• **FY 2006 Revenue Growth Remains Encouraging.** Nine of the 14 major State revenues that the OLS tracks each month are reporting growth rates above what would be needed to reach year-end certified targets. Of the State’s eight largest revenues, only the sales tax, the second largest State tax revenue, is under performing expectations at this time. However, certain one-time payments and timing issues may be inflating some of the growth patterns, and caution in extrapolating from the current positive trends would be appropriate.

• **Gross Income Tax (GIT)** receipts of $2.15 billion are running 16.6% ahead of last year’s pace after the first four months of the fiscal year. Withholding collections, which account for the majority of annual GIT receipts, are up by nearly 10%, essentially on-target so far. However, a sharp 26% increase in quarterly estimated payments is driving the GIT growth ahead of expectations. These quarterly payments are made by higher-income taxpayers, who often have significant sources of non-wage income. Some of this sharp growth may be due to timing issues, in that many taxpayers may not have fully accounted for the FY 2005 high-income tax rate increase last September, but will have done so by this September, thus artificially inflating the year-to-year growth rate comparison. If this is the reason for the high collections, then future quarterly payments will show moderating rates of growth.

• **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 $1.72 billion, up only 2.3% from the same period last year, the third consecutive month of low growth. The sales tax target certified for FY 2006 assumes growth of 5.3% for the fiscal year. The low growth rate so far in FY 2006 may be due to continued consumer reaction to higher fuel prices over the summer, which reduced the disposable income available to purchase taxable goods and services. Strong holiday sales will be required for the State to reach the target.

• **Corporation Business Tax (CBT)** collections through the end of October total $644.5 million, 29.0% above the first four months of last fiscal year. However, there are a number of factors affecting the CBT. October receipts were inflated by a one-time payment for certain back taxes of about $50 million that cannot be considered as part of the underlying growth trend. Discounting for this specific amount brings the underlying growth rate down to 19.0%. In addition, much of the remaining apparent strength comes from favorable results in July and August, two months that are not significant payment months. The more important quarterly payment month of September reported collections growth of 6.7% from last September, a clearer signal of above-target growth, but not spectacular, growth. The certified year-end target for the CBT projects growth of 3.3% in FY 2006.

• A number of other second tier State revenues are also performing well so far this fiscal year. As can be seen from the table on the back page of the *Snapshot*, lottery revenues, motor fuels taxes, transfer inheritance taxes, casino taxes, and realty transfer taxes (which each raise between $400 million and $900 million annually) are all reporting growth rates well ahead of year-end target growth rates. The OLS will continue monitoring these encouraging trends.

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 2005 budget projections.
<table>
<thead>
<tr>
<th>REVENUE</th>
<th>FY 2005 Actual Year-To-Date</th>
<th>FY 2006 Actual Year-To-Date</th>
<th>Actual Y-T-D Growth %</th>
<th>Certified Year-End Growth % **</th>
<th>Certified Year-End $ Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>INCOME TAX</td>
<td>$1,847.8</td>
<td>$2,154.1</td>
<td>16.6%</td>
<td>7.7%</td>
<td>$10,275.0</td>
</tr>
<tr>
<td>* SALES TAX</td>
<td>$1,676.4</td>
<td>$1,715.7</td>
<td>2.3%</td>
<td>5.3%</td>
<td>$6,850.0</td>
</tr>
<tr>
<td>CORPORATION TAX</td>
<td>$499.6</td>
<td>$644.5</td>
<td>29.0%</td>
<td>3.3%</td>
<td>$2,402.0</td>
</tr>
<tr>
<td>LOTTERY</td>
<td>$253.4</td>
<td>$272.3</td>
<td>7.4%</td>
<td>0.0%</td>
<td>$820.0</td>
</tr>
<tr>
<td>(a) CIGARETTE</td>
<td>$122.3</td>
<td>$121.3</td>
<td>-0.8%</td>
<td>-1.2%</td>
<td>$626.0</td>
</tr>
<tr>
<td>* MOTOR FUELS</td>
<td>$124.6</td>
<td>$140.7</td>
<td>12.9%</td>
<td>5.1%</td>
<td>$575.0</td>
</tr>
<tr>
<td>TRANSFER INHERITANCE</td>
<td>$180.1</td>
<td>$216.4</td>
<td>20.1%</td>
<td>-4.0%</td>
<td>$500.0</td>
</tr>
<tr>
<td>CASINO</td>
<td>$149.5</td>
<td>$162.0</td>
<td>8.3%</td>
<td>1.1%</td>
<td>$480.0</td>
</tr>
<tr>
<td>INSURANCE PREMIUM</td>
<td>$2.1</td>
<td>$2.1</td>
<td>0.3%</td>
<td>9.6%</td>
<td>$473.0</td>
</tr>
<tr>
<td>* REALTY TRANSFER</td>
<td>$92.7</td>
<td>$129.8</td>
<td>40.1%</td>
<td>11.7%</td>
<td>$430.0</td>
</tr>
<tr>
<td>(b) MOTOR VEHICLE FEES</td>
<td>$0.0</td>
<td>$0.0</td>
<td>0.0%</td>
<td>11.8%</td>
<td>$294.3</td>
</tr>
<tr>
<td>* PETROLEUM PRODUCTS</td>
<td>$80.0</td>
<td>$60.5</td>
<td>-24.4%</td>
<td>10.7%</td>
<td>$255.0</td>
</tr>
<tr>
<td>BANKS &amp; FINANCIAL (CBT)</td>
<td>$12.1</td>
<td>$19.9</td>
<td>65.1%</td>
<td>-5.0%</td>
<td>$100.0</td>
</tr>
<tr>
<td>* ALCOHOL EXCISE</td>
<td>$14.4</td>
<td>$15.3</td>
<td>6.5%</td>
<td>2.9%</td>
<td>$91.0</td>
</tr>
</tbody>
</table>

Sources: Executive FY 2006 year-end revenues as certified by the Governor in June 2005. FY 2006 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 2006 certified revenue estimates (June 2005) and estimated FY 2005 year-end figures reported by the NJ Comprehensive Financial System (September 2005).

(a) The first $155 million in cigarette tax collections are deposited into the Health Care Subsidy Fund (P.L.1997, c.264).
(b) The first $197.7 million in motor vehicle fee collections are dedicated to the NJ Motor Vehicle Commission.