

OLS Revenue Snapshot

FY 2008 - Through October 2007

- **Revenue Collections Above Targets, But Caution is Warranted.** Most of the State's major tax revenues remain ahead of the year-end target growth rates through the first four months of Fiscal Year 2008. However, some other states are reporting weakness in sales tax collections and income tax withholding receipts, and the OLS remains cautious about New Jersey after a disappointing October for the sales tax.
- **Gross Income Tax (GIT)** receipts of \$2.6 billion are running 13.4% above last year's levels after four months of FY08. The certified year-end target growth rate is 8.1%. Withholding collections are up 8.2% so far this fiscal year, but this growth is somewhat overstated due to a timing shift of certain weekly payments in October. More importantly, estimated quarterly tax payments, from taxpayers with significant sources of non-wage income, are up a strong 25.4%. The OLS is encouraged by the GIT growth so far this year, but remains cautious for the future outlook, given reports in other states of weakening withholding receipts and the recent turmoil in the stock markets.
- **Sales Tax** receipts now reflect the full First Quarter of the fiscal year (October collections are for September activity because this tax is subject to a one month payment lag). Total receipts of \$2.2 billion are up 8.7% from the First Quarter last year. However, growth in October weakened to a mere 1.5% above last October, a significant slide from 12.7% growth during the first two months. Growth rates in the first three months of FY08 should be greater than the year-end growth expectation of 3.3%, because last year's tax base expansion was not effective until October 1 and the rate increase was not in effect until mid-July.

While the First Quarter's 8.7% growth appears strong, the marked slippage to 1.5% growth in October is a cause for concern, perhaps reflecting weakness in national retail sales and the housing market. Home sales are an important economic driver, both in terms of job creation and wages, and in terms of purchases of housing-related items such as furniture. But, existing home sales are down 19% nationally and down 13.5% in the Northeast from the same time last year. New Jersey authorized building permits for private single family homes are down 10% since last year. Accordingly, **NJ realty transfer tax** revenues are down nearly 6% this year. The housing weakness is most likely influencing sales tax revenues as, for example, national furniture and home furnishing store sales declined 0.6% between August and September.

- **Corporation Business Tax (CBT)** collections through the end of October total \$760.4 million, 20.9% above the same period last fiscal year. While this growth is artificially boosted by some significant one-time tax enforcement payments, underlying growth is notably stronger than the certified expectation of a decline of 13.0% in FY 2008. Likewise, the much smaller **CBT on Banks and Financial Institutions** is also showing strength, up 74.9% so far this year.

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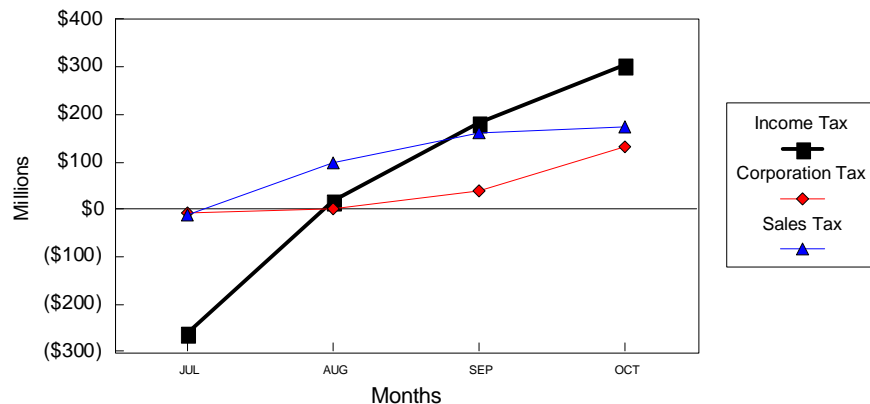
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Selected Year-To-Date Cash Collections (\$ millions)

REVENUE	FY 2007 Actual Year-To-Date	FY 2008 Actual Year-To-Date	Actual Y-T-D Growth %	Certified Year-End Growth % **	Certified Year-End \$ Estimate
INCOME TAX	\$2,265.4	\$2,569.8	13.4%	8.1%	\$12,379.0
* SALES TAX	\$1,989.1	\$2,161.6	8.7%	3.3%	\$8,900.4
CORPORATION TAX	\$628.9	\$760.4	20.9%	-13.0%	\$2,623.0
LOTTERY	\$240.7	\$286.5	19.0%	1.7%	\$845.0
TRANSFER INHERITANCE	\$215.2	\$242.7	12.8%	2.1%	\$618.0
* MOTOR FUELS	\$142.3	\$147.0	3.3%	1.4%	\$572.0
INSURANCE PREMIUM	\$0.8	(\$12.2)	-1625.7%	2.4%	\$466.0
CASINO	\$153.2	\$141.9	-7.4%	-12.0%	\$400.7
* REALTY TRANSFER	\$107.4	\$101.2	-5.8%	-5.9%	\$380.0
(b) MOTOR VEHICLE FEES	\$0.0	\$0.0	0.0%	1.2%	\$278.4
* PETROLEUM PRODUCTS	\$61.7	\$59.7	-3.3%	1.3%	\$233.0
(a) CIGARETTE	\$0.0	\$0.0	0.0%	-4.7%	\$195.9
BANKS & FINANCIAL (CBT)	\$23.0	\$40.3	74.9%	-7.1%	\$130.0
* ALCOHOL EXCISE	\$15.0	\$15.4	2.2%	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 three months of cash collections. All others represent four 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.