

OLS Revenue Snapshot

FY 2006 - Through December 2005

- **FY 2006 Revenue Growth Strengthens in December.** With December revenue collections again outpacing expected growth rates, it appears likely that revenue estimates for Fiscal Year 2006 will be revised upward later this Spring. The magnitude of the upward revision will depend upon important revenue collections in January and April. Eleven of the 14 major State revenues that the OLS tracks each month are reporting growth rates above what would be needed to reach year-end certified targets. Of the State's largest revenues, only the sales tax is under performing expectations at this time.
- **Gross Income Tax (GIT)** receipts of \$3.7 billion are running 12% ahead of last year's pace six months into the fiscal year. Withholding collections, which account for the majority of annual GIT receipts, are up by nearly 7%, slightly below target so far after modest growth in November and December. Significantly, the GIT is being driven by continued strong growth in quarterly estimated payments, which are up 33% so far this year. Additional quarterly payments due in January will help clarify the trend. These quarterly payments are made by higher-income taxpayers, who often have significant sources of non-wage income. Historically, strong quarterly payments bode well for the important year-end final payments that are due in April.
- **Sales Tax** receipts after the first five months (December collections are for November activity because this tax is subject to a one month payment lag) total \$2.75 billion, up only 2.5% from the same period last year. The sales tax target certified for FY 2006 assumes growth of 4.5% for the fiscal year. The low growth rate so far in FY 2006 may be due to a number of factors such as consumer reaction to higher fuel prices over the summer, which reduced the disposable income available to purchase taxable goods and services, relatively low job growth, and soft consumer confidence. Upcoming January figures will include data from the important holiday shopping season, and may indicate whether or not the sales tax can recover from its current weakness.
- **Corporation Business Tax (CBT)** collections through the end of December total close to \$1.2 billion, 30% above the first six months of last fiscal year. The certified year-end target for the CBT projects growth of only 1.4% in FY 2006. Growth has been strong throughout the fiscal year, and December's important quarterly payments were up 18% over last December, showing no signs of weakness. Likewise, the smaller **CBT Banks and Financial Institutions** tax boasts collections of \$64 million, more than double the level at the same time last year.
- **The Real Estate Transfer Tax** is reporting growth of 45% over the same months last year. The housing resale market appears to be as strong as ever, even after the State has already experienced several strong years.

Office of Legislative Services
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As in past years, the OLS Revenue Snapshot summarizes current cash revenue collections in comparison to prior year cash collections for the same period, using information provided by the Department of Treasury. Certain revenues are reported with a one month lag due to payment schedules. The Treasury publicly reports monthly revenues in a different format which compares estimated or accrued earnings with FY 2006 budget projections.

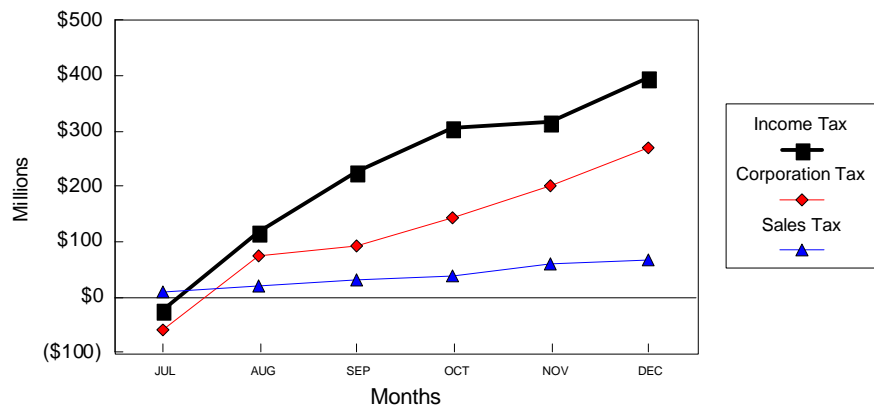
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Selected Year-To-Date Cash Collections (\$ millions)

REVENUE	FY 2005 Actual Year-To-Date	FY 2006 Actual Year-To-Date	Actual Y-T-D Growth %	Certified Year-End Growth % **	Certified Year-End \$ Estimate
INCOME TAX	\$3,293.3	\$3,690.8	12.1%	7.7%	\$10,275.0
* SALES TAX	\$2,684.6	\$2,751.1	2.5%	4.5%	\$6,850.0
CORPORATION TAX	\$909.0	\$1,178.9	29.7%	1.4%	\$2,402.0
LOTTERY	\$390.2	\$415.5	6.5%	1.0%	\$820.0
(a) CIGARETTE	\$262.4	\$261.6	-0.3%	-1.2%	\$626.0
* MOTOR FUELS	\$213.1	\$229.2	7.5%	5.1%	\$575.0
TRANSFER INHERITANCE	\$266.2	\$307.1	15.3%	-4.0%	\$500.0
CASINO	\$228.0	\$239.6	5.1%	0.9%	\$480.0
INSURANCE PREMIUM	\$8.5	\$7.9	-6.1%	9.6%	\$473.0
* REALTY TRANSFER	\$145.5	\$210.5	44.7%	11.7%	\$430.0
(b) MOTOR VEHICLE FEES	\$22.8	\$58.0	154.8%	11.8%	\$294.3
* PETROLEUM PRODUCTS	\$119.4	\$97.4	-18.4%	2.6%	\$255.0
BANKS & FINANCIAL (CBT)	\$29.1	\$63.9	119.4%	-5.1%	\$100.0
* ALCOHOL EXCISE	\$27.9	\$30.7	9.8%	3.0%	\$91.0

**Income Tax
Corporation Tax
and Sales Tax**
**FY06 Over FY05
Actual Year-To-Date
\$ Change**



Sources: Executive FY 2006 year-end revenues as certified by the Governor in June 2005.

FY 2006 Year-To-Date actuals are from Treasury monthly reports.

* Revenues represent five months of cash collections. All others represent six months of cash collections.

** The percentage difference between FY 2006 certified revenue estimates (June 2005) and audited FY 2005 year-end figures.

(a) The first \$155 million in cigarette tax collections are deposited into the Health Care Subsidy Fund (P.L.1997, c.264).

(b) The first \$197.7 million in motor vehicle fee collections are dedicated to the NJ Motor Vehicle Commission.