



# Massachusetts Department of Revenue

## Briefing Book FY2008 Consensus Revenue Estimate Hearing

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# Introduction

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This Briefing Book created by the Department of Revenue (DOR) is intended to provide you with DOR's current tax revenue estimates for fiscal years 2007 and 2008 and relevant background information.

DOR's fiscal year 2007 estimated range of revenues is based on actual collections through December and projected estimates for the second six months of the fiscal year. Additionally, the fiscal year 2008 range of estimated revenues is based on the economic projections of our outside vendors: Moody's Economy.com; Global Insight; and the New England Economic Partnership (NEEP). These figures have been adjusted for projected taxpayer settlements and legislatively mandated tax changes.

The two most volatile revenue sources are corporate/business profit taxes and taxes on realized capital gains. In order to enable you to appreciate this volatility, we have included in the material five graphs that indicate DOR's original revenue estimate ranges and the final amount collected during the last five years for: (1) total revenues; (2) personal income taxes; (3) capital gains; (4) corporate/business taxes; and (5) sales/use taxes. Also included is a summary of the Commonwealth's 2006 fiscal year results.

We hope that you find this material useful in your deliberations.

## FY06 Results

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- FY06 tax collections totaled \$18.487 billion, up \$1.4 billion, or 8.2% from FY05.
- FY06 “baseline” tax collections (i.e., growth adjusted for the impact of tax law and administrative changes) were up 9.0% from FY05.
- FY06 tax collections were \$329 million above the final FY06 revenue estimate of \$18.158 billion, primarily due to higher than projected capital gains tax collections, which DOR believes totaled about \$1.579 billion in FY06, vs. an estimate of \$1.337 billion. Capital gains taxes were up by about 28% in FY06 compared to FY05.
- FY06 saw improvement in withholding tax collections and a slowdown in sales tax collections:
  - FY06 baseline withholding collections increased 6.4%, compared with growth of 4.4% in the previous fiscal year;
  - FY06 baseline sales tax collections were up about 3.1%, compared with baseline growth of 4.0% in FY05.
- Due to a sturdy national economy and improving state conditions, corporate and business collections strengthened in FY06, rising by more than 30% actual and baseline in FY06, compared with virtually no growth in FY05.

# FY07 Summary

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- **Assumptions For FY07 Tax Revenue Estimates**
  - The FY07 General Appropriation Act (using the consensus revenue estimate, which was agreed upon in January 2006) assumed FY07 revenue collections of \$18.975 billion, before subtracting \$45 million for the value of tax cuts enacted after the consensus estimate was agreed upon. The resulting \$18.930 billion estimate (\$18.975 billion minus \$45 million) reflected actual growth of 2.4% and baseline growth of 3.0% from actual FY06 collections.
  - Based on FY07 first quarter revenue collections and updated economic forecasts, on October 24, 2006, the Executive Office for Administration and Finance (A&F) increased the FY07 revenue estimate by \$202 million, to \$19.132 billion. The revised estimate reflects actual growth of 3.5% and baseline growth of 4.1%.
  - The October 24, 2006 A&F estimate assumed moderate revenue growth in Massachusetts, with total “baseline” revenues growing by 4.0% over the last 9 months of FY07. Over those 9 months, and before tax law changes, withholding was projected to grow by 4.9%, sales tax was projected to grow by 2.3%, and corporate/business tax was projected to decline by 4.5%. Capital gains realizations were assumed to grow by 16.5% in tax year 2006, decline by 4% in tax year 2007, and remain unchanged from the tax year 2007 level in tax year 2008.

# FY07 Summary

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- **FY07 Results Through December 2006**
  - Total tax collections of \$8.757 billion, up \$297 million, or 3.5%, compared to the same six-month period in FY06, \$98 million above the November year-to-date benchmark set out in the October 24, 2006 revised revenue estimate.
  - Year-to-date baseline growth rate of +4.2%, with relatively strong growth in the income tax offsetting weak growth in sales tax.
  - Year-to-date withholding growth of 5.8% actual and 6.3% baseline, due in part to apparent strong bonus payments in November and December.
  - Year-to-date income tax estimated payment decline of 0.7% actual but growth of 6.4% baseline.
  - Growth in corporate and business tax collections has slowed, rising 4.2% actual and 4.3% baseline FY07 year-to-date. However, corporate collections are often volatile, and even more so in the first half of the fiscal year because the bulk of corporate tax payments are due between January and June and most refunds are processed in October and November. There were also large one-time payments received in the first half of FY06 that, because they were not repeated in FY07, reduced the FY06 to FY07 growth rate.

## FY07 Summary

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- **Massachusetts Economic Forecasts for Remainder of Fiscal Year 2007**
  - After strong growth in the calendar 2006, the Massachusetts economy is expected to slow during the second half of FY07. According to vendor forecasts, Massachusetts payrolls should expand between 0.7% and 0.9% in the second half of FY07. This compares with employment growth of 0.9% to 1.0% during the first half of FY07.
  - In line with a slowing economy early next year, Massachusetts wage and salary disbursements are expected to rise between 3.3% and 3.7% during the second half of FY2007, down from between 5.0% and 5.4% in the first half of the fiscal year.
  - Economy.com is the only economic forecast vendor that projects capital gains. They forecast that tax year 2006 capital gains realizations (which determine FY07 capital gains tax collections) will be about 23.2% higher than they were in tax year 2005, before declining by 17.4% in tax year 2007, and declining a further 3.4% in tax year 2008.
  - Using economic projections from Global Insight, Economy.com, and the New England Economic Partnership (NEEP), combined with Economy.com's capital gains projections, total FY07 tax revenue is estimated to be \$19.358 billion to \$19.380 billion, \$226 million to \$248 million above the A&F October 2006 FY07 estimate.
  - However, over the first two weeks of January, tax collections (both estimated payments and withholding) are down from last year. In addition, capital gains are difficult to forecast. Therefore, DOR recommends reducing the FY07 estimate by \$100 million, to a range of \$19.259 billion to \$19.280 billion if this trend continues for the remainder of January.

## FY08 Summary

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- National economic activity is expected to remain relatively strong during fiscal year 2008, with real Gross Domestic Product (GDP) growth of 2.7%-3.0%.
  
- The Massachusetts economy is expected to perform relatively well, but still lag the national economy.
  - Massachusetts employment is expected to grow 0.5% to 0.9% in FY08, compared to 0.8% to 0.9% in FY07, and Massachusetts wages and salaries are expected to increase 3.7% to 3.9% in FY08, compared to 4.2% to 4.3% in FY07;
  - Massachusetts personal income is expected to rise 4.3% to 4.4% in FY08, compare to 4.9% to 5.0% in FY07;
  - Nationally, corporate profits are expected to weaken with forecasts of growth between and 0.8% and 4.9% in FY08, compared to 6.7% to 7.5% in FY07;
  - The stock market as measured by the S&P 500 is expected to increase 3.2% to 5.1% in calendar year 2007, after having grown by 8.5% in tax year 2006. Because capital gains have been running above their historical trend over the last several years, Economy.com projects that, after having grown by 23.2% in tax year 2006, Massachusetts capital gains realizations will decline by 17.4% in tax year 2007 and decline by an additional 3.4% in tax year 2008. If this occurs, capital gains taxes would decline from a projected \$1.875 billion in FY07 to \$1.459 billion in FY08, a drop of \$416 million;

## FY08 Summary

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- Due to the difficulty of forecasting capital gains, and the uncertainty in projecting such a large decline in capital gains realizations, DOR recommends using a FY08 range for capital gains tax collections that is up to \$100 million higher than projected by Economy.com.
- Using the economic growth assumptions from Global Insight, Economy.com, and the New England Economic Partnership (NEEP), FY08 tax revenue is projected to be \$19.598 billion to \$19.638 billion, reflecting baseline growth of 1.1% to 1.3% over FY07. However, as mentioned above, DOR recommends using a range up to \$100 million higher to account for uncertainty in projecting capital gains for FY07 and FY08. This would increase the FY08 projections to \$19.698 and \$19.738 billion. Therefore, DOR believes a range of \$19.598 to \$19.738 billion is appropriate for the FY08 tax estimate.

## Recent Revenue Trends

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- **Two Measures of Tax Revenue Growth:**
  - Actual growth - growth in actual collections over two periods.
  - Baseline growth - growth had there been no tax law or administrative changes that affected tax collections. Baseline growth also adjusts for fluctuations in the timing of tax collections. Baseline growth is a better measure of the change in the underlying tax base and the economy.

### FY2007 Year-to-Date Tax Collections Through December 2006 (in \$Millions)

	FY07 YTD Collections	FY07 YTD \$ Change from FY06	FY07 YTD Actual % Change from FY06	FY07 YTD Baseline % Change from FY06	FY07 YTD \$ Above/(Below) Benchmark Based on 10/24/06 A&F FY07 Estimate of \$19.132 Billion
Total Income	4,872	218	4.7%	6.2%	13
Income Withholding	4,209	232	5.8%	6.3%	74
Income Est Payments (Cash)	633	(5)	-0.7%	6.4%	(46)
Income Returns/Bills	198	16	8.5%	7.7%	3
Income Refunds (Cash)	172	28	19.2%	11.7%	21
Sales & Use	2,047	21	1.0%	0.2%	(14)
Corporate & Business	942	38	4.2%	4.3%	82
All Other	896	19	2.2%	2.6%	17
<b>Total Tax Collections</b>	<b>8,757</b>	<b>297</b>	<b>3.5%</b>	<b>4.2%</b>	<b>98</b>

