

OLS Revenue Snapshot

FY 2008 - Through December 2007

- **Can State Revenues Maintain Their Performance in the Second Half of the Fiscal Year?** Six months into Fiscal Year 2008, most State revenues are generally performing at or above the expectations certified by the Governor last summer. In particular, each of the five largest revenues are posting growth rates above their year-end targets. However, recent national reports of a slowing job market and weak retail sales continue to cloud the revenue outlook. Changing economic circumstances can have a rapid impact on State tax revenues, and the OLS notes concerns over indicators such as income tax withholding and the recent holiday sales period.
- **Gross Income Tax (GIT)** receipts of \$4.1 billion are running 10.7% above last year's levels five months into FY08. The certified year-end target growth rate is 8.1%. Withholding receipts, which reflect mostly wage income, are up only 4.7% so far this year. Considering national reports of a weakening job market, this component of the GIT bears continued monitoring. On the other hand, estimated quarterly tax payments are up a strong 22.0% so far this fiscal year. These payments come from taxpayers with significant sources of non-wage income and they continue to lead the GIT, an encouraging sign for April tax payments this spring.
- **Sales Tax** receipts five months into the fiscal year (December collections are for November activity because this tax is subject to a one month payment lag) total \$3.5 billion, up 7.0% from the same period last year. Because last year's tax base expansion was not effective until October 1 and the rate increase was not in effect until mid-July, sales tax growth in the first quarter of FY 2008 was an artificially inflated 8.7%. Since then, growth has moderated and December's increase of 3.0% is barely in line with the certified year-end growth of 3.3%. In light of weak national retail sales reports for December, the OLS is keenly interested in January's sales tax growth rate, which will reflect sales activity during the December holiday shopping season.
- **Corporation Business Tax (CBT)** collections through the end of the first six months total \$1.36 billion, 17.1% above the same period last fiscal year. December receipts included the second quarterly payment this fiscal year, and strong growth of 13.6% this month remains encouraging and contrary to year-end expectations of a decline in this revenue.
- **Casino revenues** are down 9.5% six months into the fiscal year. The FY 2008 revenue certification anticipated a 12% decline due to the phase-out of several smaller casino fees and the loss of some revenue to increased out-of-state competition. The current declines remain consistent with the year-end expectations.

Office of Legislative Services
January 23, 2008

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 2008 budget projections.

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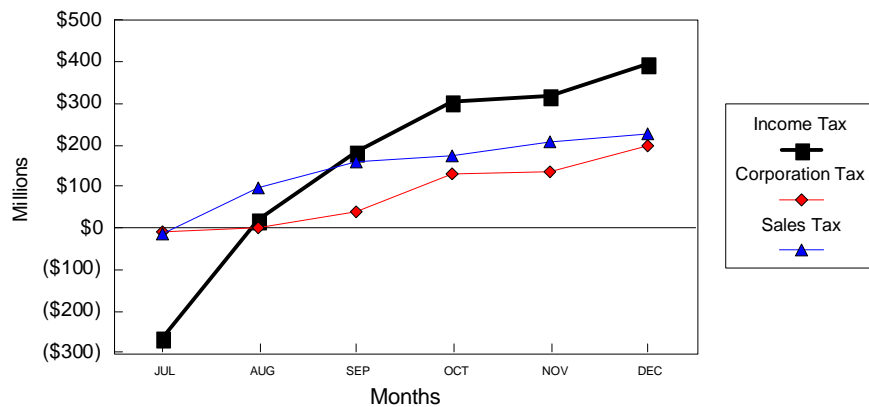
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Selected Year-To-Date Cash Collections (\$ millions)

REVENUE	FY 2007 Actual Year-To-Date	FY 2008 Actual Year-To-Date	Actual Y-T-D Growth %	Certified Year-End Growth % **	Certified Year-End \$ Estimate
INCOME TAX	\$3,724.4	\$4,122.5	10.7%	8.1%	\$12,379.0
* SALES TAX	\$3,266.6	\$3,494.0	7.0%	3.3%	\$8,900.4
CORPORATION TAX	\$1,160.0	\$1,358.3	17.1%	-13.0%	\$2,623.0
LOTTERY	\$376.4	\$430.6	14.4%	1.7%	\$845.0
TRANSFER INHERITANCE	\$301.1	\$357.9	18.9%	2.1%	\$618.0
* MOTOR FUELS	\$235.1	\$236.8	0.7%	1.4%	\$572.0
INSURANCE PREMIUM	\$5.8	(\$7.7)	-231.4%	2.4%	\$466.0
CASINO	\$222.9	\$201.7	-9.5%	-12.0%	\$400.7
* REALTY TRANSFER	\$169.6	\$162.5	-4.2%	-5.9%	\$380.0
(b) MOTOR VEHICLE FEES	\$30.1	\$24.7	-18.0%	1.2%	\$278.4
* PETROLEUM PRODUCTS	\$99.6	\$99.0	-0.6%	1.3%	\$233.0
(a) CIGARETTE	\$0.0	\$0.0	0.0%	-4.7%	\$195.9
BANKS & FINANCIAL (CBT)	\$34.3	\$45.3	32.0%	-7.1%	\$130.0
* ALCOHOL EXCISE	\$29.1	\$29.9	2.8%	1.1%	\$93.0

**Income Tax
Corporation Tax
and Sales Tax**

**FY08 Over FY07
Actual Year-To-Date
\$ Change**



Sources: Executive FY 2008 year-end revenues as Certified by the Governor in June 2007.

FY 2008 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 2008 Certified revenue estimates (June 2007) and FY 2007 year-end figures from the Executive's May 2007 estimates.

- (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 \$191.1 million, are dedicated to pay tobacco bond debt service (P.L.2004, c.68).
- (b) The first \$204.3 million in motor vehicle fee collections are dedicated to the NJ Motor Vehicle Commission.