

POLICY FOUNDATION RENEWS CALL FOR DYNAMIC ANALYSIS

(November 2007) The Policy Foundation, in light of monthly revenue reports since the July 1 grocery tax cut is renewing its 1998 and 2006 proposals to subject any state tax cuts to a process of dynamic analysis.

The Murphy Commission, a Policy Foundation project, recommended in 1998 that all "tax proposals should be submitted to a process of dynamic scoring in order to assess the economic impact. Findings should be reported to the public before enactment of the policy."

Last year the Policy Foundation argued "dynamic analysis would provide more information to citizens about the fiscal impact of tax proposals," noting two papers published since 2004 by leading academic economists have treated the idea seriously.

Following are excerpts from state Department of Finance and Administration monthly general revenue reports issued since July 1:

(August 2007) Gross receipts consist primarily of sales and use taxes. On a year-to-date basis, gross receipts total \$358.5 million, a decrease of \$17.7 million or 4.7 percent below FY 2007 and \$3.9 million or 1.1 percent below forecast. Tax reductions implemented in July make comparisons to economic movement by way of this consumption-based set of taxes problematic.

(September 2007) Gross receipts consist primarily of sales and use taxes. On a year-to-date basis, gross receipts total \$543.2 million, a decrease of \$16.7 million or 3.0 percent below FY 2007 and \$3.3 million or 0.6 percent above forecast. Tax reductions implemented in July make comparisons to economic movement by way of this consumption-based set of taxes problematic.

(October 2007) Gross receipts consist primarily of sales and use taxes. On a year-to-date basis, gross receipts total \$720.2 million, a decrease of \$21.8 million or 2.9 percent below FY 2007 and \$3.9 million or 0.5 percent above forecast. Tax reductions implemented in July make comparisons to economic movement by way of this consumption-based set of taxes problematic."

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