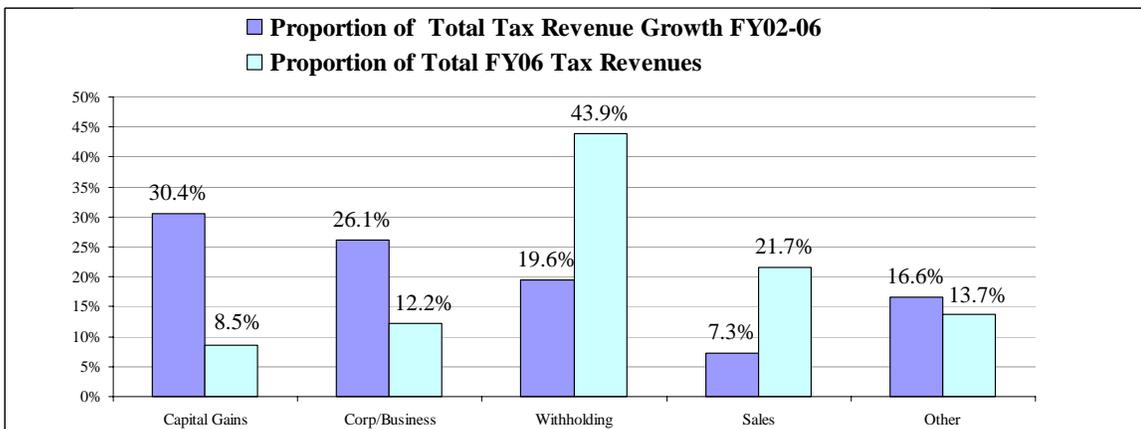
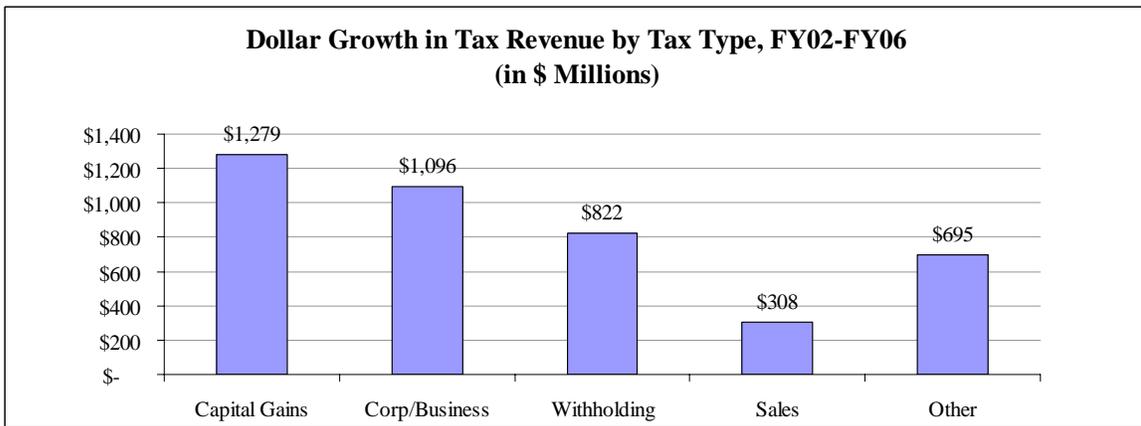
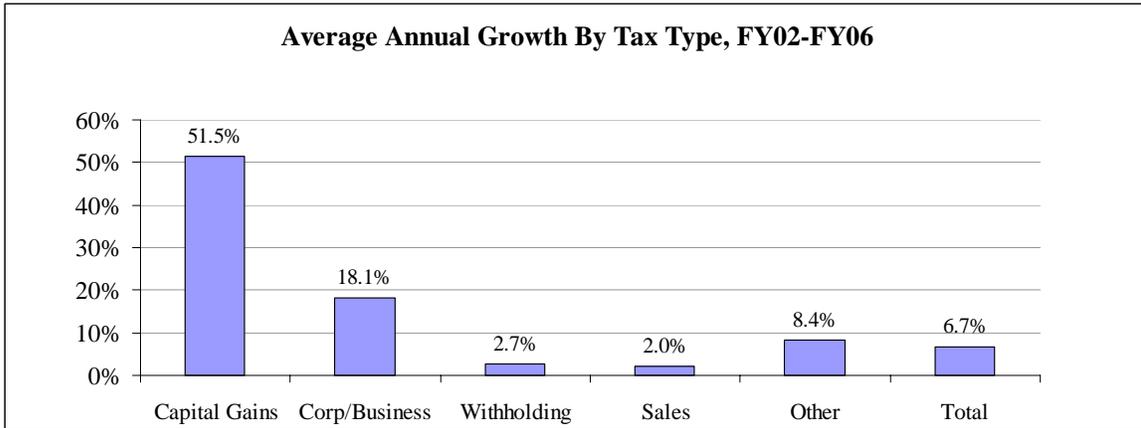
## Recent Revenue Trends

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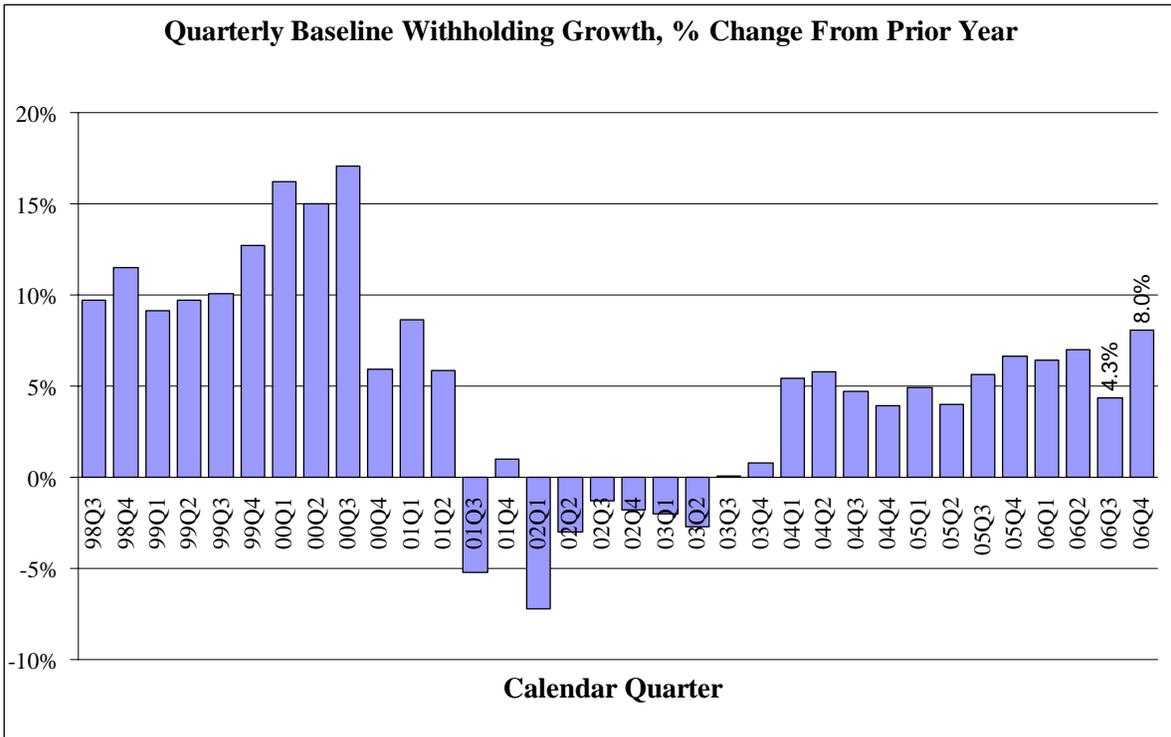
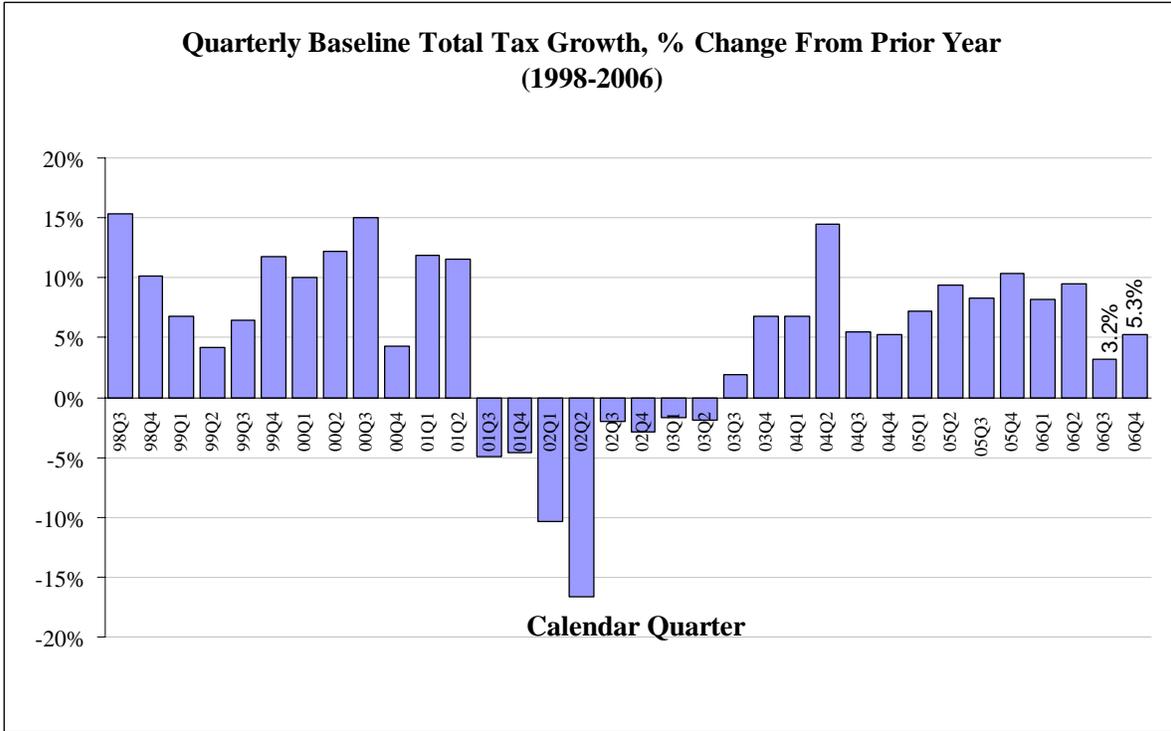
- **Withholding**
  - Withholding growth has been moderately strong in FY07, with baseline collections up 6.3% through December 2006, though collections have weakened so far in January 2007.
  - Bonus payments affect withholding tax collections from November 2006 through March 2007. Bonuses appeared to be strong in November and December, but may have tailed off in January.
- **Income Tax Estimated Payments**
  - Growth of income estimated payments remained at elevated levels through the first three quarters of calendar year 2006. However, so far in the December 2006 and January 2007 period income estimated payment collections are down substantially from the same year-earlier period, casting some doubt on the growth rates for non-withheld income such as capital gains and unincorporated business income. However, it is still possible that income estimated payments will strengthen over the remainder of January.
- **Sales Tax**
  - Sales tax collections have weakened substantially in FY07, the result of a decline in motor vehicle sales and less activity in the building materials, home improvement, and home furnishings industries. Increased purchases over the internet may also be reducing sales tax collections.
- **Corporate and Business Excise**
  - After growing by 31% in FY06, corporate tax collections have slowed substantially in the first half of FY07, with baseline growth of only 4.3% through December. However, some of the slowdown so far in FY07 is due to non-recurring revenues received in FY06.

