

OLS Revenue Snapshot

FY 2008 - Through January 2008

- **Income Tax Withholding and Sales Tax Receipts Darken the Revenue Picture.** For the last several months the *OLS Revenue Snapshot* has noted growing concerns about national reports of a slowing job market and weak retail sales. While overall revenue collections appeared to be performing well in New Jersey compared to other states, slowing growth in withholding taxes on wage income and sales tax revenue were potentially troubling signs. Now that the important holiday shopping period is complete and additional income tax payments are in, those troubling signs have more confirmation. Weak collections data from income tax withholding and the sales tax suggest that the national slowdown may be taking root in New Jersey as well. The full significance of this development will be revealed in the coming months.
- **Gross Income Tax (GIT)** receipts of \$6.0 billion are running 7.5% above last year's levels half way into FY08. The certified year-end target growth rate is 8.1%. With the completion of the December and January period, the GIT trends can be seen somewhat more clearly. Estimated quarterly tax payments (from taxpayers with significant sources of non-wage income) for December and January combined grew by 9.2%, a good performance, but considerably slower than earlier in this fiscal year. **Withholding receipts, which reflect mostly wage income, grew by only 1.5% in December and January combined**, dragging the overall GIT growth rate down. Withholding collections account for more than two-thirds of annual GIT receipts, raising concerns for the coming months now that the State's behavior appears to be tracking the weakening national job market.
- **Sales Tax** receipts six months into the fiscal year (January collections are for December activity because this tax is subject to a one month payment lag) total \$4.3 billion, up 6.0% from the same period last year. However, 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%. More importantly, **January collections grew by only 2.0%, following a December increase of only 3.0%**. With the two most recent readings falling below the certified year-end growth of 3.3%, the trend line is a cause for some concern.
- **Corporation Business Tax (CBT)** collections through the end of January total \$1.5 billion, 22.0% above the same period last fiscal year. This revenue source has continued to perform well above the certified year-end projection of a 13% decline.

Office of Legislative Services
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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 2008 budget projections.

OLS Revenue Snapshot

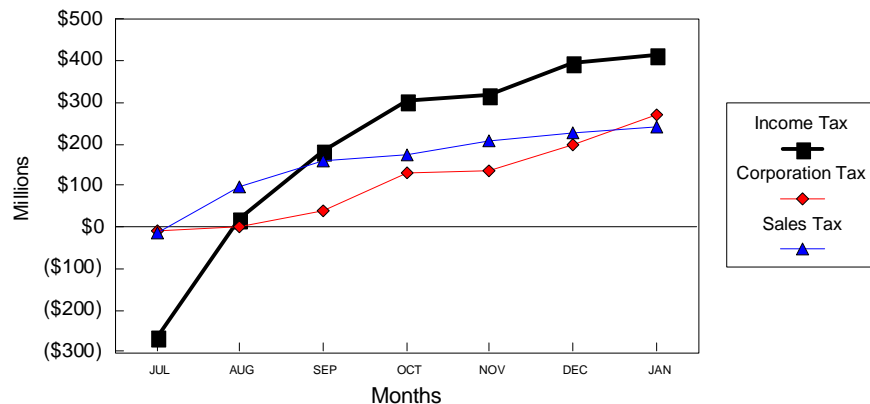
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Selected Year-To-Date Cash Collections (\$ millions)

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	\$5,592.0	\$6,009.6	7.5%	8.1%	\$12,379.0
* SALES TAX	\$4,096.8	\$4,340.9	6.0%	3.3%	\$8,900.4
CORPORATION TAX	\$1,225.1	\$1,495.1	22.0%	-13.0%	\$2,623.0
LOTTERY	\$442.3	\$498.1	12.6%	1.7%	\$845.0
TRANSFER INHERITANCE	\$357.3	\$417.2	16.8%	2.1%	\$618.0
* MOTOR FUELS	\$286.7	\$287.7	0.3%	1.4%	\$572.0
INSURANCE PREMIUM	\$6.7	(\$10.2)	-252.5%	2.4%	\$466.0
CASINO	\$260.9	\$235.3	-9.8%	-12.0%	\$400.7
* REALTY TRANSFER	\$207.3	\$184.9	-10.8%	-5.9%	\$380.0
(b) MOTOR VEHICLE FEES	\$82.2	\$54.4	-33.7%	1.2%	\$278.4
* PETROLEUM PRODUCTS	\$119.7	\$118.9	-0.7%	1.3%	\$233.0
(a) CIGARETTE	\$0.0	\$0.0	0.0%	-4.7%	\$195.9
BANKS & FINANCIAL (CBT)	\$37.2	\$46.8	25.7%	-7.1%	\$130.0
* ALCOHOL EXCISE	\$48.5	\$48.6	0.2%	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 six months of cash collections. All others represent seven 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.