



Senate Appropriations Committee

The Monthly Report

Gibson E. Armstrong, Chairman

January Tax Collections Ahead of Estimates

The General Fund received over \$2.3 billion in tax receipts during the month of January. This amount is \$23.7 million, or 1 percent above the estimated amount. Collections of corporate taxes were 13.6 percent ahead of anticipated receipts, but the monthly estimate of \$124.2 million is one of the smaller amounts collected for corporate taxes during the fiscal year.

Collections of the general sales tax, withheld personal income tax, cigarette taxes, malt beverage tax, liquor tax, realty transfer tax, and the non-tax revenues were below the estimate for January. Motor vehicle sales tax collections, quarterly and annual personal income tax payments, and the inheritance tax ran ahead of anticipated amounts. Of particular concern are the shortfalls in the general sales tax, withheld personal income tax, and realty transfer tax. These underperforming areas may be a sign of a general broad based economic slowdown in the Commonwealth.

The following information has been prepared by the Department of Revenue to provide a more detailed analysis of tax collections in January.

Sales tax receipts totaled \$838.5 million for January, which was \$20.2 million below estimate. Sales tax collections year-to-date total \$5.1 billion, which is \$11.2 million, or 0.2 percent, above estimate.

Personal Income Tax (PIT) revenue in January was \$1.2 billion, which was \$40.6 million above estimate. This brings year-to-date PIT collections to \$5.6 billion, which is \$73.7 million, or 1.3 percent, above estimate.

January corporation tax revenue of \$138.2 million was \$14 million above estimate. Year-to-date corporation tax collections total \$1.7 billion, which is \$124.4 million, or 8 percent, above estimate.

Other General Fund revenue figures for the month included \$66.3 million in inheritance tax, which was \$2.5 million above estimate, bringing the year-to-date total to \$463.5 million, which is \$5 million above estimate.

Realty transfer tax was \$35.4 million for January, bringing the total to \$281 million for the year, which is \$9.8 million more than anticipated.

Governor's Budget Proposal Provides Few Surprises

To paraphrase Benjamin Franklin, there is nothing as certain in an Ed Rendell budget as debt and taxes. Governor Rendell's budget for fiscal year 2008-09 recycles a number of his previous failed legislative initiatives: Cover All Pennsylvanians, alternative energy, Jonas Salk Legacy program, a boost in cigarette taxes, new taxes on other tobacco products, and a "system benefit charge" to pay for his energy proposal. New debt and taxes in this year's budget include an increase

in the CSFT rate for 2009 and 2010 and a tax on the premiums for homeowner's insurance, and new debt of nearly \$900 million for business in our sites (\$100 million) and Rebuilding PA (\$773 million). Recycled debt include redevelopment assistance cap increase (\$750 million), Jonas Salk Legacy Fund (\$500 million) and the

Energy Independence Fund (\$850 million). Overall, the General Fund budget increases by 4.2 percent, or over \$1.131 billion.





Sales Tax Slippage May Foreshadow Economic Downturn

Sales tax receipts were \$20.2 million below estimate for the month of January. Receipts from the sale of motor vehicles were over estimate by \$5.5 million, while receipts from other taxable goods fell to \$25.7 million below estimate. This monthly shortfall of more than 3% is likely attributable to a weaker-than-expected holiday shopping season.

December 2007 monthly sales tax returns were due on January 22, 2008. Therefore, the bulk of sales tax receipts received in January was attributable to sales made in December during the holiday shopping season. Nationally, holiday sales grew at their weakest pace in

