

OLS Revenue Snapshot

FY 2006 - Through September 2005

- **FY 2006 First Quarter Revenue Growth is Mildly Encouraging.** The first solid yardstick for assessing State revenue growth trends occurs at the end of the opening quarter of the fiscal year, with the receipt of the first significant quarterly income and corporate tax payments in September. The early signs are positive. Most revenues appear to be running ahead of the growth rates needed to reach year-end targets, although weakness in the sales tax, the State's second largest tax revenue, does give some reason for caution. As always, the OLS will continue to monitor the trends and keep the Legislative budget and appropriations committees informed.
- **Gross Income Tax (GIT)** receipts of \$1.54 billion are running 17.4% ahead of last year's first quarter levels. The primary factor is a sharp 29% jump in quarterly estimated payments. These payments are made by higher-income taxpayers, who often have significant sources of non-wage income. Some of this sharp growth may be due to timing issues, in that many taxpayers may not have fully accounted for the FY 2005 high-income tax rate increase last September, but will have done so by this September, thus artificially inflating the year-to-year growth rate comparison. Withholding collections, which account for the majority of annual GIT receipts, are up by nearly 10% through the first three months of the fiscal year, essentially on-target so far.
- **Sales Tax** receipts after the first two months (September collections are for August activity because this tax is subject to a one month payment lag) total \$1.13 billion, up 3.0% from the first two months last year. The sales tax target certified for FY 2006 assumes growth of 5.3% for the fiscal year. This lower than expected growth may be a due to consumer reaction to higher fuel prices, which may be drawing some disposable income away from sales of taxable goods and services. The OLS will continue to monitor sales tax collection patterns as the fiscal year progresses.
- **Corporation Business Tax (CBT)** collections through the end of September total \$459.7 million, 25.4% above the first quarter of last fiscal year. Most of the apparent strength comes from favorable results in July and August, two months that are not significant payment months. While larger than projected collections in July and August are "money in the bank", this may not signal a trend. The more important quarterly payment month of September reported collections of about \$289 million, up a solid 6.7% from last September. The certified year-end target for the CBT projects growth of 3.3% in FY 2006. As in the case of the GIT, first quarter results are less significant than the results of the subsequent April receipts in determining final collections.

Office of Legislative Services
October 19, 2005

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 2005 budget projections.

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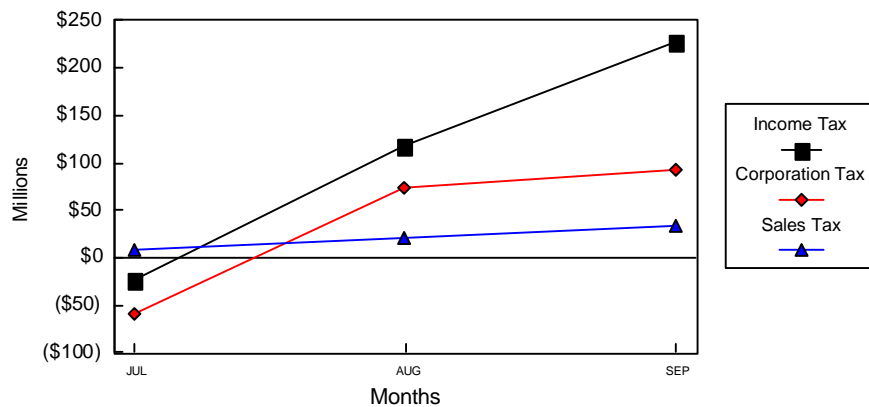
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Selected Year-To-Date Cash Collections (\$ millions)

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	\$1,312.9	\$1,541.5	17.4%	7.7%	\$10,275.0
* SALES TAX	\$1,099.6	\$1,132.7	3.0%	5.3%	\$6,850.0
CORPORATION TAX	\$366.7	\$459.7	25.4%	3.3%	\$2,402.0
LOTTERY	\$191.8	\$205.0	6.9%	0.0%	\$820.0
(a) CIGARETTE	\$55.8	\$61.5	10.2%	-1.2%	\$626.0
* MOTOR FUELS	\$79.7	\$98.8	24.0%	5.1%	\$575.0
TRANSFER INHERITANCE	\$134.4	\$157.6	17.3%	-4.0%	\$500.0
CASINO	\$113.4	\$120.5	6.2%	1.1%	\$480.0
INSURANCE PREMIUM	\$1.6	\$1.8	11.2%	9.6%	\$473.0
* REALTY TRANSFER	\$63.9	\$88.0	37.8%	11.7%	\$430.0
(b) MOTOR VEHICLE FEES	\$0.0	\$0.0	0.0%	11.8%	\$294.3
* PETROLEUM PRODUCTS	\$60.8	\$41.7	-31.5%	10.7%	\$255.0
BANKS & FINANCIAL (CBT)	\$17.2	\$18.7	8.7%	-5.0%	\$100.0
* ALCOHOL EXCISE	\$14.3	\$15.3	6.9%	2.9%	\$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 two months of cash collections. All others represent three months of cash collections.

** The percentage difference between FY 2006 certified revenue estimates (June 2005) and estimated FY 2005 year-end figures reported by the NJ Comprehensive Financial System (September 2005).

(a) The first \$150 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.