

# OLS Revenue Snapshot

FY 2007 - Through December 2006

- **Revenue Collections Still Short of Expectations.** Six months into Fiscal Year 2007, State tax revenue collections continue to trail projected growth rates. Growth in three of the State's four largest revenues remains under the year-end target growth rates. While this trend is troubling, the OLS believes that it is still too early in the fiscal year to conclude that we will face an overall shortfall.
- **Gross Income Tax (GIT)** receipts of \$3.7 billion are running only 0.9% above last year's levels after the first six months of FY07. The certified year-end target growth rate is 9.2%. Except for a strong October collection, monthly GIT receipts have underperformed most of the fiscal year, including an 8.7% decline in December. **However, the OLS notes that December's collections weakness may be misleading.** GIT collections in the months of December and January must be viewed together, since taxpayers' 2006 year-end payment decisions influence in which month those payments are received. It may be that the timing or processing of these tax payments shifted collections from December to January. Indeed, the OLS is aware of strong receipts in the first week of January that would bolster the probability that December's weakness will be offset at least in part by strength in January. Estimated quarterly tax payments (from taxpayers with significant sources of non-wage income) are down 3.2% through the end of December, but this is precisely the component that OLS anticipates will rebound in January. Withholding collections are up 5.6% so far in FY07, while taxpayer refunds remain above expectations, although the bulk of refunds are not paid until the spring.
- **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 \$3.27 billion, up 18.7% from the same period last year. December receipts grew by 23.1% over last December, similar to November's 23.7% growth rate. The expansions of the tax base became effective on October 1. Revenue growth during the only two months fully affected by all the tax changes has not reached the target year-end growth rate of 29.1%, a cause for some concern if the sales tax is to achieve the projected revenue yield.
- **Corporation Business Tax (CBT)** collections through the end of December total \$1.16 billion, 1.6% below the same period last fiscal year. This modest decline in growth continues to represent better-than-projected performance for the CBT, for which a greater decline of 8.1% is assumed in FY 2007. The decline was anticipated because of the phased changes to certain provisions of the tax.

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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 2007 budget projections.

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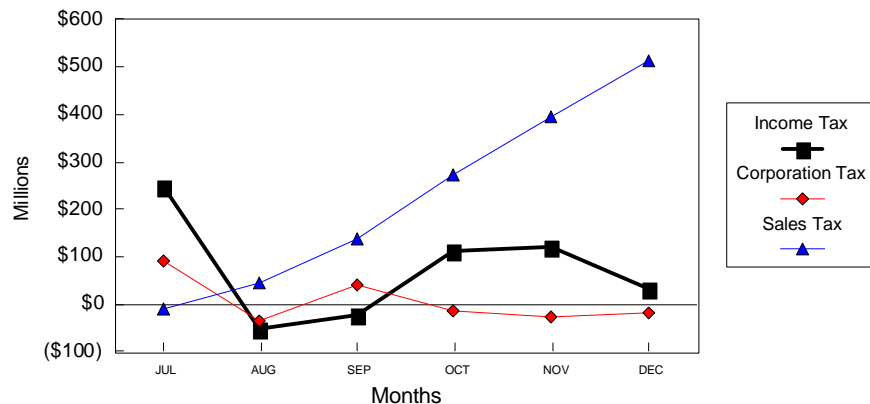
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Selected Year-To-Date Cash Collections (\$ millions)

REVENUE	FY 2006 Actual Year-To-Date	FY 2007 Actual Year-To-Date	Actual Y-T-D Growth %	Certified Year-End Growth % **	Certified Year-End \$ Estimate
INCOME TAX	\$3,690.8	\$3,724.4	0.9%	9.2%	\$11,475.0
* SALES TAX	\$2,751.1	\$3,266.6	18.7%	29.1%	\$8,721.6
CORPORATION TAX	\$1,178.9	\$1,160.0	-1.6%	-8.1%	\$2,607.1
LOTTERY	\$415.5	\$376.4	-9.4%	0.7%	\$846.0
TRANSFER INHERITANCE	\$307.1	\$301.1	-1.9%	-1.8%	\$600.0
* MOTOR FUELS	\$229.2	\$235.1	2.6%	0.4%	\$553.0
INSURANCE PREMIUM	\$7.9	\$5.8	-26.4%	-3.3%	\$495.0
CASINO	\$239.6	\$222.9	-7.0%	-6.6%	\$468.1
* REALTY TRANSFER	\$210.5	\$169.6	-19.4%	-9.7%	\$415.0
(b) MOTOR VEHICLE FEES	\$58.0	\$30.1	-48.0%	-3.7%	\$275.2
* PETROLEUM PRODUCTS	\$97.4	\$99.6	2.3%	0.1%	\$225.0
(a) CIGARETTE	\$261.6	\$0.0	-100.0%	-66.0%	\$215.0
BANKS & FINANCIAL (CBT)	\$63.9	\$34.3	-46.3%	-22.0%	\$120.0
* ALCOHOL EXCISE	\$30.7	\$29.1	-5.2%	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 five months of cash collections. All others represent six 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.