

OLS Revenue Snapshot

FY 2007 - Through September 2006

- **FY 2007 First Quarter Revenue Growth Leaves More Questions Than Answers.** The opening quarter of the fiscal year usually provides the first glimmer of revenue trends. However, the early patterns for the sales tax and the cigarette tax cannot be used as reliable gauges due to implementation and timing of the statutory tax changes. While there is some initial weakness in income tax receipts and an unexpected boost in corporation business tax receipts, it will take several more months for the underlying collection patterns to emerge. 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 \$1.52 billion are running 1.6% below last year's first quarter levels. The certified year-end target growth rate is a moderate 8.0%. Quarterly estimated tax payments, from taxpayers with significant non-wage income, are up 7.1%, which is close to expectations. However, withholding collections are down 3.1% and the primary cause of the initial decline in the GIT. While it is still early in the fiscal year, the withholding weakness is potentially worrisome in light of other data on jobs and economic growth.
- **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 \$1.27 billion, up 12.2% from the first two months last year. It is too early to draw any conclusions about the sales tax. The expansions of the tax base became effective on October 1 and are not reflected in the first quarter data. The 1 percent rate increase took effect in July, but there is usually some confusion when such changes occur. The sales tax target certified for FY 2007 assumes growth of 29.1% for the full fiscal year. Monthly growth rates should accelerate toward the year-end target rate by the close of the second quarter. The OLS will continue to monitor the growth pattern relative to expectations.
- **Corporation Business Tax (CBT)** collections through the end of September total \$499.8 million, 8.7% above the first quarter of last fiscal year. The important quarterly payment month of September yielded collections of about \$365 million, up a strong 26.2% from last September. Current growth is encouraging considering that the certified year-end target for the CBT projects a decline of 8.1% in FY 2007.
- Statutory changes in the **Cigarette Tax** will have a significant impact on budgeted collections this fiscal year. P.L.2006, c.37 increased the dedicated amounts deposited into the Health Care Subsidy Fund from \$155 million to \$370 million. In addition, P.L.2004, c.68 dedicated a portion of the tax, estimated at about \$210 million (\$0.0325 per cigarette), to pay debt service on the cigarette tax securitization bonds. As a result, less than one-third of State cigarette tax collections will be reported as on-budget revenue beginning with FY 2007.

Office of Legislative Services
October 10, 2006

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 2007 budget projections.

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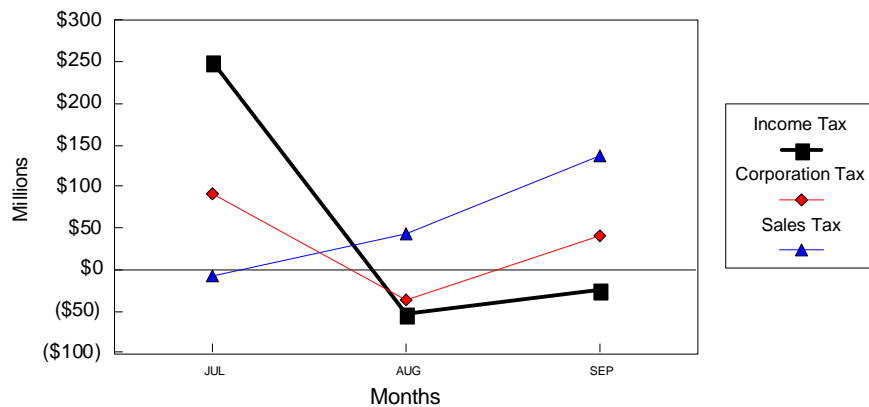
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Selected Year-To-Date Cash Collections (\$ millions)

REVENUE	FY 2006 Actual Year-To-Date	FY 2007 Actual Year-To-Date	Actual Y-T-D Growth %	Revised Year-End Growth % **	Revised Year-End \$ Estimate
INCOME TAX	\$1,541.5	\$1,517.6	-1.6%	8.0%	\$11,475.0
* SALES TAX	\$1,132.7	\$1,270.4	12.2%	29.1%	\$8,721.6
CORPORATION TAX	\$459.7	\$499.8	8.7%	-8.1%	\$2,607.1
LOTTERY	\$205.0	\$176.4	-14.0%	0.7%	\$846.0
TRANSFER INHERITANCE	\$157.6	\$156.8	-0.5%	-1.8%	\$600.0
* MOTOR FUELS	\$98.8	\$96.0	-2.8%	0.4%	\$553.0
INSURANCE PREMIUM	\$1.8	\$0.3	-83.7%	-3.3%	\$495.0
CASINO	\$120.5	\$116.1	-3.6%	-6.6%	\$468.1
* REALTY TRANSFER	\$88.0	\$68.9	-21.8%	-9.7%	\$415.0
(b) MOTOR VEHICLE FEES	\$0.0	\$0.0	0.0%	-3.7%	\$275.2
* PETROLEUM PRODUCTS	\$41.7	\$42.6	2.2%	0.1%	\$225.0
(a) CIGARETTE	\$61.5	\$0.0	-100.0%	-66.0%	\$215.0
BANKS & FINANCIAL (CBT)	\$18.7	\$17.7	-5.6%	-22.0%	\$120.0
* ALCOHOL EXCISE	\$15.3	\$15.0	-1.8%	3.3%	\$94.0

**Income Tax
Corporation Tax
and Sales Tax**

**FY07 Over FY06
Actual Year-To-Date
\$ Change**



Sources: Executive FY 2007 year-end revenues as certified by the Governor in July 2006.

FY 2007 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 2007 certified revenue estimates (July 2006) and estimated FY 2006 year-end figures from the NJ Comprehensive Financial System.

- (a) The first \$370 million in cigarette tax collections are deposited into the Health Care Subsidy Fund (P.L.2006, c.37). Additional amounts, estimated at about \$210 million, are dedicated to pay tobacco bond debt service (P.L.2004, c.68).
- (b) The first \$198.7 million in motor vehicle fee collections are dedicated to the NJ Motor Vehicle Commission.