# Recent Revenue Trends

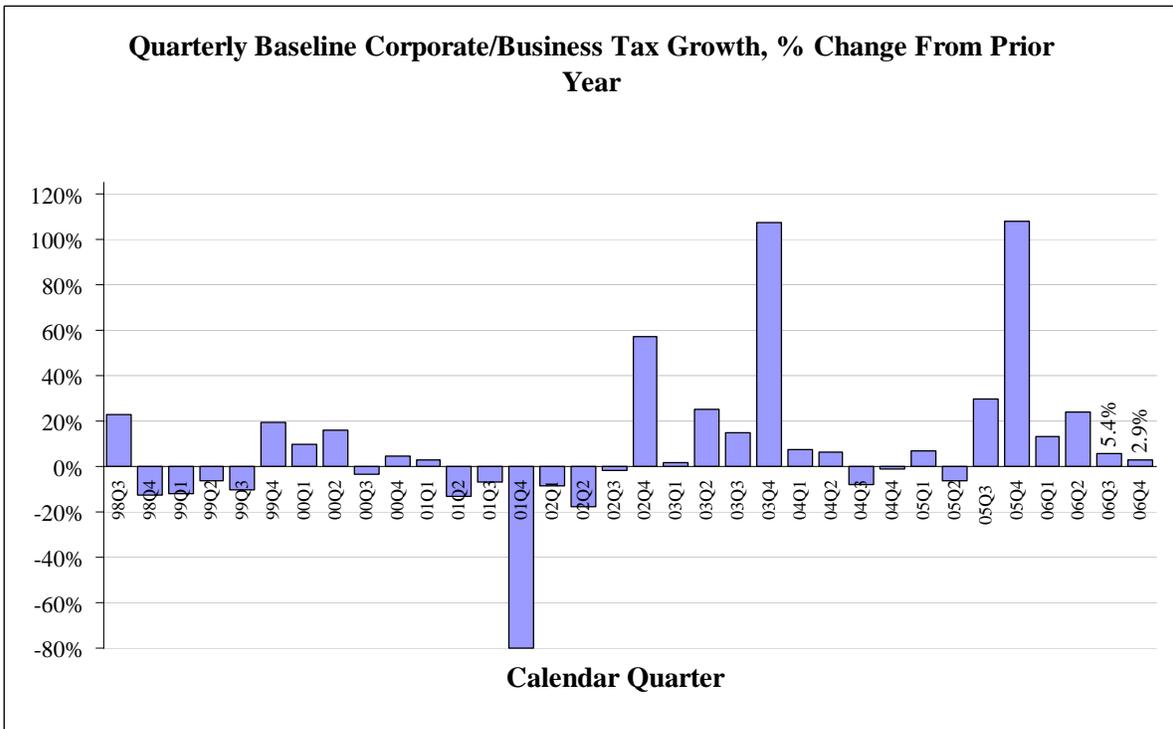
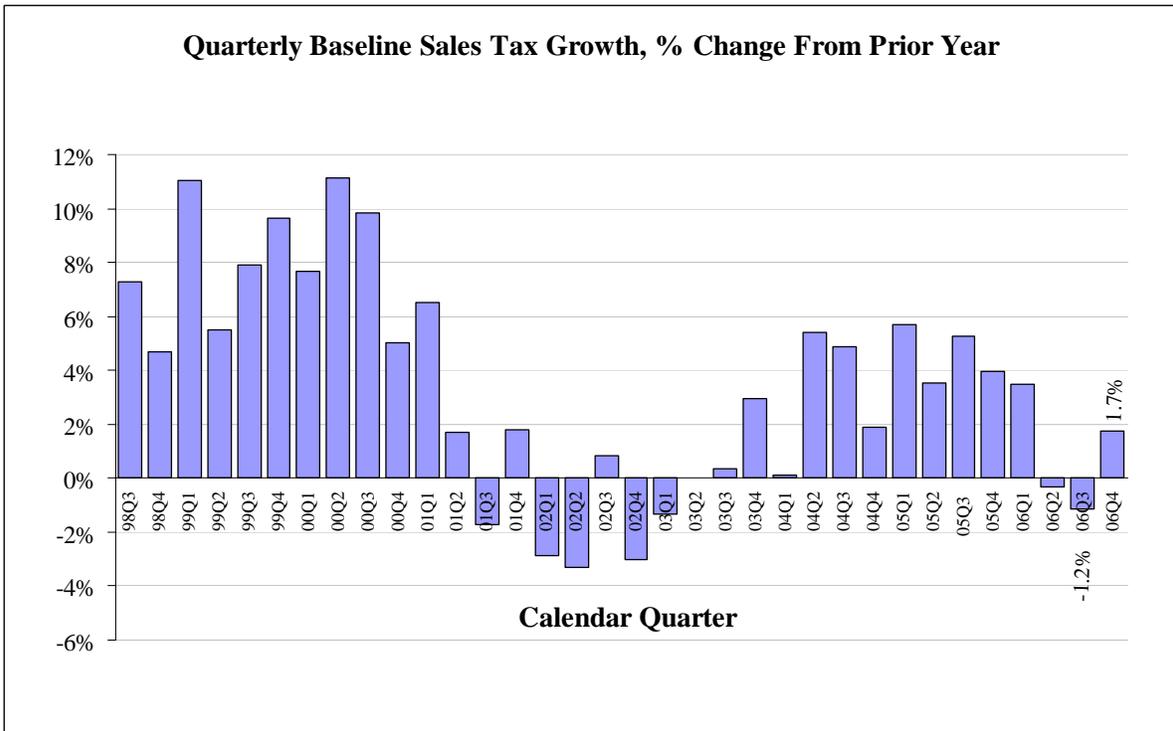
**Much of Massachusetts's Tax Revenue Growth Since FY02 Has Been in Volatile Revenue Sources Such As Capital Gains and Corporate Profits**



# Recent Revenue Trends



# Recent Revenue Trends



# The U.S. Economy

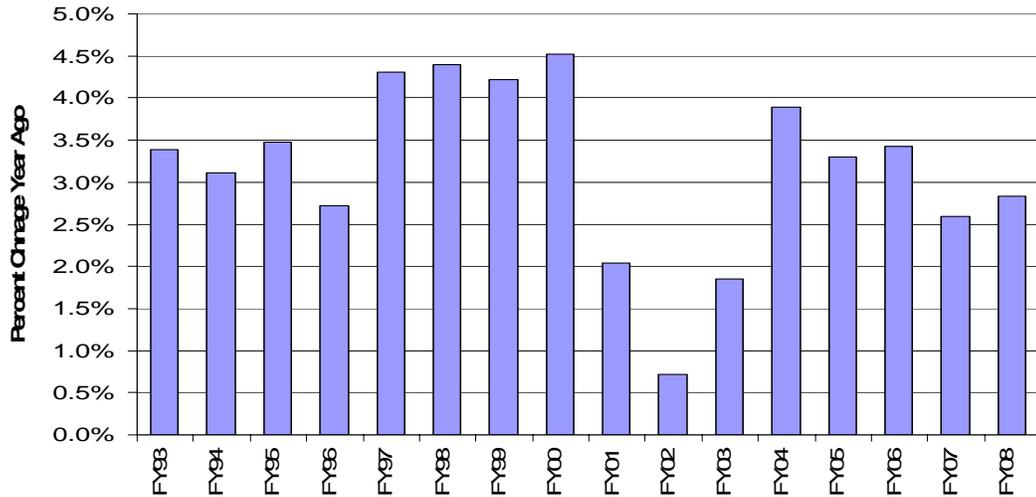
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- DOR utilizes national and Massachusetts state forecasts from Global Insight, Moody's Economy.com, and the New England Economic Partnership.
- The national economy posted steady growth in 2006. But the pace slowed in the second half of the year due to high interest rates and a cooling housing market. In the third quarter of 2006, real GDP is estimated to have grown by 2.0%, down from 5.6% in the first quarter and 2.6% in the second.
- The national labor market continues to improve. US payroll employment rose 1.4% on a year-over-year basis during December 2006, adding 167,000 jobs. The unemployment rate declined from 4.9% in December 2005 to 4.5% in December 2006.
- After 17 increases since mid-2004, the Federal Funds rate now stands at 5.25%. In the fourth quarter of 2006, the prime rate increased to an average of 8.3%, up 0.4% from the previous quarter and 1.8% for the year. Other rates rose similarly.
- The stock market performed well in calendar year 2006, with the average daily close of the S&P 500 up 8.5% from 2005. Using a December 2006 to December 2005 comparison, the S&P 500 was up 14% in 2006.
- DOR's economic forecasters are predicting the US economy will continue to grow but at a lower rate in FY07 and then accelerate slightly in FY08 as the housing market starts to recover. After advancing by an estimated 3.4% in FY06, real Gross Domestic Product (GDP) is expected to grow between 2.5% and 2.7% in FY07 and around 2.7% to 3.0% in FY08.
- After growing by 24.1% in FY06, corporate profits are expected to fall sharply in the second half of FY07 and throughout FY08, with minimal to no growth over that period.

# The U.S. Economy

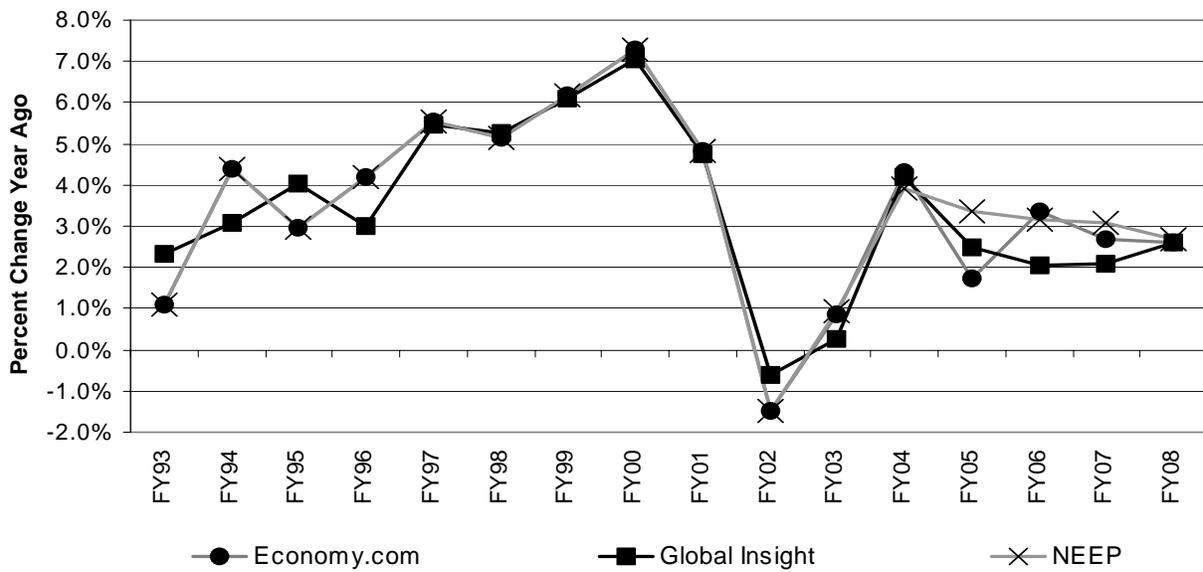
## Real GDP Growth FY1993-08

(Average of Economy.com and Global Insight 12/06 forecasts, beginning FY07)



