

## REVENUE ESTIMATES

As 2007 progressed, economic problems had an increasingly negative effect on California's revenue collections. Baseline revenues in 2007-08 are now expected to total \$96.4 billion—\$4.8 billion below the forecast that was used for enactment of the 2007 Budget. For 2008-09, baseline revenues are expected to grow to \$99.1 billion, a 2.8-percent increase from 2007-08. With the Administration's revenue proposals for addressing the budget problem, revenues are estimated to be \$101.2 billion in the current year and \$102.9 billion in budget year.

---

### MAJOR REVENUE SOURCES

Figure REV-01 summarizes the General Fund forecast for 2007-08 and 2008-09 and provides a preliminary report of receipts for 2006-07, compared to the 2007 Budget Act forecast.

Personal income tax revenues are estimated to be \$52.7 billion in 2007-08 and \$56.5 billion in 2008-09. Capital gains grew 4 percent in 2006 and are expected to be flat in 2007 and decline 3 percent in 2008. The estimate includes \$28 million

Figure REV-01  
**2008-09 Governor's Budget**  
**General Fund Revenue Forecast**  
**Summary Table**  
**Reconciliation with the 2007-08 Budget Act**  
(Dollars in Millions)

Source	Budget Act	Governor's Budget	Change Between Forecasts	
<b>Fiscal 06-07</b>				
Personal Income Tax	\$52,243	\$51,943	-\$300	-0.6%
Sales & Use Tax	27,787	27,445	-\$342	-1.2%
Corporation Tax	10,717	11,158	\$441	4.1%
Insurance Tax	2,166	2,178	\$12	0.6%
Alcoholic Beverage	321	334	13	4.0%
Cigarette	119	115	-4	-3.4%
Other Revenues	2,224	2,261	\$37	1.7%
Transfers	<u>-36</u>	<u>-19</u>	<u>\$17</u>	47.2%
<b>Total</b>	<b>\$95,541</b>	<b>\$95,415</b>	<b>-\$126</b>	<b>-0.1%</b>
<b>Fiscal 07-08</b>				
Personal Income Tax	\$55,236	\$52,681	-\$2,555	-4.6%
Sales & Use Tax	28,820	27,689	-\$1,131	-3.9%
Corporation Tax	11,055	10,675	-\$380	-3.4%
Insurance Tax	2,181	2,075	-\$106	-4.9%
Alcoholic Beverage	325	334	9	2.8%
Cigarette	120	116	-4	-3.3%
Other Revenues	3,804	6,440	\$2,636	69.3%
Transfers	<u>-302</u>	<u>1,220</u>	<u>\$1,522</u>	--
<b>Total</b>	<b>\$101,239</b>	<b>\$101,230</b>	<b>-\$9</b>	<b>0.0%</b>
Change from Fiscal 06-07	\$5,698	\$5,815		
% Change from Fiscal 06-07	6.0%	6.1%		
<b>Fiscal 08-09</b>				
Personal Income Tax	\$58,710	\$56,458	-\$2,252	-3.8%
Sales & Use Tax	30,545	29,215	-\$1,330	-4.4%
Corporation Tax	11,175	11,937	\$762	6.8%
Insurance Tax	2,246	2,276	\$30	1.3%
Alcoholic Beverage	326	341	15	4.6%
Cigarette	121	119	-2	-1.7%
Other Revenues	2,281	2,501	\$220	9.6%
Transfers	<u>-1,895</u>	<u>57</u>	<u>\$1,952</u>	--
<b>Total</b>	<b>\$103,509</b>	<b>\$102,904</b>	<b>-\$605</b>	<b>-0.6%</b>
Change from Fiscal 07-08	\$2,270	\$1,674		
% Change from Fiscal 07-08	2.2%	1.7%		
<b>Three-Year Total</b>			<b>-\$740</b>	

in additional revenues from redirecting Franchise Tax Board rent savings to revenue generating purposes in both 2007-08 and 2008-09. Budget year revenues also include a one-time acceleration of \$1.2 billion from bringing the tax revenue accruals into conformity with Generally Accepted Accounting

## MAJOR REVENUE PROPOSALS

- Sell \$3.3 billion of Economic Recovery Bonds in the current year.
- Transfer \$1.5 billion from the Budget Stabilization Account to the General Fund in the current year and eliminate the \$1.5 billion transfer to the Budget Stabilization Account in the budget year.
- Accrual of \$2 billion in June personal income tax and corporate tax estimated payments in 2008-09.
- Reinstate the 12-month use tax requirement for vehicles, vessels, and aircraft.
- Augment the Franchise Tax Board's budget in order to help address the tax gap, prevent fraudulent refund claims, and address growth in the audit workload.
- Augment the Board of Equalization's budget to help improve tax compliance.

Principles, \$52 million in additional revenues from Franchise Tax Board revenue enhancing measures and \$22 million from additional efforts to reduce the tax gap.

Sales and use tax revenue is forecast at \$27.7 billion in 2007-08 and \$29.2 billion in 2008-09. Preliminary data for the first three quarters indicate that taxable sales for the year are expected to grow by only 0.9 percent in 2007. The slowdown in 2007 is attributed primarily to the weak housing market. Taxable sales are anticipated to recover somewhat in 2008

## REVENUE ESTIMATES

as the housing market begins to improve, increasing by 3.4 percent over 2007 sales. In 2009, growth of 4.6 percent is expected. The estimate for 2008-09 includes \$21 million in additional General Fund revenues from making permanent the use tax on vessels, vehicles, and aircraft brought into the state less than one year from purchase. Another \$57.7 million in General Fund revenue will result from certain measures adopted by the Board of Equalization intended to increase tax revenues and reduce the tax gap.

Corporation tax revenues are expected to total \$10.7 billion in 2007-08 and \$11.9 billion in 2008-09. The 2008-09 estimate includes a one-time acceleration of \$847 million from bringing the tax revenue accruals into conformity with Generally Accepted Accounting Principles and \$14 million from additional efforts to reduce the tax gap.