

# OLS Revenue Snapshot

FY 2007 - Through January 2007

- **Revenue Collections Remain Below Expectations.** Seven months into Fiscal Year 2007, State tax revenue collections continue to lag projections. Growth in the gross income tax and the sales tax, which together comprise 66% of anticipated revenue, remain below year-end target growth rates. The performance of other revenues is mixed and do not suggest a windfall that could compensate for weakness in the two primary taxes.
- **Gross Income Tax (GIT)** receipts of \$5.6 billion are 8.9% above last year's levels after the first seven months of FY07. As expected, January receipts rebounded from a weak December report due to certain timing and processing factors that shifted collections from December to January. However, an additional processing factor is now *overstating* January receipts, as one scheduled weekly payment of employee withholding has shifted forward into January, boosting current revenues by between \$80 million and \$100 million. **The OLS estimates that adjusting for this additional payment would reduce the year-to-date growth rate of the GIT closer to 7.0%.** A 7.0% underlying growth rate is an improvement over growth rates reported during the fall, but remains below the growth necessary to achieve the year-end target growth rate of 9.2%.
- **Sales Tax** receipts at the midpoint of the fiscal year (January collections are for December activity because this tax is subject to a one month payment lag) total \$4.1 billion, up 18.8% from the same period last year. January receipts included the important holiday sales period, but grew by only 18.9% over last January, below the growth rates of the prior two months. Considering last summer's tax rate increase and the expansions of the tax base that became effective on October 1, revenue growth remains well below expectations. The target year-end growth rate is 27.3%\*, but no month this fiscal year has reached that rate of growth. Growth for the remainder of FY 2007 would have to *nearly double* current growth rates to make up for underperformance so far this year.
- **Corporation Business Tax (CBT)** collections through the end of January total \$1.22 billion, 3.3% 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 13.3%\* is assumed in FY 2007. The decline was anticipated because of the phased changes to certain provisions of the tax.
- **Realty Transfer Tax and Lottery revenues** are running below growth rates needed to achieve year-end targets. Reflecting widely reported weakness in the housing market, realty collections are down 17.5% so far this year, as compared to a lesser projected year-end decline of 9.7%. Lottery receipts are down 8.0%, in contrast to anticipated growth of 0.2% by year's end.

Office of Legislative Services  
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\* Year-end target growth rates, particularly for the sales tax and the corporation business tax, are revised from the display in prior months of the **OLS Snapshot**, due to changes in the baseline collections for FY 2006 as reported by the recently released NJ Comprehensive Annual Financial Report.

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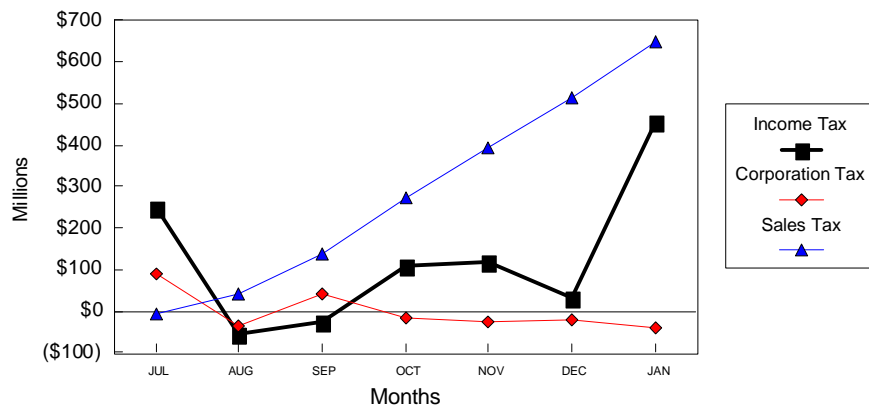
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Selected Year-To-Date Cash Collections (\$ millions)

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	\$5,136.7	\$5,592.0	8.9%	9.2%	\$11,475.0
* SALES TAX	\$3,449.4	\$4,096.8	18.8%	27.3%	\$8,721.6
CORPORATION TAX	\$1,266.3	\$1,225.1	-3.3%	-13.3%	\$2,607.1
LOTTERY	\$480.6	\$442.3	-8.0%	0.2%	\$846.0
TRANSFER INHERITANCE	\$362.7	\$357.3	-1.5%	-1.8%	\$600.0
* MOTOR FUELS	\$277.9	\$286.7	3.2%	0.4%	\$553.0
INSURANCE PREMIUM	\$8.3	\$6.7	-19.7%	-3.3%	\$495.0
CASINO	\$278.9	\$260.9	-6.4%	-6.4%	\$468.1
* REALTY TRANSFER	\$251.2	\$207.3	-17.5%	-9.7%	\$415.0
(b) MOTOR VEHICLE FEES	\$84.9	\$82.2	-3.2%	-3.1%	\$275.2
* PETROLEUM PRODUCTS	\$117.6	\$119.7	1.8%	0.1%	\$225.0
(a) CIGARETTE	\$322.6	\$0.0	-100.0%	-66.0%	\$215.0
BANKS & FINANCIAL (CBT)	\$64.8	\$37.2	-42.5%	-22.0%	\$120.0
* ALCOHOL EXCISE	\$48.1	\$48.5	0.9%	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 six months of cash collections. All others represent seven months of cash collections.

\*\* The percentage difference between FY 2007 certified revenue estimates (July 2006) and FY 2006 year-end figures from the NJ Comprehensive Annual Financial Report.

- (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.