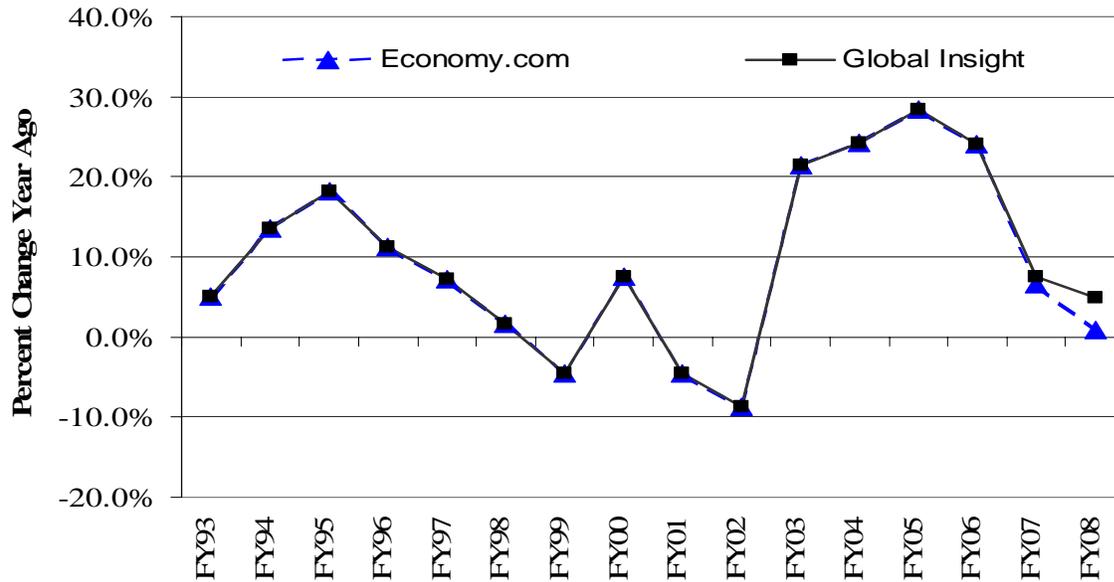
## Massachusetts Real Gross State Product (GSP) Growth FY1993-08

(Forecasts begins in CY 2006)



# The U.S. Economy

## Growth in Business Profits is Expected to Slow Markedly (Corporate Profits Before Tax FY1993-08)



## Interest Rates Will Moderate Through FY08 (Bank Prime Rate)



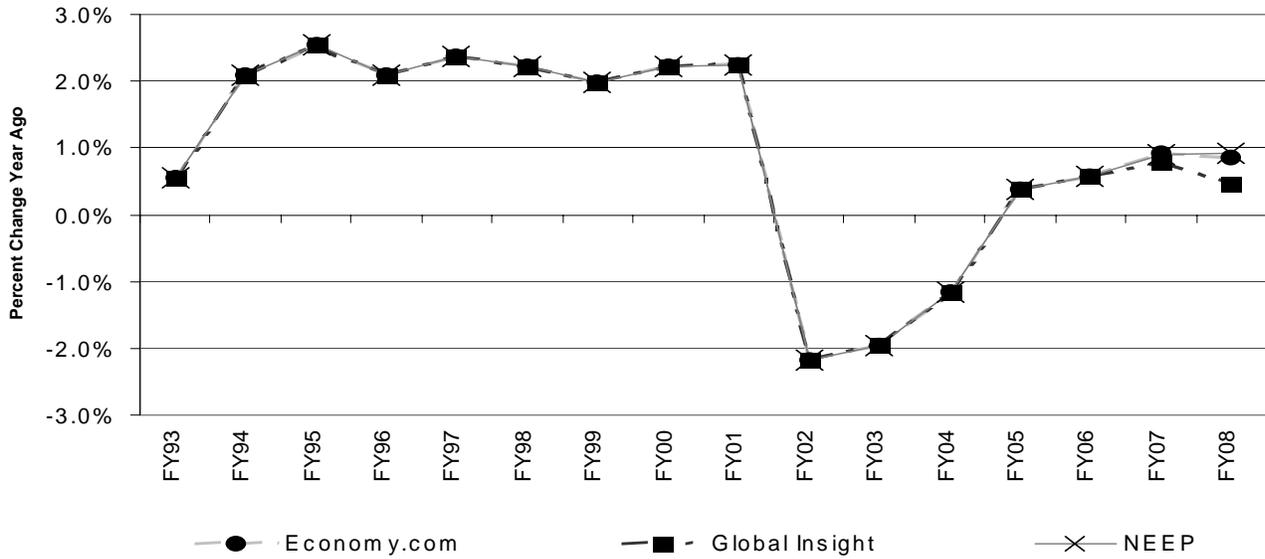
# The Massachusetts Economy

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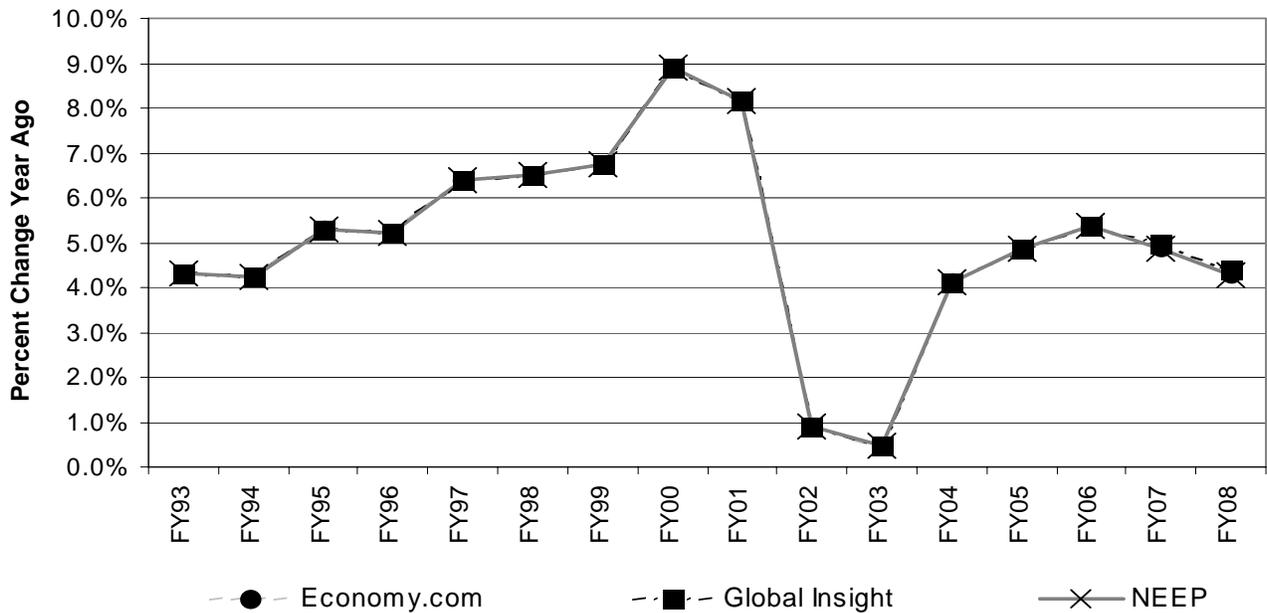
- The Massachusetts economy has performed relatively well in the first nine months of 2006. According to Economy.com and NEEP, real Gross State Product (GSP) is estimated to have grown by 3.3% or 3.1% in the third quarter on a year-over-year basis. But Global Insight estimates that the growth rate was 2.4%, lagging behind the U.S. real GDP growth of 3.0% over the same period of time.
- The Commonwealth's employment picture improved in calendar year 2006. According to the U.S. Department of Labor, state employment in November 2006 grew by 0.7% on a year-over-year basis. Over the same period of time, the unemployment rate increased from 4.6% to 5.0%, the result of more workers entering the labor force.
- According to the U.S. Census Bureau's most recent reports, Massachusetts wage and salary disbursements in the third quarter of 2006 increased by 5.2% (compared to the same quarter in 2005) after growing by 6.7% in the first half of the 2006. Personal income increased by 5.5% in the third quarter after growing by 6.1% in the first half of 2006.
- The state's housing market has weakened substantially. According to the Massachusetts Association of Realtors, sales in November 2006 fell by 12.5% for single family homes and 13.6% for condominiums on a year-over-year basis. During the same period of time, the median price fell by 4% for single family homes and rose 1.9% for condominiums. Prices are projected to continue to fall moderately until the beginning of 2008 and then level off or rise very slowly through 2010.
- Like the national economy, the state economy is expected to slow moderately in 2007 and 2008 as the housing market slowdown impedes economic growth through negative effects on construction, household wealth, and consumer spending.

