2,800,000

**U.S. Related--7.6%**

Puerto Rico Electric Power Authority, Power Revenue	5.50	7/1/38	4,000,000	4,083,280
Puerto Rico Highways and Transportation Authority, Transportation Revenue (Insured; MBIA, Inc.)	5.00	7/1/38	10,000,000 c,d	10,118,550

**Total Long-Term Municipal Investments**

(cost \$271,310,851) **275,903,551**

**Short-Term Municipal  
Investments--7.3%**

**Coupon  
Rate (%)      Maturity  
Date      Principal  
Amount (\$)      Value (\$)**

**Maryland--.3%**

Carroll County, Revenue (Fairhaven and Copper Ridge - Episcopal Ministries to the Aging Inc. Obligated Group Issue) (Insured; Radian and Liquidity Facility; Branch Banking and Trust Co.)	9.00	7/7/08	500,000 e	500,000
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**Massachusetts--1.5%**

Massachusetts Development Finance  
Agency, Revenue (Draper

Laboratory Issue) (Insured; MBIA, Inc. and Liquidity Facility: JPMorgan Chase Bank)	9.00	7/1/08	2,700,000 e	2,700,000
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**Oklahoma--3.7%**

Payne County Economic Development Authority, Student Housing Revenue (OSUF Phase III Student Housing, L.L.C. Project) (Insured; AMBAC and Liquidity Facility; Dexia Credit Locale)	9.00	7/7/08	7,100,000 e	7,100,000
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**Tennessee--1.8%**

Sevier County Public Building Authority, Local Government Public Improvement Revenue (Insured; AMBAC and Liquidity Facility; Landesbank Hessen-Thuringen Girozentrale)	9.00	7/7/08	3,300,000 e	3,300,000
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**Total Short-Term Municipal Investments**

(cost \$13,600,000)		<b>13,600,000</b>
<b>Total Investments</b> (cost \$284,910,851)	<b>155.9%</b>	<b>289,503,551</b>
<b>Liabilities, Less Cash and Receivables</b>	<b>(2.1%)</b>	<b>(3,812,311)</b>
<b>Preferred Stock, at redemption value</b>	<b>(53.8%)</b>	<b>(100,000,000)</b>
<b>Net Assets Applicable to Common Shareholders</b>	<b>100.0%</b>	<b>185,691,240</b>

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 Securities exempt from registration under Rule 144A of the Securities Act of 1933. These securities may be resold in transactions exempt from registration, normally to qualified institutional buyers. At June 30, 2008, these securities amounted to \$21,220,575 or 11.4% of net assets applicable to Common Shareholders.

d Collateral for floating rate borrowings.

e Variable rate demand note □ rate shown is interest rate in effect at June 30, 2008. Maturity date represents the next demand date, not the ultimate maturity date

At June 30, 2008, the aggregate cost of investment securities for income tax purposes was \$284,910,851. Net unrealized appreciation on investments was \$4,592,700 of which \$9,531,151 related to appreciated investment securities and \$4,938,451 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

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

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

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**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: August 25, 2008

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: August 25, 2008

By: /s/ James Windels  
James Windels  
Treasurer

Date: August 25, 2008

**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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