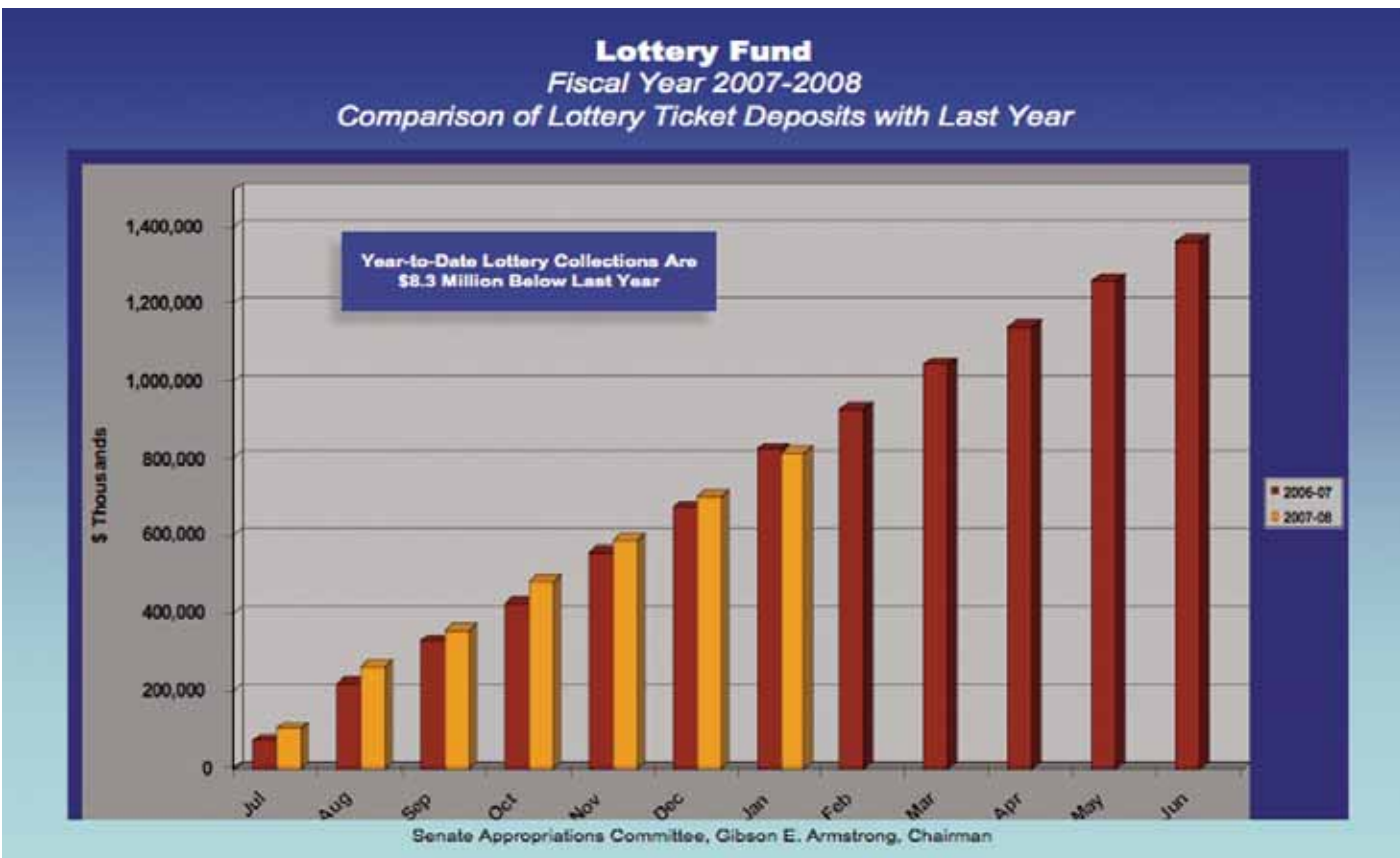
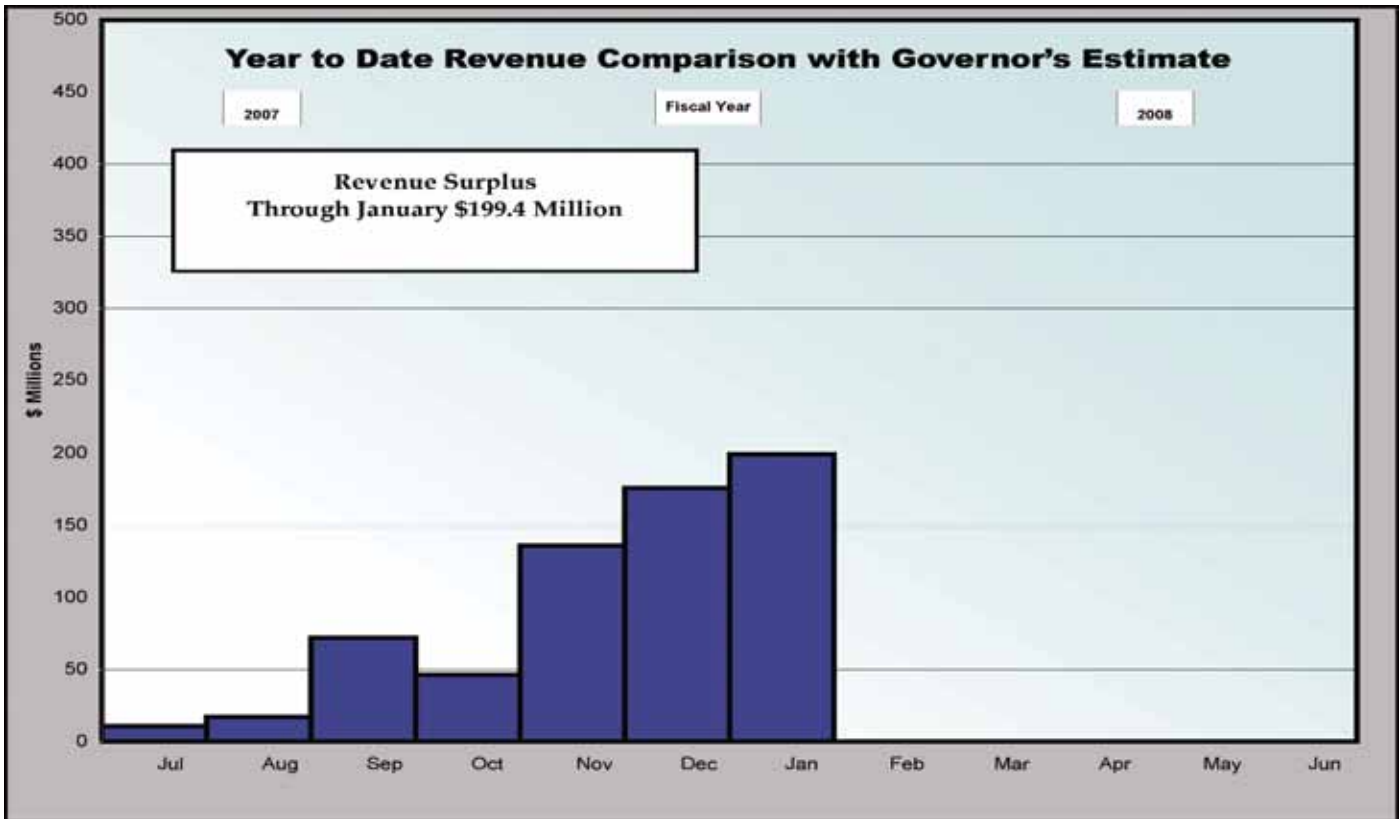
five years. Consumers are feeling the effects of higher gas and energy prices, escalating food prices and a credit crunch caused by the sub-prime mortgage debacle.