# The Massachusetts Economy

## Massachusetts Employment Forecasts (Forecast begins in FY07)

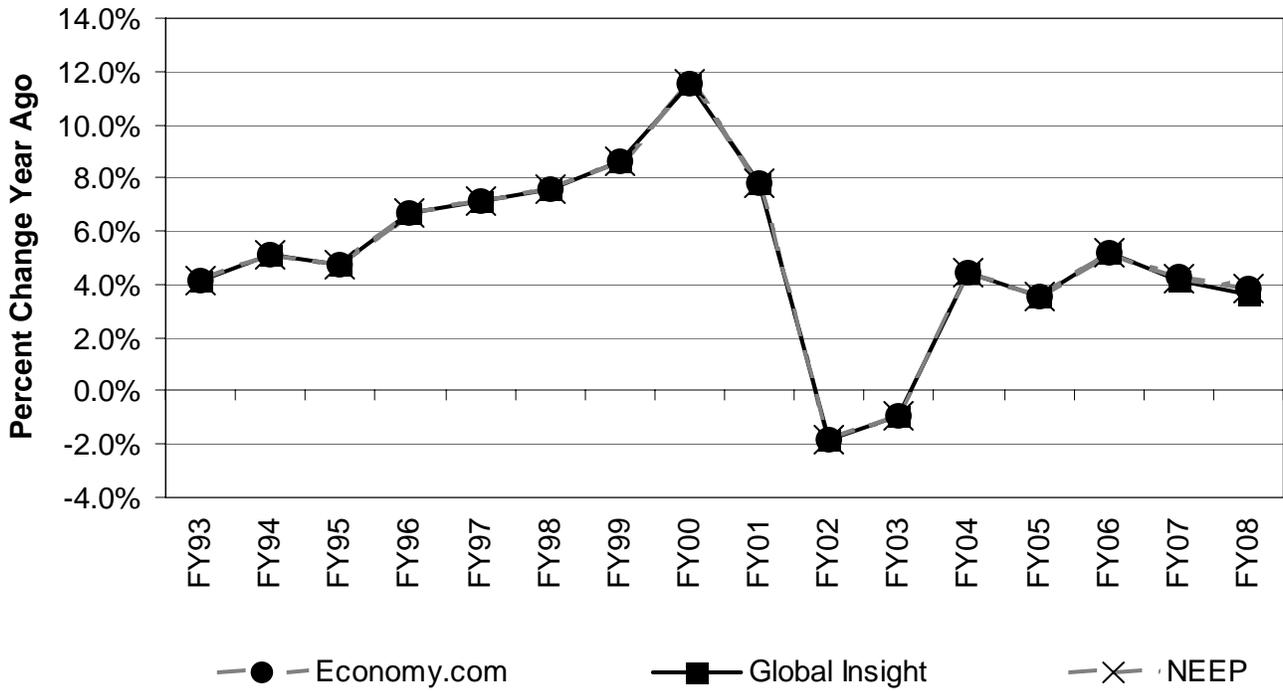


## Massachusetts Personal Income Forecasts (Forecast begins in FY07)



# The Massachusetts Economy

## Massachusetts Wages and Salaries Forecasts (Forecast begins in FY07)



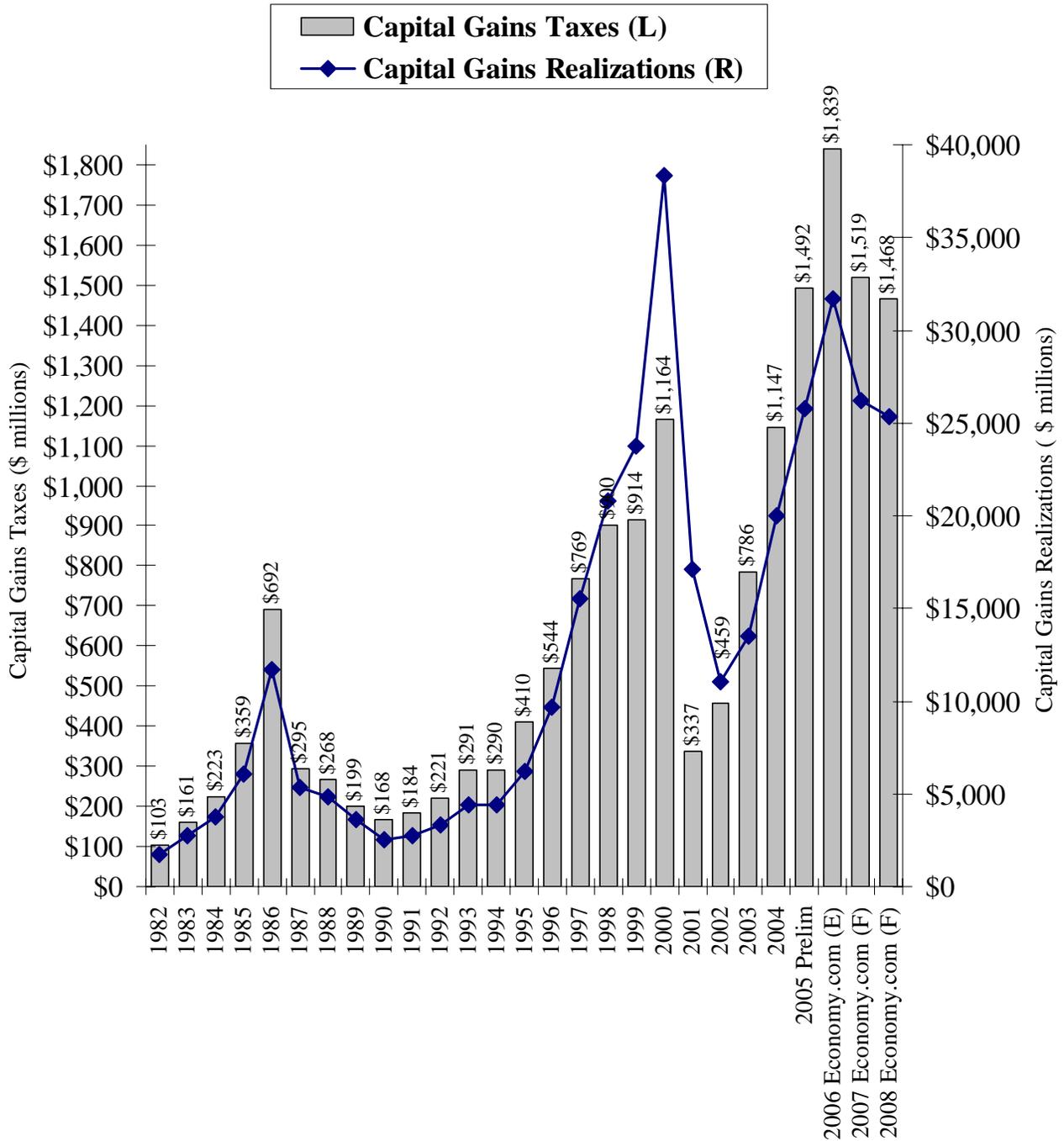
# Massachusetts Economic Forecast Table

(Percent Change from Prior Fiscal Year)

	History			Forecast			
	FY 2004	FY 2005	FY 2006	FY 2007 <i>First Two</i> <i>Quarters</i>	FY 2007 <i>Last Two</i> <i>Quarters</i>	FY 2007 <i>Full Fiscal</i> <i>Year</i>	FY2008
<b><u>US - Global Insight 12/06</u></b>							
Real GDP	3.9%	3.3%	3.4%	2.9%	2.0%	2.5%	2.7%
Corporate Profits	24.2%	28.5%	24.1%	16.0%	0.2%	7.5%	4.9%
S&P500 (Calendar Year)	17.3%	6.8%	8.5%	NA	NA	3.2%	6.2%
Unemployment Rate	5.8%	5.3%	4.8%	4.6%	4.8%	4.7%	5.0%
<b><u>US - Economy.com 12/06</u></b>							
Real GDP	3.9%	3.3%	3.4%	3.0%	2.4%	2.7%	3.0%
Corporate Profits	24.2%	28.5%	24.1%	16.9%	-2.2%	6.7%	0.8%
SP500 (Calendar Year)	17.3%	6.8%	8.5%	NA	NA	5.1%	3.7%
Unemployment Rate	5.8%	5.3%	4.8%	4.6%	4.7%	4.7%	4.9%
<b><u>Massachusetts - Global Insight 12/06</u></b>							
Real Gross State Product (GSP)	4.2%	2.5%	2.0%	2.5%	1.7%	2.1%	2.6%
Wages & Salaries	4.5%	3.6%	5.2%	5.0%	3.3%	4.2%	3.6%
Personal Income	4.1%	4.8%	5.4%	5.4%	4.5%	5.0%	4.4%
Employment	-1.2%	0.4%	0.6%	0.9%	0.6%	0.8%	0.5%
Retail Sales	4.9%	5.4%	7.0%	5.4%	2.5%	3.9%	3.6%
Unemployment Rate	5.6%	4.9%	4.8%	4.9%	4.9%	4.9%	4.9%
Housing Starts	25.9%	17.0%	5.2%	-22.9%	-29.2%	-26.1%	-4.3%
<b><u>Massachusetts - Economy.com 12/06</u></b>							
Real Gross State Product (GSP)	4.3%	1.7%	3.4%	2.8%	2.5%	2.7%	2.6%
Wages & Salaries	4.5%	3.6%	5.2%	5.0%	3.7%	4.3%	3.9%
Personal Income	4.1%	4.8%	5.4%	5.3%	4.5%	4.9%	4.3%
Employment	-1.2%	0.4%	0.6%	0.9%	0.9%	0.9%	0.8%
Retail Sales	5.8%	6.9%	2.7%	8.2%	8.4%	8.3%	3.3%
Unemployment Rate	5.6%	4.9%	4.8%	4.9%	4.9%	4.9%	5.0%
Housing Permits	25.7%	12.5%	-0.2%	-29.2%	-37.2%	-33.3%	-5.1%
Home Sales	8.2%	12.4%	-4.2%	-21.8%	-14.4%	-18.3%	-1.9%
<b><u>Massachusetts - NEEP 11/06</u></b>							
Real Gross State Product (GSP)	3.9%	3.4%	3.1%	3.3%	2.9%	3.1%	2.7%
Wages & Salaries	4.5%	3.6%	5.2%	5.0%	3.5%	4.2%	3.8%
Personal Income	4.1%	4.8%	5.4%	5.3%	4.4%	4.9%	4.3%
Employment	-1.2%	0.4%	0.6%	0.9%	0.9%	0.9%	0.9%
Retail Sales	5.8%	6.9%	2.7%	8.2%	8.4%	8.3%	3.3%
Unemployment Rate	5.6%	4.9%	4.8%	5.0%	5.0%	5.0%	5.1%
Housing Permits	25.7%	12.5%	0.4%	-19.8%	-30.0%	-25.1%	-10.1%

# Capital Gains Taxes

**Capital Gains Realizations and Taxes - Tax Year Basis**  
(in \$ millions)



# Capital Gains Taxes

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- Preliminary income tax return data for tax year 2006 indicate that 2005 capital gains realizations were \$25.9 billion, versus \$20.1 billion in tax year 2004, an increase of 29%. Long-term gains increased by 27% while short-term gains increased by 43%. Capital gains taxes grew from \$1.147 billion in tax year 2004 to approximately \$1.497 billion in tax year 2005 (2005 numbers are still preliminary), an increase of \$350 million, or 30.5%. On a fiscal year basis, FY06 capital gains taxes are estimated to have totaled about \$1.579 billion (though no exact numbers are available on a fiscal year basis), an increase of \$343 million, or 28%, from FY05.
- The October 24, 2006 A&F tax revenue estimate assumed that tax year 2006 capital gains realizations would increase by 16.5% over 2005, tax year 2007 realizations would decline by 4% from tax year 2006, and tax year 2008 realizations would remain at the tax year 2007 level.
- Economy.com (the only economic forecaster that estimates state capital gains realizations) estimates that based mainly on the strong stock market over the past year, tax year 2006 taxable Massachusetts capital gains realizations grew by 23.2% compared to 2005. According to Economy.com, a leveling off of the stock market and a continuing decline in the housing market in 2007 will result in a 17.4% drop in capital gains realizations in tax year 2007 compared to 2006, and a 3.4% decline in tax year 2008 realizations compared to 2007. Because Economy.com is the only forecaster that estimates capital gains, their projections were used in generating all three vendors' tax revenue forecasts.
- The Economy.com capital gains forecast implies tax year 2006 capital gains taxes of \$1.839 billion, and tax year 2007 capital gains taxes of \$1.519 billion. On a fiscal year basis, capital gains taxes would be approximately \$1.875 billion in FY07 and \$1.459 billion in FY08.

