

OLS Revenue Snapshot

FY 2005 - Through January 2005

- **Mixed Revenue Collection Patterns Continue.** The State revenue collection picture remains decidedly mixed with the second half of the fiscal year underway. The income tax, the State's largest revenue, has completed a strong two-month period, but the sales tax and the corporation tax are below projected levels. Overall, revenues are still lagging their year-end targets. The Executive will establish new FY 2005 revenue targets with the release of the next budget on March 1, 2005.
- **Gross Income Tax (GIT)** revenue growth accelerated sharply during the December/January period, increasing by just over 28%. As a result, the year-to-date growth through the end of the first seven months of FY 2005 has jumped to 19.9%, matching the certified year-end growth rate of 19.7%. Collections from employer withholding of employee wages are up by more than 9%, and quarterly estimated payments are up by nearly 50% so far in FY 2005. The OLS is expecting growth to accelerate in the latter months of the fiscal year, in large part due to the newly enacted 8.97% marginal tax rate for incomes over \$500,000. Accordingly, the collections surge during the past two months is encouraging for continued strong growth when final tax returns are due in April.
- The **Sales Tax** has now reached the mid-way point of the fiscal year (January collections are for December activity because this tax is subject to a one month payment lag). Receipts total \$3.3 billion, up only 4.2% from the same six months last year. January collections *fell* by 0.9%, a discouraging result from the important holiday shopping period. In recent months, sales tax revenues have alternated between strong and weak collections, but the overall growth rate is now more than a full percentage point below the FY 2005 target growth rate of 5.4%. Achieving the year-end budgeted target will now require an acceleration of monthly growth to an average of 6.6% for the final half of the fiscal year.
- **Corporation Business Tax (CBT)** collections through the end of January total \$1.0 billion, or 7.4% *below* the same seven months last fiscal year. The January CBT collection fell by 12% from last January's level, offsetting the somewhat encouraging December receipts. The OLS remains concerned that the CBT will be unable to achieve the certified year-end target of 5.5% growth.
- Growth patterns for some significant second tier revenue sources remain the same as seen in previous months -- **Casino** revenues, **Lottery** collections, the **Realty Transfer** tax, and the **Petroleum Products** tax are running ahead of projections, while the **Transfer Inheritance** tax and the (CBT) **Banks and Financial Institutions** tax are lagging significantly behind expectations.

Office of Legislative Services
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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.

OLS Revenue Snapshot

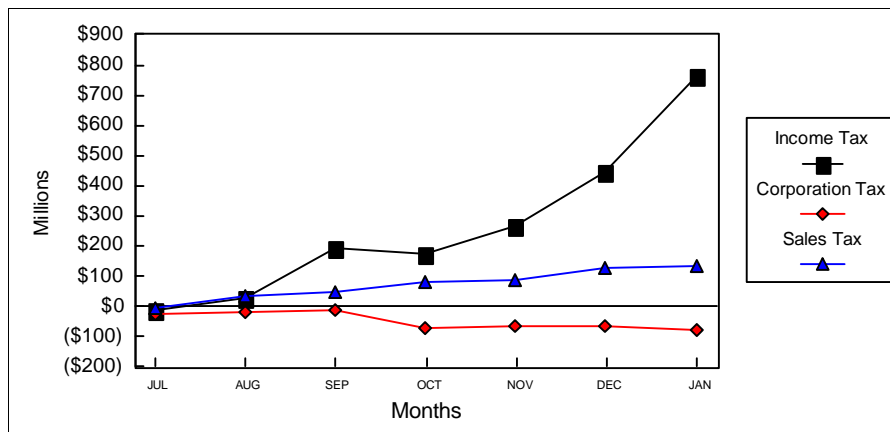
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Selected Year-To-Date Cash Collections (\$ millions)

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	\$3,863.2	\$4,630.4	19.9%	19.7%	\$8,855.0
* SALES TAX	\$3,202.7	\$3,338.6	4.2%	5.4%	\$6,600.0
CORPORATION TAX	\$1,088.6	\$1,007.9	-7.4%	5.5%	\$2,500.0
LOTTERY	\$431.4	\$455.9	5.7%	0.0%	\$795.0
(a) CIGARETTE	\$299.2	\$321.4	7.4%	10.8%	\$678.0
* MOTOR FUELS	\$272.9	\$268.9	-1.5%	-1.4%	\$559.0
TRANSFER INHERITANCE	\$328.9	\$301.1	-8.5%	7.8%	\$556.0
CASINO	\$251.4	\$264.5	5.2%	1.3%	\$474.0
INSURANCE PREMIUM	\$14.8	\$9.0	-39.1%	7.4%	\$449.0
(b) MOTOR VEHICLE FEES	\$32.0	\$44.4	38.4%	28.0%	\$301.1
* REALTY TRANSFER	\$104.1	\$185.4	78.2%	26.0%	\$286.0
* PETROLEUM PRODUCTS	\$105.4	\$136.8	29.8%	-2.0%	\$212.0
BANKS & FINANCIAL (CBT)	\$56.2	\$22.4	-60.2%	-6.7%	\$132.0
* ALCOHOL EXCISE	\$46.5	\$46.8	0.7%	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 six months of cash collections. All others represent seven 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.