There may be a few bright spots, though. The sale of gift cards was up substantially this past year. Gift cards are not taxed when they are purchased, but rather the sales tax is collected when they are redeemed to buy taxable items. Therefore, gift cards purchased in December and used in January or beyond could translate into increased sales tax receipts in upcoming months. In addition, November's sales tax figures were stronger than expected and may have resulted from this

year's early Thanksgiving holiday, which meant that there were more holiday shopping days in this past November than in a typical year. These two factors may have conspired to make January's lackluster sales tax collections look worse than they really were.

Interpreting the Commonwealth's revenue performance and predicting the future is difficult in the uncertain economic environment in which we find ourselves. Nonetheless, the year-to-date General Fund surplus of nearly \$200 million is welcome insurance to help us through these turbulent times.





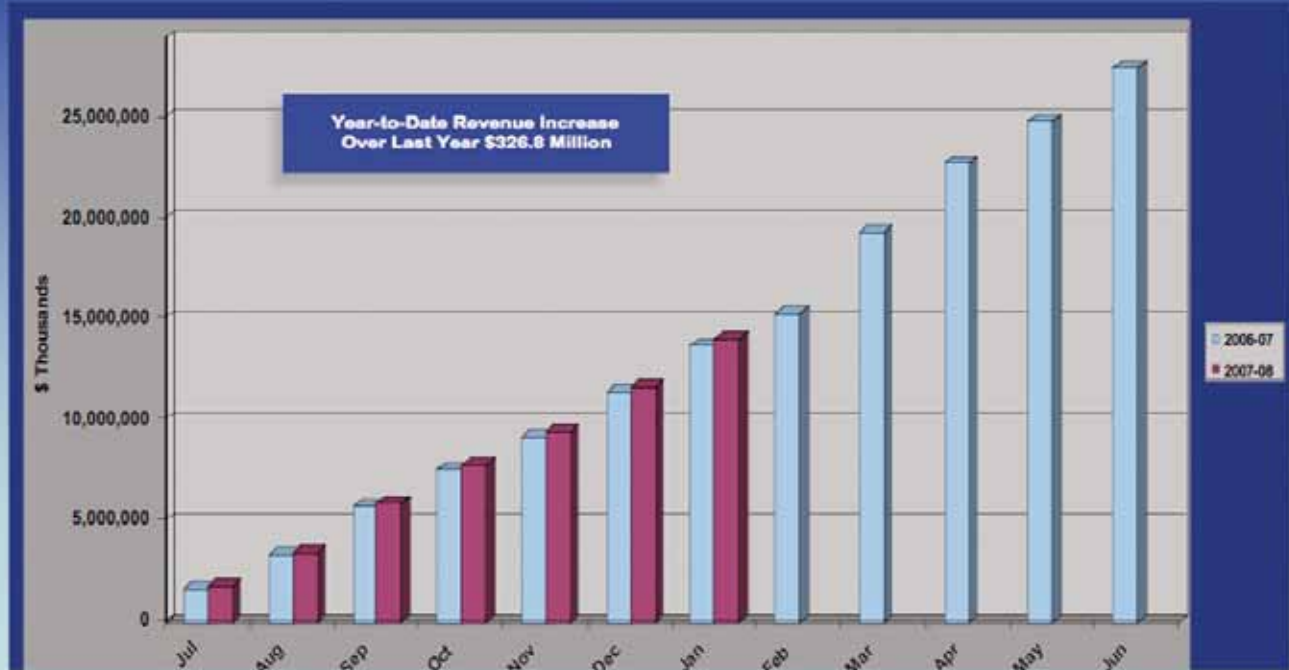


Appropriations Committee Monthly Revenue Report

Thursday, January 31, 2008 Account:	Revenue 2006-07 thru January	(Dollars in Thousands)					
		For the month of January			For the year through January		
		Revenue	Official Estimate	Surplus (Deficit)	Revenue	Official Estimate	Surplus (Deficit)
CORPORATE TAXES:							
Clearing Account	-\$1,530	\$73,174	\$0	\$73,174	\$207,487	\$0	\$207,487
Corp. Net Income	\$1,157,875	\$51,973	\$89,000	(\$37,027)	\$1,014,446	\$1,128,200	(\$113,754)
Cap. Stock & Franchise	\$481,010	\$12,353	\$27,600	(\$15,247)	\$416,547	\$397,200	\$19,347
Gross Receipts	\$17,795	\$0	\$1,000	(\$1,000)	\$22,548	\$7,600	\$14,948
PURTA	\$3,622	\$0	\$100	(\$100)	\$2,296	\$4,100	(\$1,804)
Insurance Premiums	\$7,664	\$3,560	\$5,600	(\$2,040)	\$4,987	\$9,000	(\$4,013)
Financial Institutions	\$19,422	\$3	\$200	(\$197)	\$16,765	\$11,600	\$5,165
Other Selective Bus. Taxes	\$4,330	\$122	\$700	(\$578)	\$4,215	\$4,200	\$15
CORPORATE TAX TOTAL	\$1,690,188	\$141,186	\$124,200	\$16,986	\$1,689,292	\$1,561,900	\$127,392
CONSUMPTION TAXES:							
Sales, Use & Occupation Tax	\$5,124,480	\$838,532	\$858,700	(\$20,168)	\$5,126,906	\$5,115,700	\$11,206
-Motor Vehicle Sales	\$669,605	\$92,661	\$87,100	\$5,561	\$691,291	\$672,300	\$18,991
-General (net of transfers)	\$4,454,875	\$745,871	\$771,600	(\$25,729)	\$4,435,615	\$4,443,400	(\$7,785)
Cigarette Tax	\$443,202	\$42,674	\$43,900	(\$1,226)	\$444,805	\$438,100	\$6,705
