

# OLS Revenue Snapshot

FY 2005 - Through September 2004

- **FY 2005 First Quarter Revenue Collections Close to Targets.** Revenue collections through the end of the first quarter of the fiscal year are the first valid yardstick by which to start evaluating trends for the remainder of the fiscal year. Overall revenue collections, including those for the three major State tax revenues, the income tax, the sales tax, and corporation business tax, are running close to, but slightly below, the growth rates needed to achieve the certified year-end targets. However, the differences remain relatively small and, given several important tax rate changes that took place over the summer, it is too early to make definitive judgments. As always, the OLS will continue to monitor the trends and keep the Legislative budget and appropriations committees informed.
- **Gross Income Tax (GIT)** receipts of \$1.3 billion are running 17.2% ahead of last year's first quarter levels. Due in large part to the increased marginal rates on high-income taxpayers, the certified year-end target assumes growth of 19.2% for the full fiscal year. While current growth is slightly below the year-end target growth rate, it remains too early in the fiscal year to draw conclusions from this variance. High income taxpayers are in the process of adjusting both quarterly estimated tax payments and monthly withholding payments to reflect the impact of the increased marginal tax rates. Those adjustments will add a degree of uncertainty to collection patterns until the final payments in April.
- **Sales Tax** receipts after the first two months (September collections are for August activity because this tax is subject to a one month payment lag) total \$1.1 billion, up 4.9% from the first two months last year. The sales tax target certified for FY 2005 assumes growth of 5.9% for the fiscal year. While growth is slightly below the year-end target growth rate, it remains well within a reasonable range, given the typical monthly fluctuations that occur throughout any fiscal year.
- **Corporation Business Tax (CBT)** collections through the end of September total \$366.7 million, 3.7% below the first quarter last fiscal year. The September quarterly payments of about \$271 million were essentially unchanged from last year. The certified year-end target for the CBT projects growth of 7.5% in FY 2005. The sharp drop in CBT payments at the end of FY 2004 combined with the lack of any rebound in growth early in FY 2005 give rise to preliminary concern, but not conclusive signs of weakness.
- **Cigarette Tax** collections-to-date have exceeded the \$150 million threshold for deposits into the off-budget Health Care Subsidy Fund. On-budget amounts began to accrue in September, reaching \$55.8 million, as is shown on the table on page 2 of the *Snapshot*. Total on- and off-budget cigarette tax collections are at \$205.8 million compared with \$191.8 million last year at this time, up by 7.3%. The certified year-end target for total cigarette tax collections requires growth of 8.6% in FY 2005.

Office of Legislative Services  
October 20, 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.

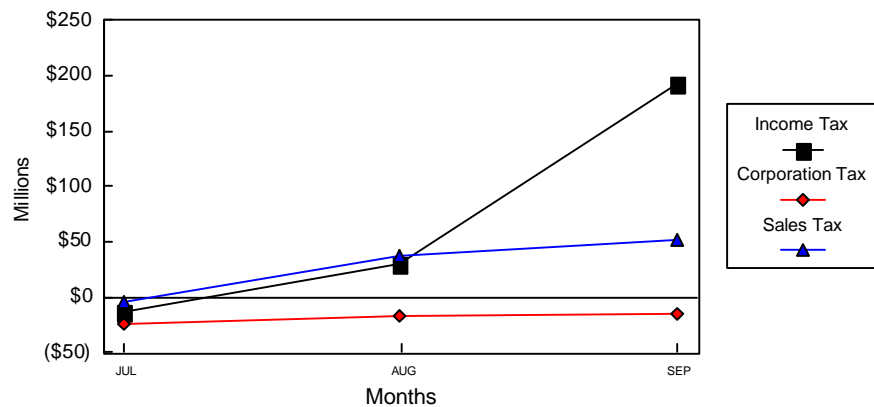
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Selected Year-To-Date Cash Collections (\$ millions)

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	\$1,120.1	\$1,312.9	17.2%	19.2%	\$8,855.0
* SALES TAX	\$1,048.0	\$1,099.6	4.9%	5.9%	\$6,600.0
CORPORATION TAX	\$380.9	\$366.7	-3.7%	7.5%	\$2,500.0
LOTTERY	\$183.3	\$191.8	4.6%	0.2%	\$795.0
(a) CIGARETTE	\$41.8	\$55.8	33.5%	10.7%	\$678.0
* MOTOR FUELS	\$95.2	\$79.7	-16.4%	-1.1%	\$559.0
TRANSFER INHERITANCE	\$150.6	\$134.4	-10.7%	7.8%	\$556.0
CASINO	\$109.3	\$113.4	3.7%	5.0%	\$474.0
INSURANCE PREMIUM	\$2.1	\$1.6	-19.9%	7.4%	\$449.0
(b) MOTOR VEHICLE FEES	\$0.0	\$0.0	0.0%	16.9%	\$301.1
* REALTY TRANSFER	\$26.3	\$63.9	143.0%	25.9%	\$286.0
* PETROLEUM PRODUCTS	\$32.7	\$60.8	86.2%	-2.7%	\$212.0
BANKS & FINANCIAL (CBT)	\$28.6	\$17.2	-39.8%	-6.6%	\$132.0
* ALCOHOL EXCISE	\$14.4	\$14.3	-0.6%	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 two months of cash collections. All others represent three 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 \$204.5 million in motor vehicle fee collections are dedicated to the NJ Motor Vehicle Commission.