

OLS Revenue Snapshot

FY 2005 - Through August 2004

- **Initial FY 2005 Revenue Results are Inconclusive.** Any analysis of revenues in the first two months of a fiscal year is constrained by limited information and the brevity of the time period analyzed. Under these circumstances, technical and accounting issues can obscure underlying fiscal trends. A clearer picture of annual revenues will begin to emerge after the September quarterly tax payments are made by individuals and corporations.
- **Gross Income Tax (GIT)** receipts after the first two months of the fiscal year are at \$499.4 million, 6.3% ahead of the level reported for the same time last year. The FY 2005 certified GIT target projects growth of 19.2% for the full fiscal year. However, the OLS notes that GIT growth rates should significantly lag year-end expectations for much of the fiscal year. Most of the anticipated 19.2% growth is due to the increased marginal tax rate on incomes over \$500,000. Most of the new revenue derived from the rate increase is not expected until January and April of 2005.
- **Sales Tax** receipts after one month (August collections are for July activity because this tax is subject to a one month payment lag) total \$555.1 million, up 7.3% from the first month last year. The sales tax target certified for FY 2005 assumes growth of 5.9% for the fiscal year.
- **Corporation Business Tax (CBT)** collections through the end of August total \$95.8 million, 14.6% below the \$112.2 million collected during the same two months last year. The first two months of the fiscal year tend to produce relatively small CBT collections and rarely foreshadow developments for the fiscal year. However, CBT collections in the last quarter of FY 2004 did drop off unexpectedly, and the OLS will continue to monitor these collections with particular interest. September's receipts will be more important for analyzing the CBT because quarterly corporate tax payments are due.
- **Cigarette Tax and Motor Vehicle Fee** collections-to-date are not reported by the Treasury at this time because receipts are initially allocated to off-budget accounts. The first \$150 million of cigarette tax revenues will be allocated to the Health Care Subsidy Fund. On-budget amounts should begin to accrue in September. The first \$202 million in motor vehicle fee revenues are being allocated to the New Jersey Motor Vehicle Commission. Aggregate fee collections may exceed this threshold during October.
- **Realty Transfer Tax** collections of \$41.5 million are a remarkable 255% ahead of the same point last year. Strong growth of 25.9% was anticipated in FY 2005 due to enactment of a tax rate increase this year (effective August 1, 2004). The strong initial growth rate could be due to a combination of several different factors, including: 1) a rush to conclude transactions before the rate increase took effect; and 2) growth off a weak baseline from early last fiscal year, when receipts were growing more slowly than expected due to implementation lags from last year's Realty Transfer Tax rate increase.
- **FY 2004 revenue totals** remain under the annual year-end review by the Executive and the State Auditor and have not yet been officially released. The OLS will report to the Legislature when information about FY 2004 revenues is made available.

Office of Legislative Services
September 17, 2004

As in past years, the OLS Revenue Snapshot summarizes current cash revenue collections in comparison to prior year cash collections for the same period, using information provided by the Department of Treasury. Certain revenues are reported with a one month lag due to payment schedules. The Treasury publicly reports monthly revenues in a different format which compares estimated or accrued earnings with FY 2005 budget projections.

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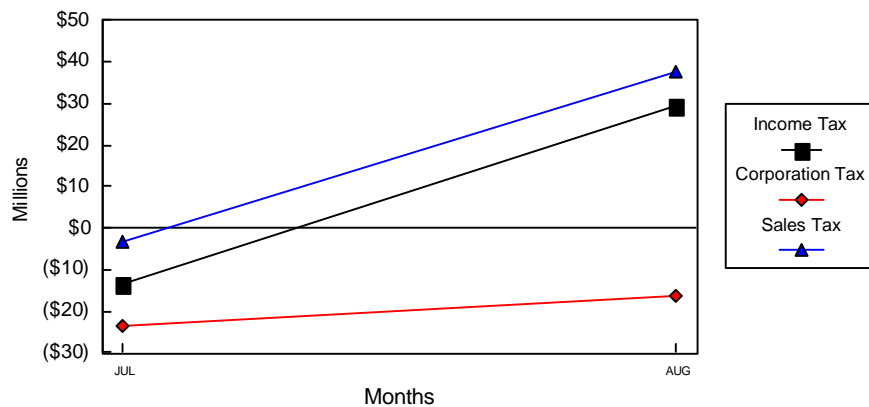
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Selected Year-To-Date Cash Collections (\$ millions)

REVENUE	FY 2004 Actual Year-To-Date	FY 2005 Actual Year-To-Date	Actual Y-T-D Growth %	Certified Year-End Growth % **	Certified Year-End \$ Estimate
INCOME TAX	\$469.7	\$499.4	6.3%	19.2%	\$8,855.0
* SALES TAX	\$517.4	\$555.1	7.3%	5.9%	\$6,600.0
CORPORATION TAX	\$112.2	\$95.8	-14.6%	7.5%	\$2,500.0
LOTTERY	\$118.3	\$129.9	9.8%	0.2%	\$795.0
(a) CIGARETTE	\$0.0	\$0.0	0.0%	10.7%	\$678.0
* MOTOR FUELS	\$44.6	\$37.1	-16.8%	-1.1%	\$559.0
TRANSFER INHERITANCE	\$99.9	\$90.9	-9.1%	7.8%	\$556.0
CASINO	\$71.8	\$74.0	3.0%	5.0%	\$474.0
INSURANCE PREMIUM	\$0.7	\$1.3	81.9%	7.4%	\$449.0
(b) MOTOR VEHICLE FEES	\$0.0	\$0.0	0.0%	16.9%	\$301.1
* REALTY TRANSFER	\$11.7	\$41.5	255.0%	25.9%	\$286.0
* PETROLEUM PRODUCTS	\$16.1	\$34.6	115.4%	-2.7%	\$212.0
BANKS & FINANCIAL (CBT)	\$9.9	\$2.6	-73.7%	-6.6%	\$132.0
* ALCOHOL EXCISE	\$0.1	\$0.1	-20.4%	0.7%	\$88.0

**Income Tax
Corporation Tax
and Sales Tax**

**FY05 Over FY04
Actual Year-To-Date
\$ Change**



Sources: Executive FY 2005 year-end revenues as certified by the Governor in June 2004.

FY 2005 Year-To-Date actuals are from Treasury monthly reports.

* Revenues represent one month of cash collections. All others represent two months of cash collections.

** The percentage difference between FY 2005 Certified revenue estimates (June 2004) and preliminary FY 2004 year-end figures reported by the Treasury (August 2004).

(a) The first \$150 million in cigarette tax collections are deposited into the Health Care Subsidy Fund (P.L.1997, c.264).

(b) The first \$202 million in motor vehicle fee collections are dedicated to the NJ Motor Vehicle Commission.