Malt Beverage Tax	\$15,024	\$1,894	\$2,000	(\$106)	\$15,866	\$15,500	\$366
Liquor Tax	\$133,946	\$28,477	\$30,200	(\$1,723)	\$141,176	\$144,000	(\$2,824)
CONSUMPTION TAX TOTAL	\$5,716,652	\$911,578	\$934,800	(\$23,222)	\$5,728,753	\$5,713,300	\$15,453
OTHER TAXES:							
Personal Income Tax	\$5,309,177	\$1,176,252	\$1,135,700	\$40,552	\$5,647,347	\$5,573,600	\$73,747
-Withheld PIT	\$4,308,109	\$673,482	\$701,200	(\$27,718)	\$4,464,630	\$4,502,900	(\$38,270)
-Quarterly & Annual PIT	\$1,001,068	\$502,770	\$434,500	\$68,270	\$1,182,718	\$1,070,700	\$112,018
Realty Transfer Tax	\$352,827	\$35,435	\$37,400	(\$1,965)	\$281,028	\$271,200	\$9,828
Inheritance & Estate Tax	\$429,751	\$66,267	\$63,800	\$2,467	\$463,493	\$458,500	\$4,993
Minor & Repealed	(\$6,907)	(\$3,522)	\$600	(\$4,122)	\$2,567	\$1,500	\$1,067
OTHER TAXES TOTAL	\$6,084,848	\$1,274,433	\$1,237,500	\$36,933	\$6,394,435	\$6,304,800	\$89,635
GENERAL FUND TAXES	\$13,491,688	\$2,327,197	\$2,296,500	\$30,697	\$13,812,480	\$13,580,000	\$232,480
NON-TAX REVENUES	\$219,773	\$17,677	\$24,700	(\$7,023)	\$225,747	\$258,800	(\$33,053)
GENERAL FUND	\$13,711,461	\$2,344,874	\$2,321,200	\$23,674	\$14,038,227	\$13,838,800	\$199,427
MOTOR LICENSE FUND:							
Liquid Fuels Tax	\$470,175	\$96,966	\$53,660	\$43,306	\$392,167	\$353,360	\$38,807
Fuels Use Tax	\$83,983	\$8,538	\$13,220	(\$4,682)	\$91,193	\$97,830	(\$6,637)
Motor Carriers Road Tax	\$24,451	\$3,120	\$3,400	(\$280)	\$20,653	\$25,110	(\$4,457)
Alternate Fuels	\$106	\$39	\$30	\$9	\$571	\$200	\$371
Clearing Account	\$0	\$0	\$0	\$0	\$113	\$0	\$113
Gross Receipts Tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Oil Company Franchise Tax	\$240,558	\$21,161	\$38,180	(\$17,019)	\$257,193	\$273,910	(\$16,717)
Licenses and Fees	\$465,485	\$67,621	\$69,210	(\$1,589)	\$455,395	\$464,130	(\$8,735)
Vehicle Code Fines	\$24,009	\$3,536	\$3,530	\$6	\$24,132	\$26,550	(\$2,418)
Miscellaneous	\$72,569	\$6,685	\$7,910	(\$1,225)	\$67,309	\$65,870	\$1,439
Adjustment to Miscellaneous Revenue for Act 44 Transfer from PA Turnpike Commission		\$0	\$0	\$0	\$150,000	\$150,000	\$0
MOTOR FUND	\$1,381,336	\$207,666	\$189,140	\$18,526	\$1,308,726	\$1,306,960	\$1,766



General Fund Tax Collections Fiscal Year 2007-2008 Revenue Comparison with Last Year



Senate Appropriations Committee, Gibson E. Armstrong, Chairman

General Fund Tax Collections Fiscal Year 2007-2008 Comparison of Official Estimate with Actual Revenue by Month

Comparison of Official Estimate with Actual Revenue by Month



Senate Appropriations Committee, Gibson E. Armstrong, Chairman