## Capital Gains Taxes

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- Given the difficulty in forecasting capital gains taxes, and apparent weakness in December 2006 and January 2007 income estimated payments, DOR believes it would be prudent for budgeting purposes to reduce the FY07 Economy.com capital gains estimate by \$100 million.
- For FY08, due to the difficulty in forecasting capital gains, and the large decline in forecast capital gains compared to continued growth in the stock market, DOR recommends using a range for the capital gains forecast that is \$100 million higher than implied by the Economy.com capital gains forecast for that year.

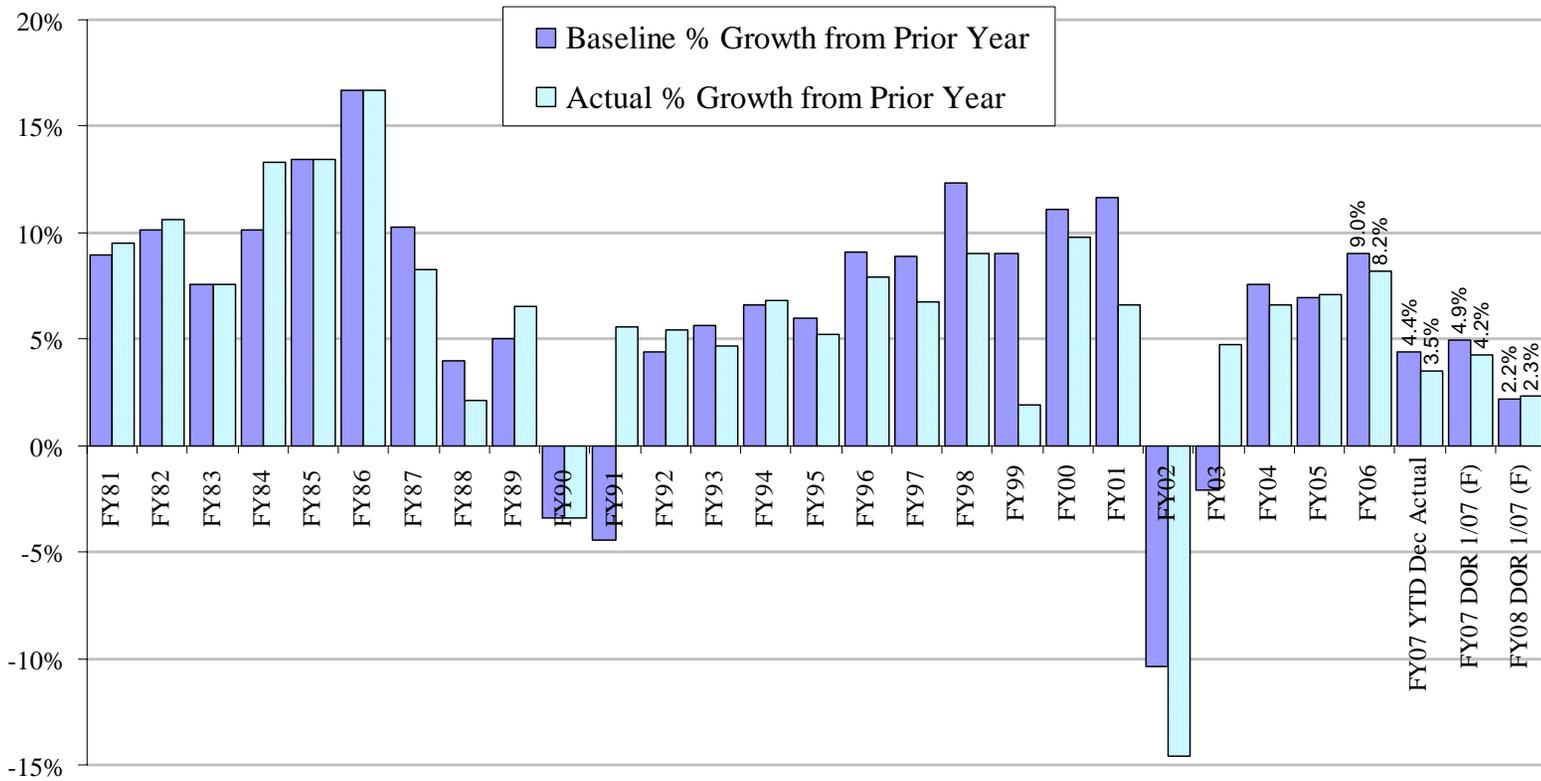
## FY07 and FY08 Tax Revenue Projections

**FY07 and FY08 Tax Revenue Projections Based on Economic Forecasts of Moody's Economy.com, Global Insight, and the New England Economic Partnership  
( in \$ Billions)**

	<u>FY07 Projections</u>	<u>\$ Growth from FY06</u>	<u>% Growth Actual from FY06</u>	<u>% Growth Baseline from FY06</u>	<u>FY08 Projections</u>	<u>\$ Growth from FY07</u>	<u>% Growth Actual from FY07</u>	<u>% Growth Baseline from FY07</u>
<b>A&amp;F 10/24/06</b>	<b>\$19.132</b>	<b>\$0.645</b>	3.5%	<b>4.2%</b>	<b>\$19.705</b>	<b>\$0.573</b>	3.0%	<b>2.9%</b>
Economy.com	\$19.380	\$0.892	4.8%	5.5%	\$19.609	\$0.230	1.2%	1.1%
<i>Capital Gains Adjustment</i>	<i>(\$0.100)</i>				<i>\$0.100</i>			
<b>Economy.com after Capital Gains Adjustment</b>	<b>\$19.280</b>	<b>\$0.792</b>	4.3%	<b>5.0%</b>	<b>\$19.709</b>	<b>\$0.430</b>	<b>2.2%</b>	<b>2.1%</b>
Global Insight	\$19.376	\$0.889	4.8%	5.5%	\$19.638	\$0.262	1.4%	1.3%
<i>Capital Gains Adjustment</i>	<i>(\$0.100)</i>				<i>\$0.100</i>			
<b>Global Insight after Capital Gains Adjustment</b>	<b>\$19.276</b>	<b>\$0.789</b>	4.3%	<b>4.9%</b>	<b>\$19.738</b>	<b>\$0.462</b>	<b>2.4%</b>	<b>2.3%</b>
NEEP (New England Economic Partnership)	\$19.358	\$0.870	4.7%	5.5%	\$19.598	\$0.240	1.2%	1.2%
<i>Capital Gains Adjustment</i>	<i>(\$0.100)</i>				<i>\$0.100</i>			
<b>NEEP after Capital Gains Adjustment</b>	<b>\$19.258</b>	<b>\$0.770</b>	4.2%	<b>4.9%</b>	<b>\$19.698</b>	<b>\$0.440</b>	<b>2.3%</b>	<b>2.2%</b>

# FY07 and FY08 Tax Revenue Projections

**Actual and Baseline Annual Tax Revenue Growth, FY1981-FY2008**  
 (FY07 and FY08 Estimates are Average of 3 Forecasts, Net of Capital Gains Adjustments)



## FY07 & FY08 Tax Projections Before Capital Gains Adjustment

**FY06 Actual Tax Revenue Collections, FY07 and FY08 Tax Revenue Forecasts (in \$ millions)  
(Prior to FY07 and FY08 Capital Gains Adjustments)**

	----- FY 2007 -----					----- FY 2008 -----			
	FY06 Actual	10/24/06 A&F	Economy.com	Global Insight	NEEP	10/24/06 A&F	Economy.com	Global Insight	NEEP
Withholding	8,122	8,487	8,538	8,524	8,533	8,827	8,904	8,865	8,925
Capital Gains*	1,579	1,775	1,875	1,875	1,875	1,655	1,459	1,459	1,459
Other Income	782	899	825	852	873	1,163	1,016	998	1,002
<b>Total Income Tax</b>	<b>10,483</b>	<b>11,161</b>	<b>11,238</b>	<b>11,251</b>	<b>11,281</b>	<b>11,645</b>	<b>11,379</b>	<b>11,323</b>	<b>11,386</b>
Sales: Regular	2,865	2,961	2,951	2,948	2,947	3,040	3,038	3,042	3,032
Sales: Meals	584	602	610	608	605	625	636	631	626
Sales: Motor Vehicles	555	526	537	540	537	514	529	551	528
<b>Sales Total</b>	<b>4,004</b>	<b>4,089</b>	<b>4,098</b>	<b>4,096</b>	<b>4,088</b>	<b>4,180</b>	<b>4,203</b>	<b>4,224</b>	<b>4,186</b>
Corporate & Business	2,256	2,169	2,255	2,277	2,255	2,191	2,265	2,312	2,277
Other Tax Revenue	1,744	1,712	1,788	1,752	1,733	1,689	1,762	1,780	1,749
<b>Total Tax Revenue</b>	<b>18,487</b>	<b>19,132</b>	<b>19,380</b>	<b>19,376</b>	<b>19,358</b>	<b>19,705</b>	<b>19,609</b>	<b>19,638</b>	<b>19,598</b>

\* Economy.com is the only forecast vendor that forecasts capital gains - Economy.com capital gains forecasts are used for Global Insight and NEEP

