

OLS Revenue Snapshot

FY 2010 - Through September 2009

- **First Quarter Revenue Trends Send Mixed Signals.** Fiscal Year 2010 first quarter collections for most of the State's major tax revenues are below those for the same quarter last year, but appear to be stronger than the depressed levels experienced during the second half of FY2009. As our monthly revenue reports compare collections to the same period in the prior year, it is anticipated that the first half of FY2010 will look very weak, with strengthening in the second half. Three factors are assumed to shape this pattern. First, the drastically reduced FY 2009 baseline to which the revenues are being compared makes it much easier to attain year-to-year growth in the second half of this fiscal year. Second, the consensus economic forecast calls for some, albeit weak, gross domestic product growth in the later part of the fiscal year. Third, several tax actions taken last June will not have noticeable impact until the second half of FY 2010. The first two quarters of FY2010 should see revenue below FY2009 levels, while the last two quarters should see many revenues turn into positive territory. This anticipated pattern makes it more difficult than usual to discern true trends from early collections.
- **Gross Income Tax (GIT)** receipts of \$1.54 billion are running 8.9% below last year's levels after three months of FY2010. The certified year-end target growth rate, essentially flat with FY2009, is achievable only with the addition of about \$1.1 billion from temporary tax increases. Collections during the first two quarters of the FY2010 should remain below FY2009 levels, growing in the second half of the fiscal year as the primary impact of the tax increases registers in the form of April 2010 final tax payments. Withholding receipts and estimated quarterly tax payments are at levels consistent with OLS expectations so far this fiscal year.
- **Sales Tax** receipts after the first two months (September collections reflect August activity because this tax is subject to a one month payment lag) total \$1.28 billion, down 5.9% from the same period last year. (The first quarter of FY 2009 was down 3.3%, while the rest of the year was down by more than 10%.) Given the unanticipated decline in sales tax revenues late in FY 2009, it may be difficult to achieve the certified year-end target in FY 2010, despite the expectation of growth later in the fiscal year.
- **Corporation Business Tax (CBT)** collections through the end of September total \$439.5 million, 20.6% below the same period last fiscal year. This rate of change is a modest improvement from the 33.0% decline in the last two quarters of FY2009. The certified year-end target for the CBT anticipates a decline of only 0.4% over the entire year, which would require growth in the second half of FY2010.
- **Realty Transfer Tax** revenues, one of the State's more important second tier budget revenues, are down 31.5% compared to the first quarter last year. While collections are still declining, the rate of decline has moderated from the significant 48.6% decline during the last two quarters of FY2009. The budget assumes anticipated improvement later in FY2010 to yield 2.8% growth by year's end.

Office of Legislative Services
October 20, 2009

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 2010 budget projections.

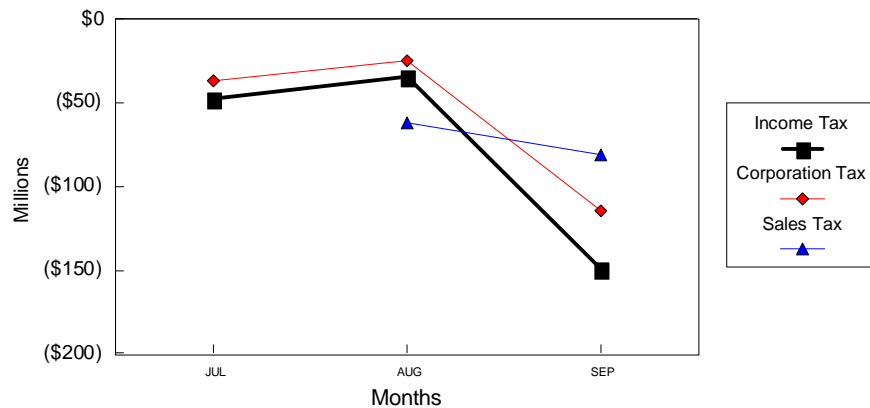
OLS Revenue Snapshot

FY 2010 - Through September 2009
Selected Year-To-Date Cash Collections (\$ millions)

REVENUE	FY 2009 Actual Year-To-Date	FY 2010 Actual Year-To-Date	Actual Y-T-D Growth %	Certified Year-End Growth % **	Certified Year-End \$ Estimate
INCOME TAX	\$1,688.4	\$1,538.9	-8.9%	0.1%	\$10,393.0
* SALES TAX	\$1,363.4	\$1,282.7	-5.9%	5.1%	\$7,965.0
CORPORATION TAX	\$553.4	\$439.5	-20.6%	-0.4%	\$2,224.0
LOTTERY	\$203.8	\$227.2	11.5%	0.7%	\$893.8
TRANSFER INHERITANCE	\$212.0	\$134.7	-36.4%	1.8%	\$645.0
* MOTOR FUELS	\$92.7	\$93.7	1.0%	2.9%	\$551.0
INSURANCE PREMIUM	\$3.0	(\$27.9)	-1040.0%	25.9%	\$542.0
(b) MOTOR VEHICLE FEES	\$0.0	\$0.0	0.0%	3.1%	\$392.6
CASINO	\$102.3	\$85.0	-16.9%	-2.8%	\$320.2
* PETROLEUM PRODUCTS	\$38.6	\$36.8	-4.8%	1.2%	\$223.0
(a) CIGARETTE	\$0.0	\$0.0	0.0%	-4.4%	\$203.5
* REALTY TRANSFER	\$52.8	\$36.2	-31.5%	2.8%	\$199.0
BANKS & FINANCIAL (CBT)	\$19.9	\$16.0	-19.4%	10.3%	\$104.0
* ALCOHOL EXCISE	\$15.6	\$17.0	8.5%	5.8%	\$100.0

**Income Tax
Corporation Tax
and Sales Tax**

**FY10 Over FY09
Actual Year-To-Date
\$ Change**



Sources: Executive FY 2010 year-end revenues as certified by the Governor in June 2009.
FY 2010 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 2010 certified revenue estimates (June 2009) and unofficial FY 2009 final year-end figures from the Comprehensive Financial System. 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 \$200.2 million in motor vehicle fee collections are dedicated to the NJ Motor Vehicle Commission.