

OLS Revenue Snapshot

FY 2008 - Through March 2008

- **Tax Revenue Growth Holding Up. The Executive and OLS Make Small Upward Adjustments in the FY 2008 Forecast, but the FY 2009 Outlook is Uncertain.** As the national and local job markets weaken and talk of a possible recession makes news headlines, New Jersey State tax revenues are holding up reasonably well in the short term. Most of the State's largest tax revenues are at or slightly above expectations so far this year. Accordingly, in February, the Executive increased its revenue estimates for FY 2008 by a very modest \$95.6 million, or 0.3%. The OLS also believes that FY 2008 revenues are performing slightly above that forecast, and estimates \$155.3 million, or 0.5%, more than the Executive's revised forecast. Most of this difference concerns individual and corporate performance in Tax Year 2007, for which final payments are due in April. More will be known about those tax payments by the middle of May. The outlook for FY 2009 is considerably less positive due to economic uncertainty, and the Executive projects only 1.6% revenue growth next year, while the OLS projects only 0.2% revenue growth.
- **Gross Income Tax (GIT)** receipts of \$7.0 billion are running 6.1% above last year's levels nine months into FY08. The Executive's year-end target was revised downward by \$207.4 million in February, for a growth rate of 3.8%. Estimated quarterly tax payments (from taxpayers with significant sources of non-wage income) are up by 14.9%, with important estimated and final tax payments due this month. The OLS believes April payments will show continued strength and estimates \$158.4 million more from the GIT in FY 2008 than does the Executive. However, withholding receipts, which reflect mostly wage income, are up by only 4.2% through the end of March, holding down the overall GIT growth rate. As New Jersey's job market appears to be tracking national weaknesses, OLS will continue to closely monitor withholding receipts as both an important revenue source and a valuable economic indicator.
- **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 \$5.5 billion, up 4.7% from the same period last year. In February, the Executive made little change to its FY 2008 forecast for sales tax revenue, but the OLS is concerned about low rates of growth in recent months and is projecting \$90 million less this year than the Executive.
- **Corporation Business Tax (CBT)** collections through the end of March total \$1.8 billion, 14.4% above the same period last fiscal year. This revenue source has continued to perform well above expectations, and the Executive revised its estimate for FY 2008 upward by \$129.2 million in February. The OLS agrees with the relative strength of the CBT collections, and estimates an additional \$100.0 million above the Executive's revised target.

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.

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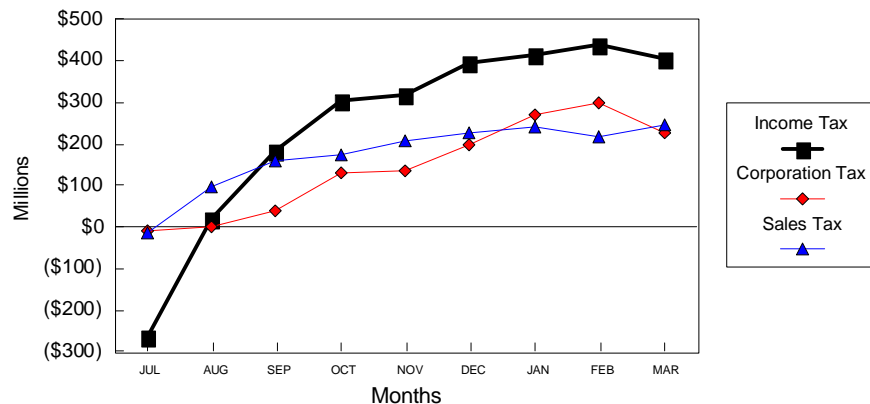
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Selected Year-To-Date Cash Collections (\$ millions)

REVENUE	FY 2007 Actual Year-To-Date	FY 2008 Actual Year-To-Date	Actual Y-T-D Growth %	Revised Year-End Growth % **	Revised Year-End \$ Estimate
INCOME TAX	\$6,636.3	\$7,042.9	6.1%	3.8%	\$12,171.6
* SALES TAX	\$5,267.5	\$5,516.2	4.7%	4.2%	\$8,971.6
CORPORATION TAX	\$1,574.6	\$1,801.6	14.4%	-10.8%	\$2,752.2
LOTTERY	\$599.2	\$649.8	8.4%	3.7%	\$859.0
TRANSFER INHERITANCE	\$463.2	\$520.9	12.5%	9.9%	\$664.6
* MOTOR FUELS	\$374.2	\$373.4	-0.2%	0.3%	\$563.0
INSURANCE PREMIUM	\$268.3	\$296.4	10.5%	4.0%	\$466.0
CASINO	\$331.0	\$299.1	-9.6%	-7.0%	\$381.3
* REALTY TRANSFER	\$268.0	\$231.9	-13.5%	-4.2%	\$377.3
(b) MOTOR VEHICLE FEES	\$171.1	\$123.1	-28.1%	-0.7%	\$278.4
(a) CIGARETTE	\$68.0	\$69.2	1.8%	15.1%	\$237.1
* PETROLEUM PRODUCTS	\$156.2	\$155.9	-0.2%	-0.5%	\$231.2
BANKS & FINANCIAL (CBT)	\$65.9	\$41.3	-37.3%	7.8%	\$132.6
* ALCOHOL EXCISE	\$59.5	\$59.9	0.6%	0.2%	\$92.5

**Income Tax
Corporation Tax
and Sales Tax**

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



Sources: Executive FY 2008 year-end revenues as revised by the Governor's Budget Message in February 2008. FY 2008 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 2008 revised revenue estimates (Feb 2008) and FY 2007 audited year-end figures from the Governor's Budget Message in February 2008.

- (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.