

# OLS Revenue Snapshot

FY 2009 - Through October 2008

- **Revenue Collections Continue to Slide – Treasury Warns of Significant Shortfall.** Compared to many other states, New Jersey's FY2009 Budget used conservative revenue estimates. Nevertheless, on November 12, 2008, the State Treasurer warned that the declining economy may push the State revenue shortfall in FY2009 to \$1.2 billion. The OLS shares the Treasurer's concern. A shortfall of \$1.2 billion would reflect a decline of about 3.7% from the certified revenue level. Nearly all of the State's major tax revenues are running below the year-end target growth rates through the first four months of FY2009. Indeed, most revenues, including each of the "Big Three", are declining compared to the prior year. The OLS notes that the income tax, the sales tax, and corporation business tax, are declining simultaneously for the first time in six years.
- **Gross Income Tax (GIT)** receipts of \$2.5 billion are 2.7% below last year's levels after four months of FY2009, weaker than the certified year-end target growth rate of 0.7%. The most significant drag on collections comes from estimated quarterly tax payments, paid primarily by taxpayers with significant sources of non-wage income, which are down 8.4% so far. Withholding collections, which come primarily from wage earners, are down a more modest 0.8% this fiscal year.
- **Sales Tax** receipts after three months (October collections are for September sales activity because this tax is subject to a one month payment lag) total \$2.1 billion, down 3.3% from the same period last year, well below the certified year-end target growth rate of 2.2%. This is the third consecutive month of declining receipts, mirroring national reports of falling consumer confidence, poor retail sales, and tumbling car sales. The prospects for a weak holiday shopping season remain a serious concern.
- **Corporation Business Tax (CBT)** collections through the end of October total \$712.7 million, down 6.3% from the same period last fiscal year. The certified revenues expected a decline of 10.5% in FY2009, so the CBT is holding up reasonably well so far, but the OLS is monitoring what may be a declining trend.
- Only one of the State's top 12 tax revenue sources is showing positive growth over last fiscal year. **Transfer Inheritance Tax** revenues, the fifth largest, are up 10.0% through the end of October, compared to a certified estimate of a 3.8% decline. But good news from this revenue is dwarfed by the declines in the bigger tax revenues. For example, the GIT annually brings in nearly 20 times more revenue than the Inheritance Tax. In a good year, the GIT *growth* alone will exceed the *total* revenue from the Inheritance tax.

Office of Legislative Services  
November 13, 2008

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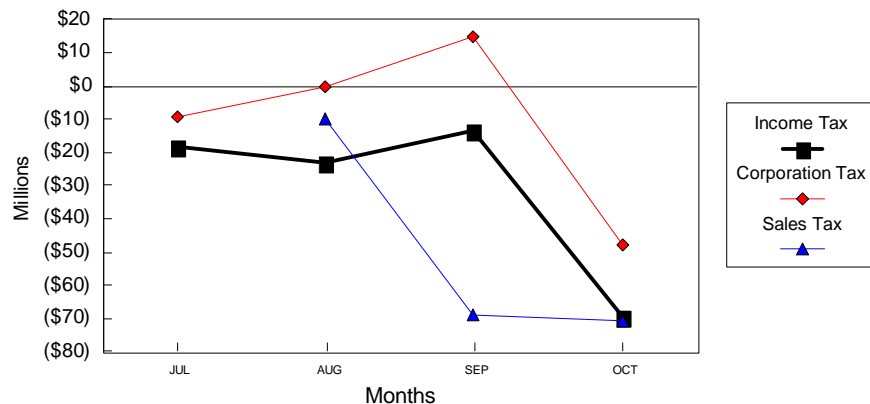
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Selected Year-To-Date Cash Collections (\$ millions)

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	\$2,569.8	\$2,500.4	-2.7%	0.7%	\$12,700.0
* SALES TAX	\$2,161.6	\$2,090.6	-3.3%	2.2%	\$8,578.0
CORPORATION TAX	\$760.4	\$712.7	-6.3%	-10.5%	\$2,670.0
LOTTERY	\$286.5	\$269.6	-5.9%	0.7%	\$888.0
TRANSFER INHERITANCE	\$242.7	\$267.0	10.0%	-3.8%	\$671.9
* MOTOR FUELS	\$147.0	\$139.4	-5.2%	-1.0%	\$557.8
INSURANCE PREMIUM	(\$12.2)	\$3.7		-12.9%	\$446.6
(b) MOTOR VEHICLE FEES	\$0.0	\$0.0	0.0%	-5.3%	\$391.7
CASINO	\$141.9	\$131.5	-7.3%	-5.6%	\$390.0
* REALTY TRANSFER	\$101.2	\$75.3	-25.5%	10.0%	\$352.7
(a) CIGARETTE	\$0.0	\$0.0	0.0%	-6.7%	\$234.4
* PETROLEUM PRODUCTS	\$59.7	\$58.4	-2.2%	-0.4%	\$229.8
* ALCOHOL EXCISE	\$15.4	\$15.7	2.1%	0.2%	\$93.3
BANKS & FINANCIAL (CBT)	\$40.3	\$23.3	-42.2%	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 three months of cash collections. All others represent four 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.