

# OLS Revenue Snapshot

FY 2009 - Through January 2009

- **Tax Revenue Picture Darkens in January.** State tax revenues fell sharply in January, reflecting the national economic picture. The major tax revenues were down 20.8% compared to last January, driven by significant declines in the “Big Three” tax revenues – the income tax, the sales tax, and the corporation tax. Combined, the Big Three are now about \$1.0 billion below last year’s level (see the table and chart on page 2). Overall, the major revenues reported by the Treasury Department are down by 8.2% from last year. By comparison, during the historic tax revenue slump of FY2002, the major revenues were down by 6.2% at the same point in time.
- **Gross Income Tax (GIT)** – Seven months into FY2009, receipts of \$5.6 billion are 7.1% below last year at the same time. January collections tumbled 21.4% below last January’s level, driven by a significant drop in quarterly estimated payments<sup>1</sup>. Combined, December and January estimated payments fell 19.0% below last year’s level, indicating the degree to which taxpayers with significant non-wage income have been harmed by the economic downturn. The December and January estimated payments are a leading indicator for the crucial final payments taxpayers make in April. The largest income tax revenue stream is withholding receipts, which are down 3.1% so far this year after a 4.7% decline in the December and January period. This deterioration comes during a period of rising job losses and as annual bonus payments are made by many businesses. Bonuses generally contribute to withholding receipts, but recent reports indicate that Wall Street bonuses fell by 44% from last year.
- **Sales Tax** receipts total \$4.0 billion, down 7.5% from the same six months last year. January collections were off by 11.6% from January of 2007, the third consecutive month of declines greater than 11.0%. To the best of our knowledge, the second quarter of FY2009 recorded the worst decline in New Jersey sales tax history<sup>2</sup>, falling by 11.7% from the same quarter last year. Over the last three decades negative quarters have been unusual, occurring in only 15 of 112 quarters between FY1981 and FY2008. Excluding the four quarters of FY1993<sup>3</sup>, when the tax rate was reduced, the next worst quarter was the 6.5% decline in the third quarter of FY1989.
- **Corporation Business Tax (CBT)** collections through the end of January total \$1.19 billion, down 20.4% from the same period last fiscal year. The last two months have witnessed a remarkable tumble in the State’s third largest tax revenue, as corporate payments fell by about 20.0% in December and corporate refunds soared by 200.0% in January. Those refunds jumped from \$62.0 million in January of 2008 to \$187.0 million in January of 2009, a remarkable \$125.0 million increase that nearly wiped out regular CBT collections for the month.

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<sup>1</sup> January GIT was also impacted by a shift in the timing of certain withholding receipts, which was noted in the December *OLS Revenue Snapshot*.

<sup>2</sup> The current sales and use tax took effect on July 1, 1966.

<sup>3</sup> The four quarters of FY1993 declined by 10.7%, 8.5%, 9.7%, and 9.5% respectively, following the 14% tax rate reduction from 7 cents to 6 cents.

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 2009 budget projections.

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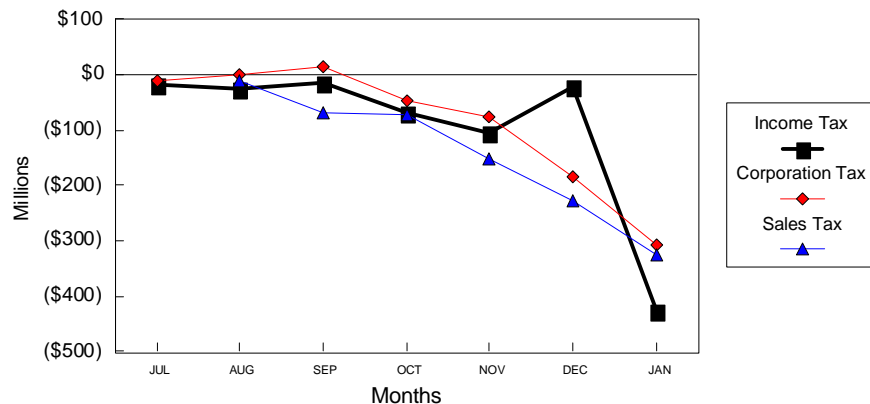
FY 2009 - Through January 2009

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

REVENUE	FY 2008 Actual Year-To-Date	FY 2009 Actual Year-To-Date	Actual Y-T-D Growth %	Certified Year-End Growth % **	Certified Year-End \$ Estimate
INCOME TAX	\$6,009.6	\$5,585.3	-7.1%	0.7%	\$12,700.0
* SALES TAX	\$4,340.9	\$4,015.0	-7.5%	2.2%	\$8,578.0
CORPORATION TAX	\$1,495.1	\$1,190.1	-20.4%	-10.5%	\$2,670.0
LOTTERY	\$498.1	\$482.2	-3.2%	0.7%	\$888.0
TRANSFER INHERITANCE	\$417.2	\$424.4	1.7%	-3.8%	\$671.9
* MOTOR FUELS	\$287.7	\$273.7	-4.9%	-1.0%	\$557.8
INSURANCE PREMIUM	(\$10.2)	\$13.2	--	-12.9%	\$446.6
(b) MOTOR VEHICLE FEES	\$54.4	\$91.2	67.6%	-5.3%	\$391.7
CASINO	\$235.3	\$207.4	-11.8%	-5.6%	\$390.0
* REALTY TRANSFER	\$184.9	\$123.8	-33.1%	10.0%	\$352.7
(a) CIGARETTE	\$0.0	\$0.0	0.0%	-6.7%	\$234.4
* PETROLEUM PRODUCTS	\$118.9	\$114.6	-3.6%	-0.4%	\$229.8
* ALCOHOL EXCISE	\$48.6	\$49.4	1.6%	0.2%	\$93.3
BANKS & FINANCIAL (CBT)	\$46.8	\$33.9	-27.7%	21.9%	\$86.4

**Income Tax  
Corporation Tax  
and Sales Tax**

**FY09 Over FY08  
Actual Year-To-Date  
\$ Change**



Sources: Executive FY 2009 year-end revenues as certified by the Governor in June 2008.

FY 2009 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 2009 certified revenue estimates (June 2008) and FY 2008 preliminary year-end figures from the Department of the Treasury. Energy revenues for the sales tax and CBT are not included.

- (a) The first \$370 million in cigarette tax collections are deposited into the Health Care Subsidy Fund (P.L.2006, c.37). Additional amounts, estimated at about \$191.1 million, are dedicated to pay tobacco bond debt service (P.L.2004, c.68).
- (b) The first \$209.4 million in motor vehicle fee collections are dedicated to the NJ Motor Vehicle Commission.