

# OLS Revenue Snapshot

FY 2007 - Through March 2007

- **Processing of April Tax Payments Proceeds as Budget Committees Await Outcome.** Three quarters into Fiscal Year 2007, State tax revenue collections lag projections. Ten of the 14 major revenues the OLS tracks each month are running behind growth rates needed to achieve the Executive's year-end targets. Growth in the gross income tax and the sales tax, which together comprise 66% of anticipated revenue, remain below year-end target growth rates, but corporation tax revenues have shown surprising strength. The on-going April tax filing period is a crucial determinant for the income tax and the corporation tax.
- **Gross Income Tax (GIT)** receipts of \$6.6 billion are 6.9% above last year's levels through the end of the third quarter of FY07. This growth rate remains below the growth necessary to achieve the Executive's year-end target growth rate of 9.1%. However, the Executive is expecting strong growth of 17.5% in the annual April and May final tax payments. Such growth would spur overall GIT collections to the year-end target level. The OLS remains somewhat more cautious, estimating 9.0% growth in final tax payments. Actual figures should be known after the first week of May.
- **Sales Tax** receipts eight months into the fiscal year (March collections are for February activity because this tax is subject to a one month payment lag) total \$5.3 billion, up 19.8% from the same period last year. The target year-end growth rate is 27.9%\*, but so far only one month this fiscal year (February's 33% growth) has reached or exceeded that target rate of growth. Growth for the remainder of FY 2007 will have to exceed 30% per month to make up for prior months' underperformance.
- **Corporation Business Tax (CBT)** collections through the end of March total \$1.6 billion, 1.8% above the same period last fiscal year. This positive CBT growth far exceeds the expectation of a 7.0% decline, as is assumed in the Executive's revised estimates. The decline is anticipated because of the phased changes to certain provisions of the tax. However, recent strength in collections is encouraging heading into the important April payment period.
- The first significant payments in FY 2007 under the **Insurance Premiums Tax** came in below expectations. March 1 and June 1 are the annual payment dates for this tax, and following the March payment, collections are down 17.2% compared to the same period last year. The Executive's revised estimates for this tax assumed a 4.7% decline for the fiscal year.

Office of Legislative Services  
April 18, 2007

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\* Sales tax growth in FY 2007 is expected to be high due to the increase in the tax rate from 6 cents to 7 cents in July 2006 and due to the expansion of the tax base, effective October 1, 2006. In addition, on-budget tax receipts from energy sales are expected to increase significantly.

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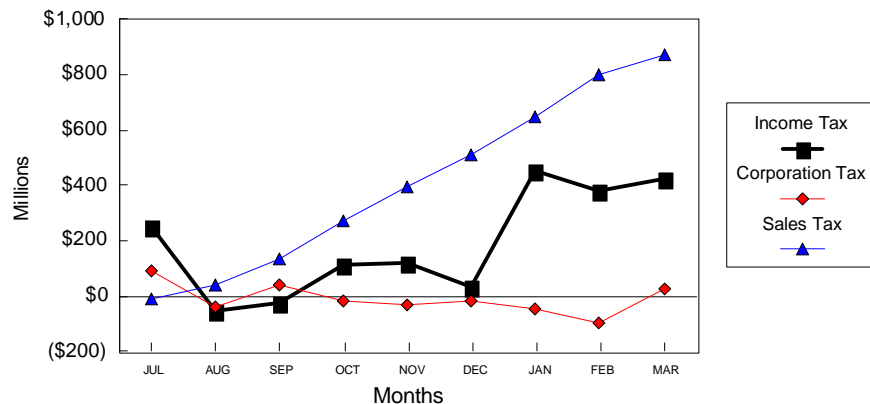
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Selected Year-To-Date Cash Collections (\$ millions)

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	\$6,207.4	\$6,636.3	6.9%	9.1%	\$11,465.0
* SALES TAX	\$4,396.3	\$5,267.5	19.8%	27.9%	\$8,767.5
CORPORATION TAX	\$1,546.6	\$1,574.6	1.8%	-7.0%	\$2,798.2
LOTTERY	\$626.0	\$599.2	-4.3%	-3.7%	\$812.7
TRANSFER INHERITANCE	\$482.3	\$463.2	-4.0%	-1.4%	\$602.0
* MOTOR FUELS	\$364.4	\$374.2	2.7%	2.7%	\$566.0
INSURANCE PREMIUM	\$324.2	\$268.3	-17.2%	-4.7%	\$488.0
CASINO	\$361.3	\$331.0	-8.4%	-8.4%	\$458.0
* REALTY TRANSFER	\$319.0	\$268.0	-16.0%	-13.9%	\$396.0
(b) MOTOR VEHICLE FEES	\$165.6	\$171.1	3.3%	3.9%	\$295.2
* PETROLEUM PRODUCTS	\$153.6	\$156.2	1.7%	2.7%	\$231.0
(a) CIGARETTE	\$442.9	\$68.0	-84.6%	-63.9%	\$228.1
BANKS & FINANCIAL (CBT)	\$76.2	\$65.9	-13.6%	-35.0%	\$100.0
* ALCOHOL EXCISE	\$60.9	\$59.5	-2.3%	1.1%	\$92.0

**Income Tax  
Corporation Tax  
and Sales Tax**

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



Sources: Executive FY 2007 year-end revenues as revised by the Governor in February 2007.

FY 2007 Year-To-Date actuals are from Treasury monthly reports.

\* Revenues represent eight months of cash collections. All others represent nine months of cash collections.

\*\* The percentage difference between FY 2007 revised revenue estimates (Feb 2007) 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 \$201.9 million, are dedicated to pay tobacco bond debt service (P.L.2004, c.68).
- (b) The first \$207.8 million in motor vehicle fee collections are dedicated to the NJ Motor Vehicle Commission.