

# OLS Revenue Snapshot

FY 2005 - Through December 2004

- **Mid-Year Revenue Collections Show Signs of Improvement.** State revenue collections have reached the mid-point of the fiscal year. While overall revenues are still lagging their year-end targets, December is the second consecutive good month, suggesting that the pattern of weakness and decline seen for much of the first four months of FY 2005 may be coming to an end. Although this possible reversal of poor revenue news is encouraging, the State will need additional months of good revenue collections and improving trends to begin to offset the weak start that has thus far burdened FY 2005.
- **Gross Income Tax (GIT)** revenues were expected to increase by 19.7% this year, in large part due to the newly enacted 8.97% marginal tax rate for incomes over \$500,000. Receipts of \$3.3 billion are 15.7% ahead of last year's levels half way into the fiscal year, statistically quite close to the target growth rate. December receipts were strong, propelled by a continuing rebound in withholding receipts and a jump in quarterly estimated tax payments. Total withholding receipts for FY 2005 are now up 7.3% after having been flat during the first four months of the fiscal year. Quarterly estimated tax payments are up by almost 50% this fiscal year. These estimated payments come primarily from higher-income taxpayers with significant sources of non-wage income, suggesting that the April tax payments due later in the fiscal year may also post strong growth rates.
- **Sales Tax** receipts after five months (December collections are for November activity because this tax is subject to a one month payment lag) total \$2.7 billion, up 5.1% from the same five months last year. December collections grew by 8.5%, a rebound from very weak 1.4% growth in November. The year-to-date growth rate is now only slightly below the sales tax target certified for FY 2005, which assumes growth of 5.4% for the entire fiscal year. The upcoming January collections include the always important holiday shopping period, the State's largest month for sales tax receipts.
- **Corporation Business Tax (CBT)** collections through the end of December are at \$909.0 million, or 6.9% *below* the same six months last fiscal year. The December CBT is essentially flat with last December's collection, after trailing last year's numbers for most of the previous five months. While this performance provides some hope that the bleeding has stopped for the budget's third largest tax revenue, the OLS remains concerned that the CBT will be unable to achieve the certified year-end target. That target projects growth of 5.5% for the year.
- Among the more significant second tier revenue sources, **Casino** revenues, **Lottery** collections, the **Realty Transfer** tax, and the **Petroleum Products** tax are running ahead of projections so far this fiscal year, while the **Transfer Inheritance** tax and the (CBT) **Banks and Financial Institutions** tax are lagging significantly behind expectations. **Cigarette** tax collections and **Motor Vehicle** fees are more difficult to evaluate at this time, as the on-budget amounts for these revenues are only now beginning to be recorded after the annual transfers of statutory amounts to certain off-budget accounts has been completed.

Office of Legislative Services  
January 27, 2005

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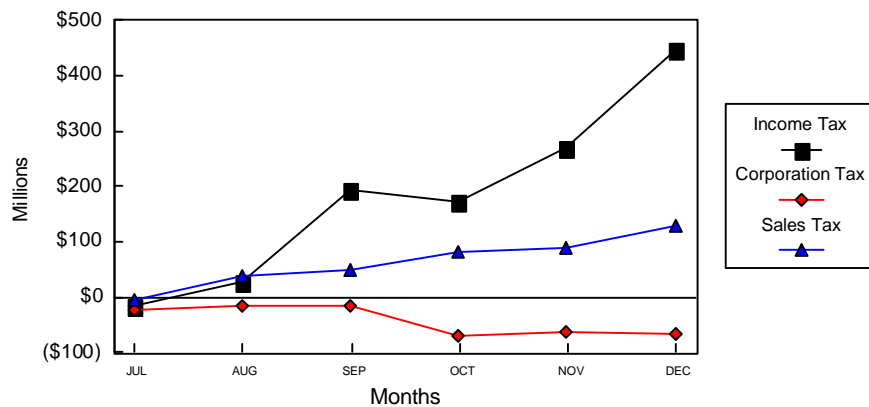
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Selected Year-To-Date Cash Collections (\$ millions)

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	\$2,846.8	\$3,293.3	15.7%	19.7%	\$8,855.0
* SALES TAX	\$2,554.6	\$2,684.6	5.1%	5.4%	\$6,600.0
CORPORATION TAX	\$975.9	\$909.0	-6.9%	5.5%	\$2,500.0
LOTTERY	\$371.6	\$390.2	5.0%	0.0%	\$795.0
(a) CIGARETTE	\$239.6	\$262.4	9.5%	10.8%	\$678.0
* MOTOR FUELS	\$228.7	\$213.1	-6.8%	-1.4%	\$559.0
TRANSFER INHERITANCE	\$285.9	\$266.2	-6.9%	7.8%	\$556.0
CASINO	\$218.9	\$228.0	4.2%	1.3%	\$474.0
INSURANCE PREMIUM	\$13.4	\$8.5	-37.0%	7.4%	\$449.0
(b) MOTOR VEHICLE FEES	\$15.4	\$22.8	47.7%	28.0%	\$301.1
* REALTY TRANSFER	\$84.2	\$145.5	72.8%	26.0%	\$286.0
* PETROLEUM PRODUCTS	\$88.4	\$119.4	35.1%	-2.0%	\$212.0
BANKS & FINANCIAL (CBT)	\$62.6	\$29.1	-53.5%	-6.7%	\$132.0
* ALCOHOL EXCISE	\$28.3	\$27.9	-1.4%	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 five months of cash collections. All others represent six months of cash collections.

\*\* The percentage difference between FY 2005 Certified revenue estimates (June 2004) and audited FY 2004 year-end figures reported by the NJ Comprehensive Annual Financial Report (January 2005).

(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 \$204.5 million in motor vehicle fee collections are dedicated to the NJ Motor Vehicle Commission.