

OLS Revenue Snapshot

FY 2007 - Through October 2006

- **October Revenue Collections Help Reverse First Quarter Weakness.** Year-to-date revenue collection patterns may be stabilizing as good October receipts offset some weaknesses in prior months. About half the State's major revenues are running above year-end growth targets, while the other half are running below year-end targets. The two largest revenues, the income tax and the sales tax, are both still below the annual growth target, but the status of these sources will be much clearer over the next several months.

Indeed, the coming period will be particularly important in clarifying revenue trends. The sales tax changes will soon be fully implemented. Holiday sales activity looms during the next few months. Individual and corporate quarterly estimated tax payments are due this winter, and year-end tax filings are also pending. State revenue trends are still evolving.

- **Gross Income Tax (GIT)** receipts of \$2.26 billion are running 5.2% above last year's levels for the first four months of the fiscal year. The certified year-end target growth rate is 9.2%. October receipts were boosted by a \$91 million accounting transfer of withholding receipts from FY06, a correction of initial allocations. As a result, withholding collections are up nearly 7% through October, reversing reported declines from the first months of the year. Overall collections remain somewhat below year-end target growth rates, but growth is not nearly as weak as it appeared through September.
- **Sales Tax** receipts after the first three months (October collections are for September activity because this tax is subject to a one month payment lag) total \$1.99 billion, up 15.9% from last year's first quarter results. October receipts grew by an encouraging 23.3% over last October. As was noted in the September *Snapshot*, it remains too early to draw any conclusions about the sales tax, because the base and rate changes are not yet fully implemented. Since the expansions of the tax base became effective on October 1, November receipts should be the first month fully affected by the tax changes. Monthly growth rates should continue to accelerate toward the year-end target rate of 29.1% during the second quarter.
- **Corporation Business Tax (CBT)** collections through the end of September total \$628.9 million, 2.4% below the same period last fiscal year. The current modest decline in growth is better than the certified year-end target for the CBT, which projects a greater decline of 8.1% in FY 2007. The decline was projected because of the phased changes to certain provisions of the tax.
- **State Lottery** and **Realty Transfer** revenues, two of the State's "top-ten" budget revenues, are running behind growth rates needed to achieve the targets. Lottery collections are down 11.6% compared to a target of 0.7% growth for the year. Realty transfer collections are down 17.3% compared to a target of only a 9.7% decline.

Office of Legislative Services
November 16, 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.

OLS Revenue Snapshot

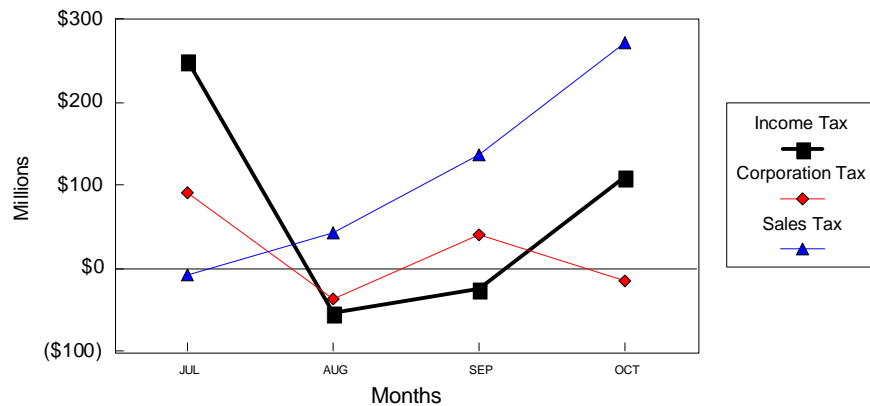
FY 2007 - Through October 2006

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	\$2,154.1	\$2,265.4	5.2%	9.2%	\$11,475.0
* SALES TAX	\$1,715.7	\$1,989.1	15.9%	29.1%	\$8,721.6
CORPORATION TAX	\$644.5	\$628.9	-2.4%	-8.1%	\$2,607.1
LOTTERY	\$272.3	\$240.7	-11.6%	0.7%	\$846.0
TRANSFER INHERITANCE	\$216.4	\$215.2	-0.6%	-1.8%	\$600.0
* MOTOR FUELS	\$140.7	\$142.3	1.1%	0.4%	\$553.0
INSURANCE PREMIUM	\$2.1	\$0.8	-62.6%	-3.3%	\$495.0
CASINO	\$162.0	\$153.2	-5.4%	-6.6%	\$468.1
* REALTY TRANSFER	\$129.8	\$107.4	-17.3%	-9.7%	\$415.0
(b) MOTOR VEHICLE FEES	\$0.0	\$0.0	0.0%	-3.7%	\$275.2
* PETROLEUM PRODUCTS	\$60.5	\$61.7	2.0%	0.1%	\$225.0
(a) CIGARETTE	\$121.3	\$0.0	-100.0%	-66.0%	\$215.0
BANKS & FINANCIAL (CBT)	\$19.9	\$23.0	15.5%	-22.0%	\$120.0
* ALCOHOL EXCISE	\$15.3	\$15.0	-1.7%	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 three months of cash collections. All others represent four 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.