

OLS Revenue Snapshot

FY 2009 - Through November 2008

- **State Tax Revenue Collections Plummet in November.** Two weeks ago, the National Bureau of Economic Research¹ announced that the U.S. economy peaked in December of 2007 and has been in recession for all of 2008. New Jersey State tax revenues, which grew at slow rates during the spring and summer, have eroded sharply this fall, particularly since the financial industry crisis began. Compared to monthly receipts last year, the State's major tax revenues fell by 1.5% in September, by 7.8% in October, and by 11.1% in November. Nearly all major tax revenues are down, some by historically significant rates, indicating that New Jersey has entered a period of sharp tax revenue decline of an uncertain duration. Total major tax revenues are down about 5.0% through the first five months of FY2009. If this rate of decline continues over the rest of the year, FY2009 will rival the worst year in the last three decades, the 5.2% decline of major tax revenues in FY2002.
- **Gross Income Tax (GIT)** – Five months into FY2009, receipts of \$3.03 billion are 3.3% below last year's levels. The two most important components of the GIT, prior to the pivotal April final payments, are quarterly estimated payments, primarily from taxpayers with significant non-wage income, and withholding, primarily from taxpayers with regular paychecks. Estimated payments, which are often volatile from year to year, are down 9.5% so far in FY2009. Withholding, which tends to be much more stable, is now also showing marked weakness, down 2.0% so far. Even during FY2002, when total GIT collections fell by 14.4%, withholding collections fell by only 1.8%. The FY2002 decline was primarily a stock market event. The FY2009 decline is much broader based and may extend through FY2010.
- **Sales Tax** receipts total \$2.68 billion, down 5.4% from the same period last year. Moreover, the declines have been accelerating, as November collections alone were off by 12.1% from November of 2007. This month's receipts (November collections are for October sales activity due to a one month payment lag) reflect the first sales tax impact of the financial industry crisis and the dramatic national decline in retail sales and car sales. Double-digit rates of decline are historically rare for the sales tax. Even following the September 11, 2001 terrorist attacks, sales tax revenues fell by "only" 8.3% (but rebounded the following month by 14.4%). If the 5.4% decline holds for the rest of FY2009, it would become the worst sales tax revenue loss due to economic conditions in at least the last four decades.²
- **Corporation Business Tax (CBT)** collections through the end of November total \$765.7 million, down 9.0% from the same period last fiscal year. Continued weakness the last two months has pulled the overall rate down close to the decline of 10.5% certified for the CBT in FY2009. Given the recessionary economy, the OLS remains concerned with the declining trend.

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¹ The NBER, a private, nonprofit, nonpartisan research organization established in 1920, has become the official organization that determines when U.S. business cycles begin and end.

² The 9.6% sales tax revenue decline in FY1993 was due to the 14% rate cut 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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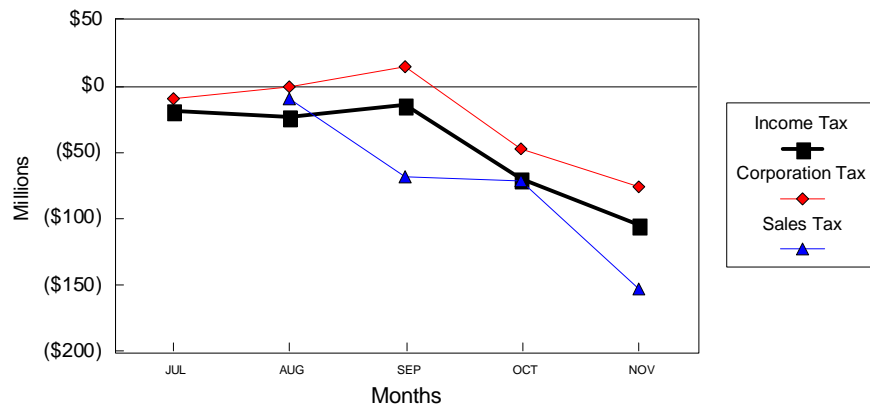
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Selected Year-To-Date Cash Collections (\$ millions)

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	\$3,137.4	\$3,032.3	-3.3%	0.7%	\$12,700.0
* SALES TAX	\$2,834.5	\$2,682.0	-5.4%	2.2%	\$8,578.0
CORPORATION TAX	\$841.8	\$765.7	-9.0%	-10.5%	\$2,670.0
LOTTERY	\$352.5	\$338.3	-4.0%	0.7%	\$888.0
TRANSFER INHERITANCE	\$319.6	\$324.2	1.4%	-3.8%	\$671.9
* MOTOR FUELS	\$195.4	\$182.5	-6.6%	-1.0%	\$557.8
INSURANCE PREMIUM	(\$7.5)	\$8.4	--	-12.9%	\$446.6
(b) MOTOR VEHICLE FEES	\$0.0	\$7.9	--	-5.3%	\$391.7
CASINO	\$176.7	\$159.3	-9.9%	-5.6%	\$390.0
* REALTY TRANSFER	\$130.8	\$94.0	-28.1%	10.0%	\$352.7
(a) CIGARETTE	\$0.0	\$0.0	0.0%	-6.7%	\$234.4
* PETROLEUM PRODUCTS	\$76.8	\$74.8	-2.6%	-0.4%	\$229.8
* ALCOHOL EXCISE	\$29.6	\$29.9	1.0%	0.2%	\$93.3
BANKS & FINANCIAL (CBT)	\$39.3	\$23.0	-41.6%	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 four months of cash collections. All others represent five 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.