## FY07 & FY08 Tax Projections Before Capital Gains Adjustment

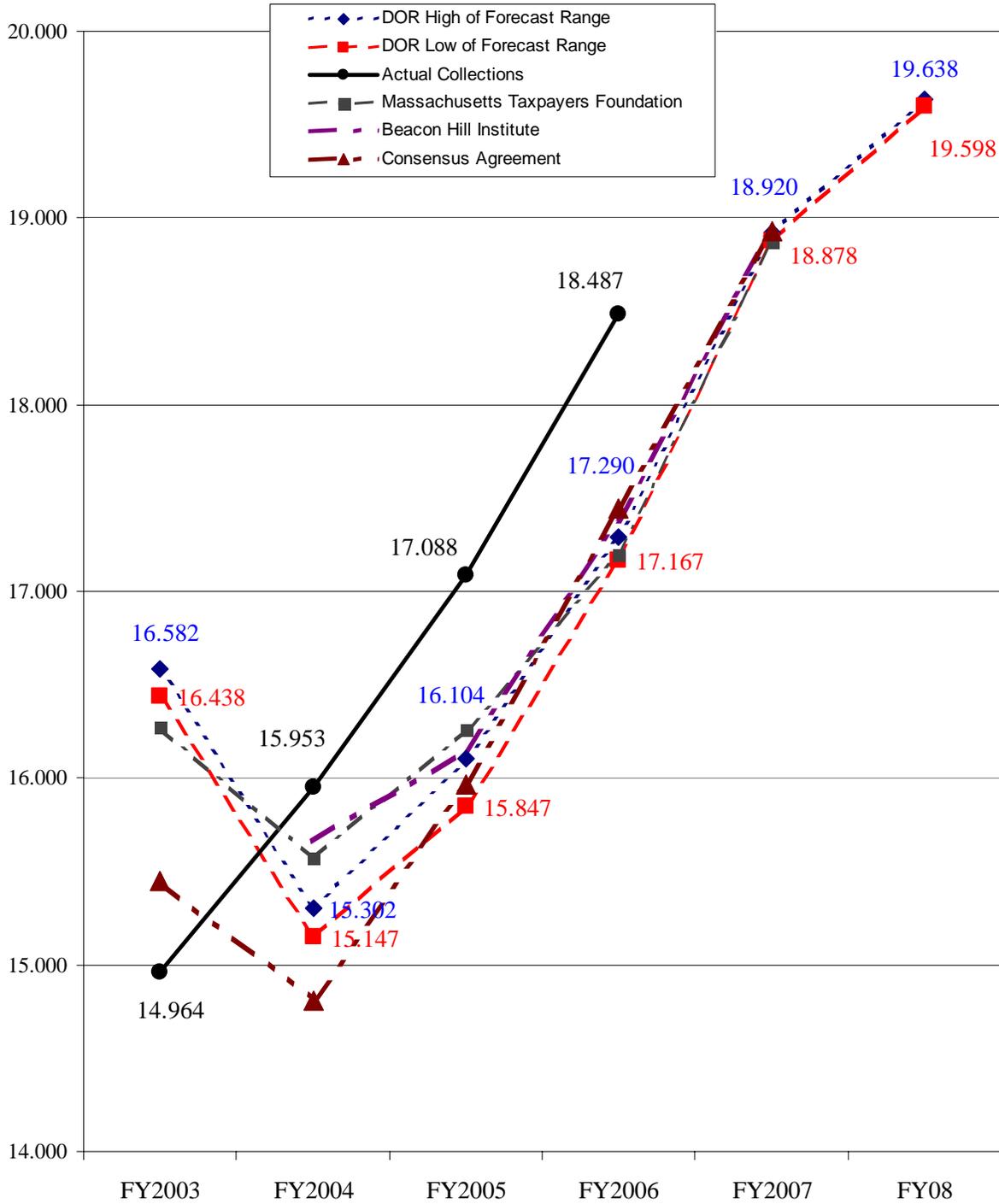
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### FY07 Year-To Date Baseline Growth; Forecasts for Remainder of FY07 and FY08 (Prior to FY07 and FY08 Capital Gains Adjustments)

	FY07 YTD						
	Baseline Growth	Baseline Growth Remainder of FY07			FY08 Baseline Growth		
		Economy.com	Global Insight	NEEP	Economy.com	Global Insight	NEEP
Income Total	6.2%	10.5%	10.0%	10.8%	0.8%	0.5%	1.0%
<i>Income Withholding</i>	6.3%	5.0%	4.7%	4.9%	4.5%	4.2%	4.8%
Sales - Regular	0.6%	3.4%	3.1%	3.1%	3.1%	3.3%	3.0%
Sales - Meals	4.5%	4.4%	3.6%	2.6%	4.2%	3.8%	3.4%
Sales - Motor Vehicle	-6.1%	-0.5%	0.8%	-0.5%	-1.4%	2.0%	-1.6%
Sales - Total	0.3%	3.0%	2.9%	2.5%	2.7%	3.2%	2.5%
Corporate & Business	0.0%	-0.3%	1.3%	-0.3%	0.8%	1.8%	1.3%
Other Tax Revenue	2.8%	-1.4%	-0.7%	-1.5%	0.8%	0.8%	-0.8%
<b>Total Tax Revenue</b>	<b>4.2%</b>	<b>6.6%</b>	<b>6.6%</b>	<b>6.4%</b>	<b>1.1%</b>	<b>1.3%</b>	<b>1.2%</b>

