



Revenue Forecast Tracking

3rd Fiscal Quarter 2007

Office of Economic Analysis

April 23rd, 2007

Total personal and corporate income taxes equaled \$1,151.9 million for the third quarter of fiscal year 2007, \$2.4 million above the March 2007 forecast. Receipts for the quarter were down 4.8 percent on a year-over-year basis, due to significantly higher personal and corporate refunds for the quarter.

Actual personal income tax collections of \$1,105.4 exceeded the March 2007 forecast by \$5.0 million. Withholding fell below forecast by \$29.3 million for the quarter, and was up only slightly from the third quarter fiscal year 2006. For tax year 2007, withholding tables were updated to reflect declining effective tax rates – due to inflation adjusted brackets and exemption credits, as well as increased federal tax deduction limits, the average tax liability for a given level of income has decrease since the withholding tables were last updated in 2003. The shortfall in withholding relative to forecast owes to a greater-than-anticipated impact on withholding levels rather than unanticipated weakening in wages and salaries. Estimated payments exceeded forecast by \$1.7 million, and were up on a year-over-year basis by 19.1 percent.

Final payments of \$100.5 million surpassed projections by \$12.6 million, and were 12.9 percent above year ago levels. Refunds fell \$20.0 million below forecast (a net gain in collections), but were up 28.7 percent compared to third quarter 2006. The increase is the result of timelier processing afforded by a new tax return processing system institutes in Fall 2005. Whereas issues with the new system delayed processing of returns in February and March 2006, the fully functional system resulted in accelerated distribution of refunds in the third quarter 2007¹.

Corporate income tax collections of \$46.5 million were \$2.5 million lower than projected in the December forecast. Advanced payments fell short of the March 2007 forecast by \$13.1 million, whereas final payments were \$11.1 million above forecast. Refunds were marginally higher than projected, and more than double the year-age figure. The year-over-year jump in refunds, which is responsible for the 27.7 percent decline in net tax collections, is due to the 36 percent kicker credit for tax year 2005.

¹ Processing does not affect the timing of payments as checks are deposited on receipt.

Table 1: Quarterly Income Tax Revenues

(Quarter ending March 31, 2007)

Personal Income Tax (Millions of dollars)	Forecast Comparison			Year/Year Change	
	Actual Revenues	Latest Forecast	Percent Difference	Prior Year	Percent Change
Withholding	\$1,182.3	\$1,211.6	-2.4%	\$1,177.5	0.4%
Dollar difference		-\$29.3		\$4.8	
Estimated Payments	\$267.3	\$265.6	0.6%	\$224.4	19.1%
Dollar difference		\$1.7		\$42.9	
Final Payments	\$100.5	\$87.9	14.3%	\$89.0	12.9%
Dollar difference		\$12.6		\$11.5	
Refunds	-\$444.8	-\$464.8	-4.3%	-\$345.5	28.7%
Dollar difference		\$20.0		-\$99.2	
Total Personal Income Tax	\$1,105.4	\$1,100.4	0.5%	\$1,145.4	-3.5%
Dollar difference		\$5.0		-\$40.0	

Corporate Income Tax (Millions of dollars)	Forecast Comparison			Year/Year Change	
	Actual Revenues	Latest Forecast	Percent Difference	Prior Year	Percent Change
Advanced Payments	\$59.8	\$72.8	-18.0%	\$59.1	1.1%
Dollar difference		-\$13.1		\$0.7	
Final Payments	\$25.4	\$14.3	77.6%	\$24.3	4.6%
Dollar difference		\$11.1		\$1.1	
Refunds	-\$38.7	-\$38.0	1.8%	-\$19.1	102.3%
Dollar difference		-\$0.7		-\$19.6	
Total Corporate Income Tax	\$46.5	\$49.1	-5.4%	\$64.3	-27.7%
Dollar difference		-\$2.6		-\$17.8	

Total Income Tax (Millions of dollars)	Forecast Comparison			Year/Year Change	
	Actual Revenues	Latest Forecast	Percent Difference	Prior Year	Percent Change
Corporate and Personal Tax	\$1,151.9	\$1,149.5	0.2%	\$1,209.6	-4.8%
Dollar difference		\$2.4		-\$57.8	

The Office of Economic Analysis (OEA) resides in the Director's Office of the Department of Administrative Services. OEA produces and publishes the Oregon Economic and Revenue Forecast on a quarterly basis.

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