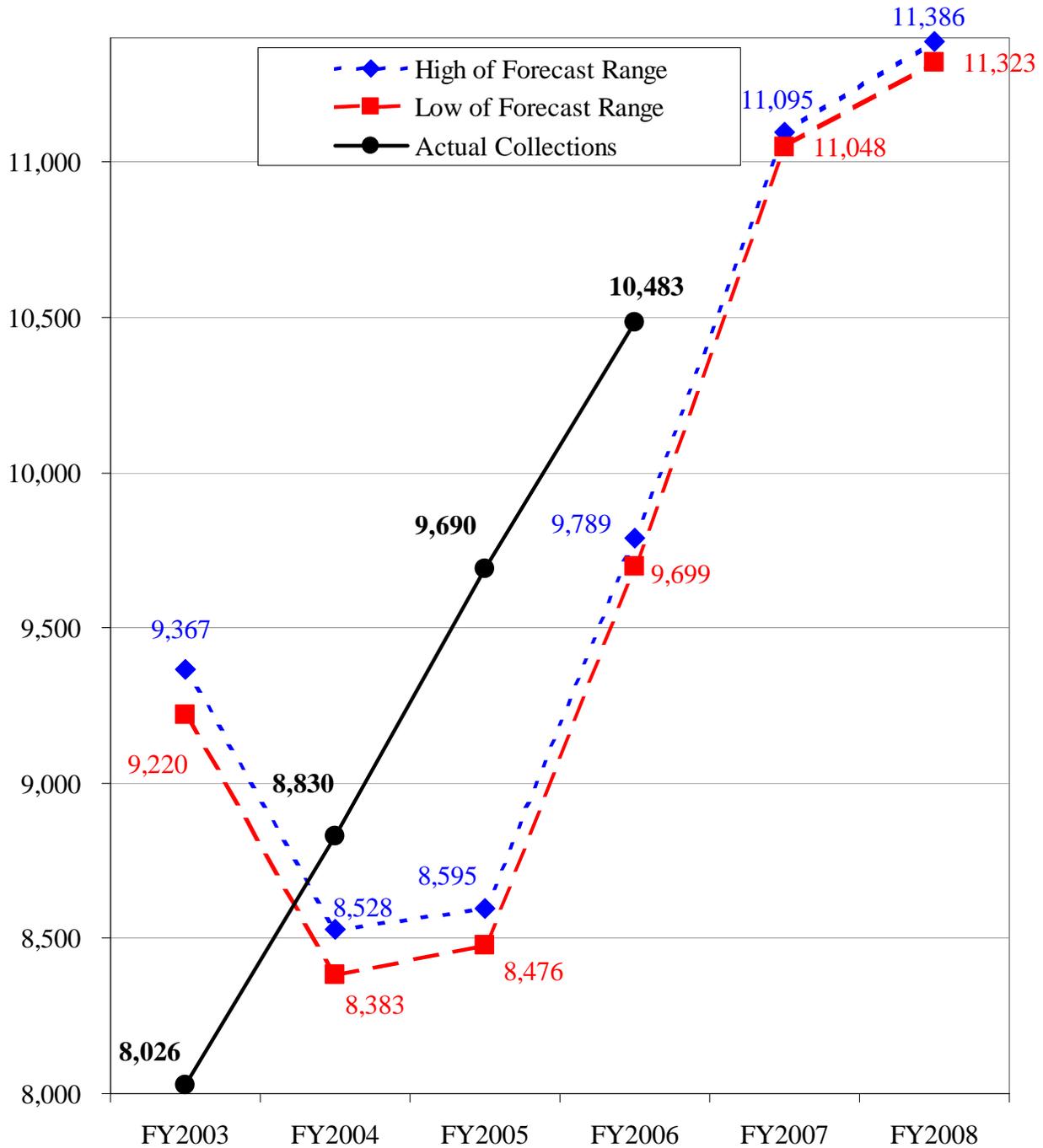
# FY07 and FY08 Tax Revenue Projections

**Total Total Tax Collections: DOR Consensus Hearing Estimates vs. Actual Collections (\$ Billions)**



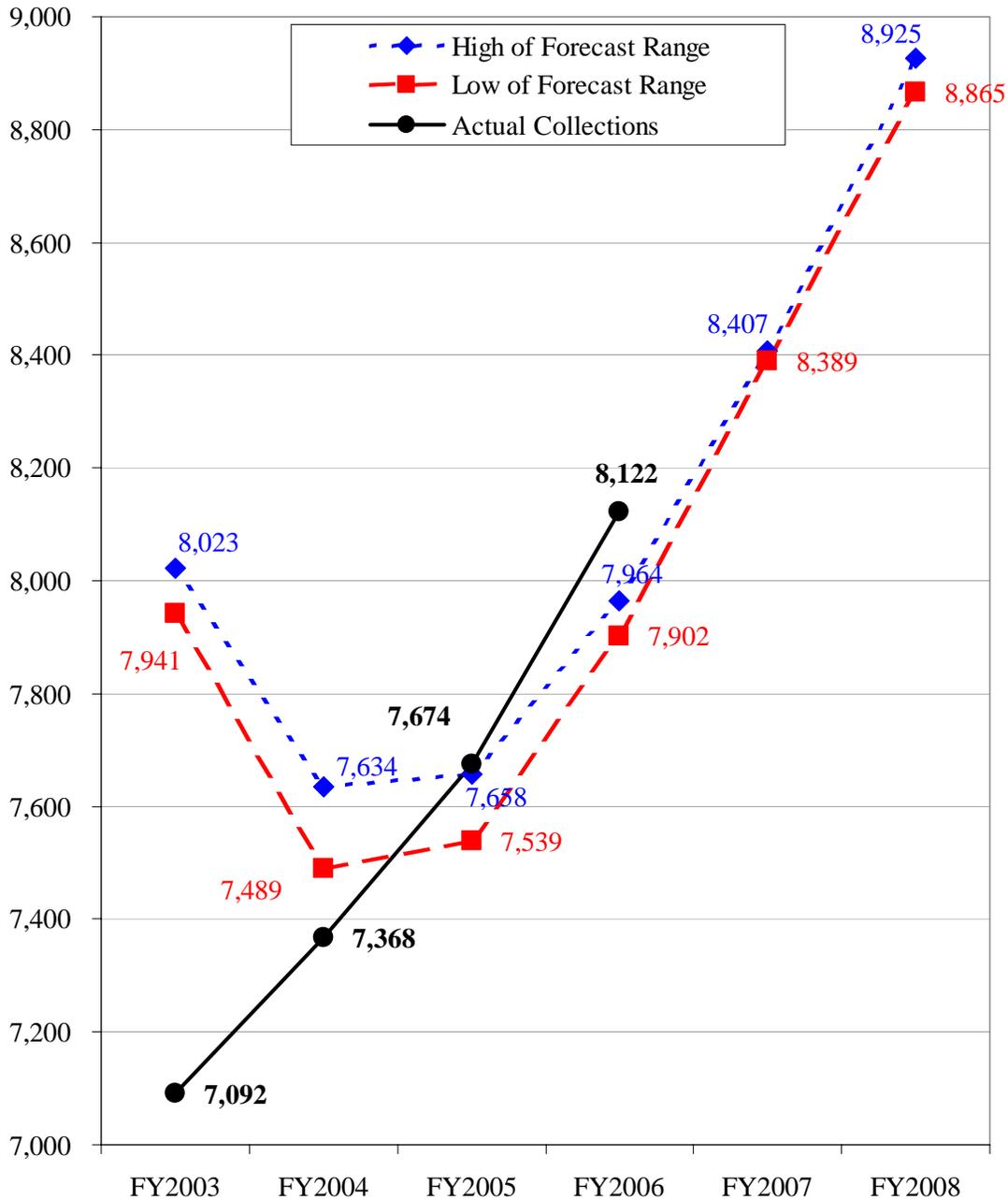
# FY07 and FY08 Tax Revenue Projections

Total Personal Income Tax: DOR Consensus Hearing Forecast Range (Adjusted for Subsequent Tax Law Changes) vs. Actual Collections (in \$Millions)



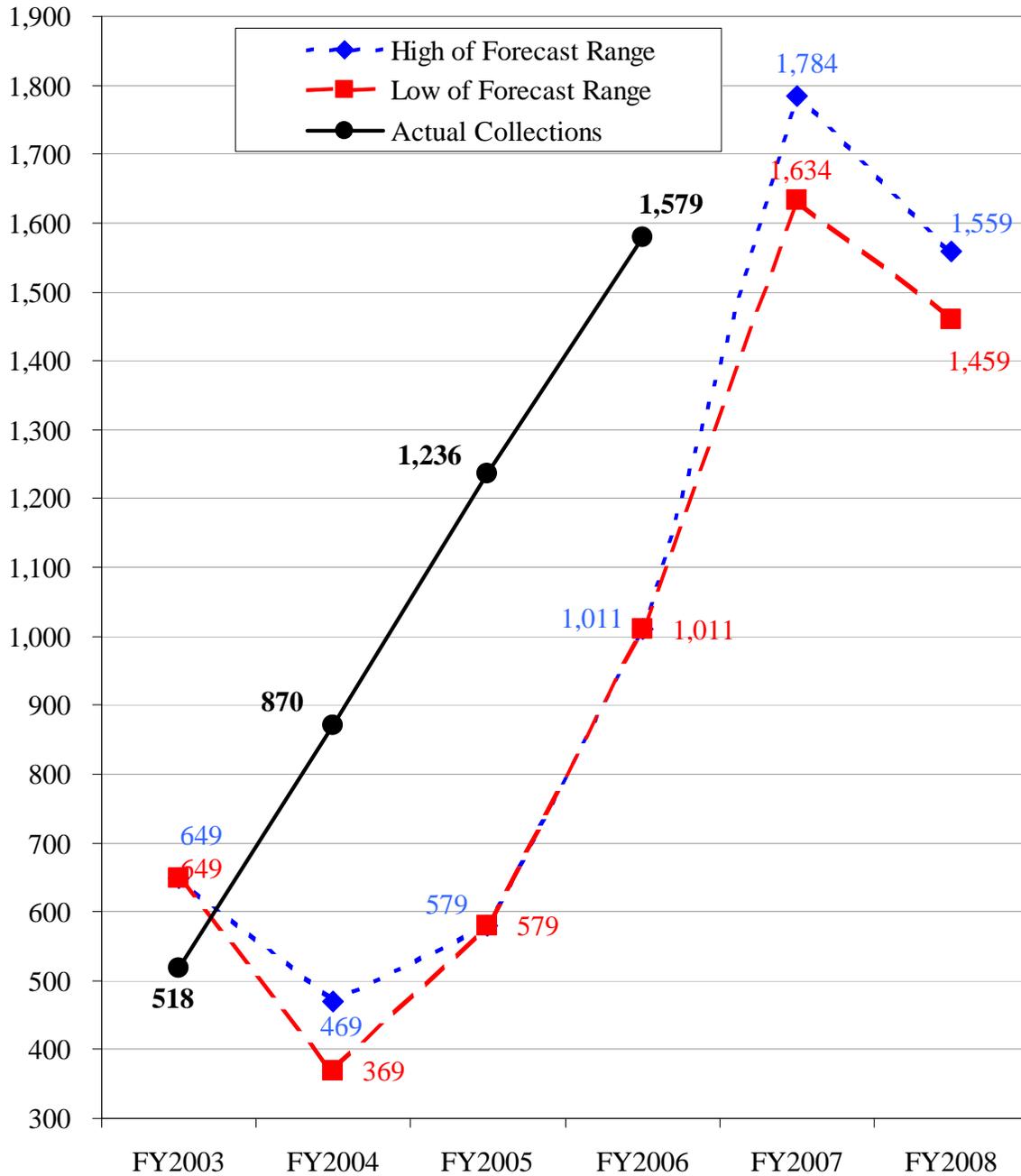
# FY07 and FY08 Tax Revenue Projections

**Income Tax Withholding: DOR Consensus Hearing Forecast Range (Adjusted for Subsequent Tax Law Changes) vs. Actual Collections (in \$Millions)**



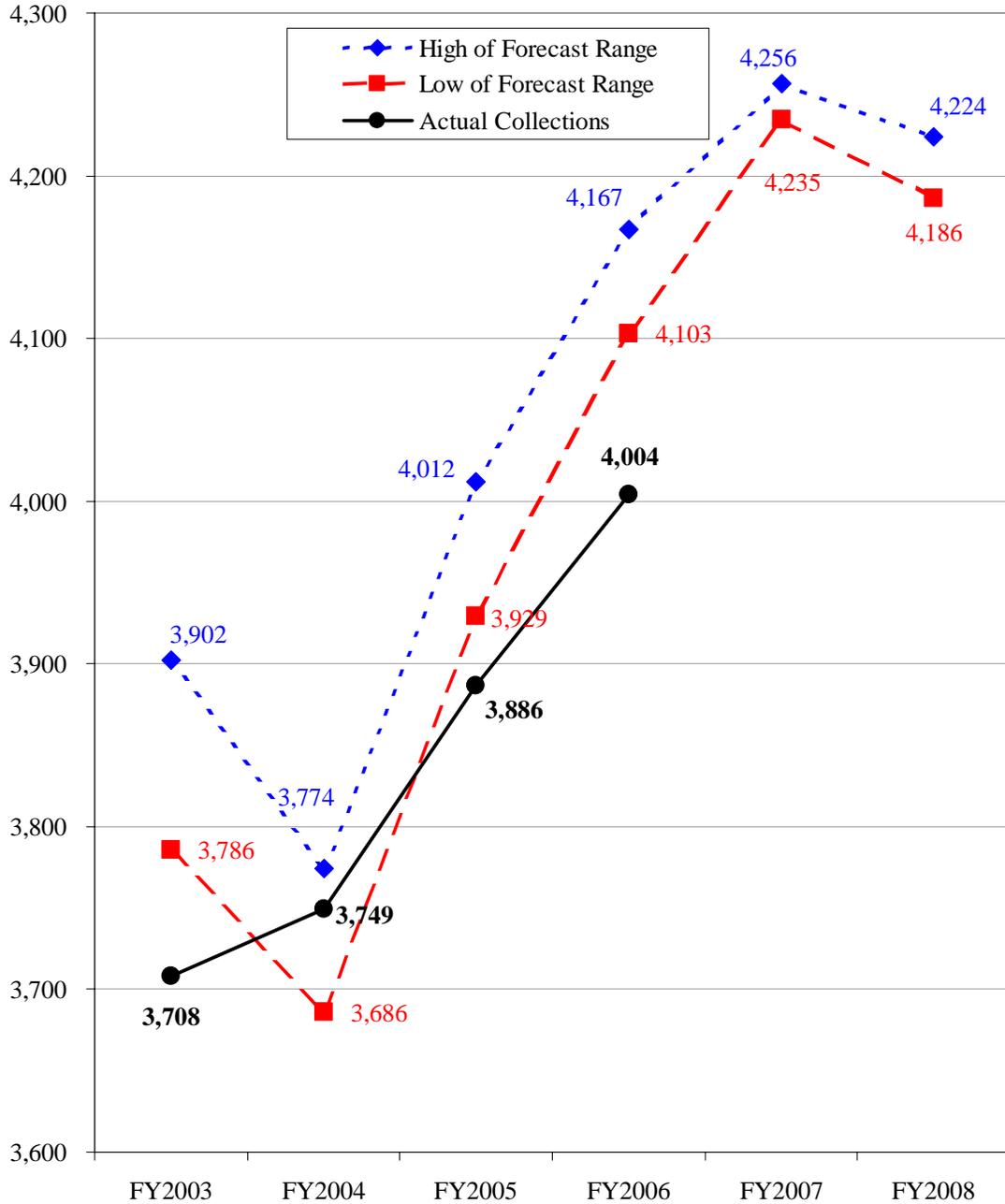
# FY07 and FY08 Tax Revenue Projections

**Capital Gains Tax: DOR Consensus Hearing Forecast Range  
(Adjusted for Subsequent Tax Law Changes) vs. Actual Collections  
(in \$Millions)**



# FY07 and FY08 Tax Revenue Projections

**Sales and Use Tax: DOR Consensus Hearing Forecast Range vs. Actual Collections  
(in \$Millions)**



# FY07 and FY08 Tax Revenue Projections

**Corporate/Business Tax: DOR Consensus Hearing Forecast Range  
(Adjusted for Subsequent Tax Law Changes) vs. Actual Collections  
(in \$Millions)**

