

# OLS Revenue Snapshot

FY 2017 - Through September 2016

- **Revenue Growth Weak Through First Quarter of FY 2017.** Aggregate major revenue collections are 0.9% above the same period last year through the first quarter of FY 2017. The Executive's certified estimates for the major revenues require 3.6% aggregate growth to reach year-end<sup>1</sup> targets. The three largest State tax revenues are currently running behind the year-end growth rate targets.
- The OLS notes that the recently enacted tax changes under P.L. 2016, c.57, are estimated to reduce certain FY 2017 revenues by about \$170.4 million and increase FY 2017 fuels tax revenues by about \$714.8 million. The revenue targets in the **OLS Revenue Snapshot** do not currently adjust for these tax law changes impacting the gross income tax, the sales tax, the estate tax, and fuels taxes.
- **Gross Income Tax (GIT)** cash receipts through September of \$2.34 billion are up 2.7%, \$62.5 million above the same period last year. The Executive's certified year-end GIT target assumes growth of 4.3% above FY 2016. First quarter GIT performance would be weaker if not for two factors: 1) an \$82 million decline in refund payments, which were elevated in the Summer of 2015; and 2) a \$57 million gain from an accounting change that shifts certain out-of-state partnership withholding receipts from the corporation business tax to the GIT on a monthly basis rather than in a single year-end adjustment. Absent these two factors, the GIT would be down 3.6% compared to last year. Withholding receipts from employee wages are up 1.1%, while individual estimated payments are down 14% from the same period last year. The enacted increase in the Earned Income Tax Credit is estimated to reduce revenues by \$62.0 million in the Spring of 2017.
- **Sales Tax** receipts year-to-date total \$1.57 billion, up 2.5% from the same period<sup>2</sup> last year. The Executive's target assumes 3.0% growth above the FY 2016 total. After a series of weak months, sales tax collections posted 8.2% growth in September. The tax rate decrease of 1/8<sup>th</sup> of a cent begins January 1, 2017 and is estimated to reduce FY 2017 tax collections by \$92.4 million.
- **Corporation Business Tax (CBT)** cash collections of \$455.6 million through the first three months are 3.3% below the same period last fiscal year. The Executive's FY 2017 CBT target reflects growth of 5.8% for the year. The CBT's September receipts, which include an important quarterly payment, were down 7.8% overall. However, all of the September decline is attributable to the accelerated shift of out-of-state partnership payments, as noted in the GIT discussion above.
- **Transfer Inheritance** revenues of \$177.9 million are down 18.4% compared to last year through September. The Executive's certified year-end target assumes growth of 2.5% above FY 2016. The phase-out of the estate tax is estimated to reduce collections in the second half of the fiscal year by about \$16.0 million.
- **Realty Transfer Fee** collections of \$68.1 million increased 18.7% year-over-year<sup>3</sup> through September. The Executive's certified year-end target requires growth of 6.9% above FY 2016.

<sup>1</sup> The *OLS Revenue Snapshot* displays the growth rates of cash collections necessary to achieve the Executive's FY 2017 year-end targets, as certified in June of 2016, compared to the estimated final FY 2016 totals, as reported by the Treasurer to the Legislative Budget Committees in May of 2016.

<sup>2</sup> September sales tax collections reflect August economic activity, as this tax is subject to a one-month payment lag.

<sup>3</sup> September realty collections reflect August economic activity, as counties remit fee payments to the State with a one-month lag.

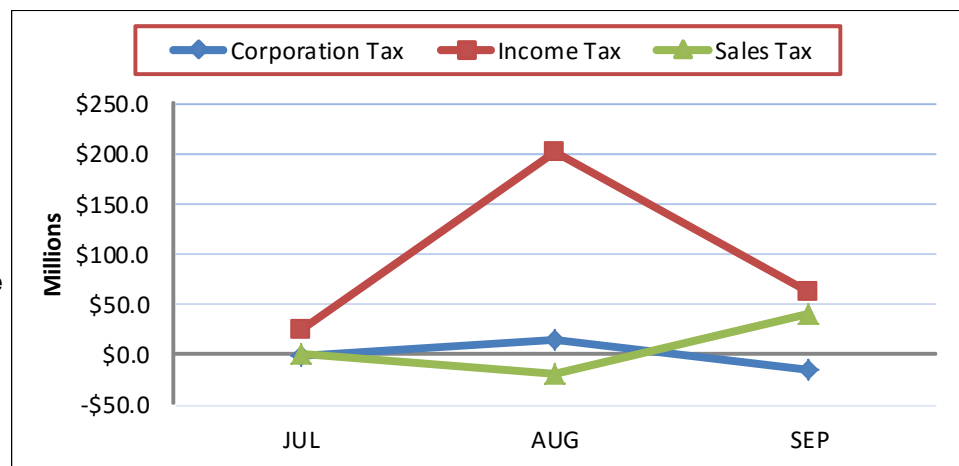
# OLS Revenue Snapshot

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

FY 2017 - Through September 2016

| REVENUE                 | FY 2016<br>Actual<br>Year-To-Date | FY 2017<br>Actual<br>Year-To-Date | Actual<br>Y-T-D<br>Growth % | Exec. Certif.<br>Year-End<br>Growth % ** | Exec. Certif.<br>Year-End<br>\$ Estimate |
|-------------------------|-----------------------------------|-----------------------------------|-----------------------------|--|--|
| INCOME TAX              | \$2,277.4                         | \$2,339.9                         | 2.7%                        | 4.3%                                     | \$13,982.3                               |
| * SALES TAX             | \$1,530.6                         | \$1,569.5                         | 2.5%                        | 3.0%                                     | \$9,597.4                                |
| CORP. BUS. TAX (CBT)    | \$471.3                           | \$455.6                           | -3.3%                       | 5.8%                                     | \$2,471.0                                |
| LOTTERY                 | \$220.3                           | \$239.8                           | 8.8%                        | 0.0%                                     | \$965.0                                  |
| TRANSFER INHERITANCE    | \$217.9                           | \$177.9                           | -18.4%                      | 2.5%                                     | \$848.5                                  |
| INSURANCE PREMIUM       | \$26.1                            | (\$5.0)                           | -119.2%                     | 3.0%                                     | \$688.7                                  |
| * MOTOR FUELS           | \$93.4                            | \$95.6                            | 2.4%                        | -1.7%                                    | \$540.0                                  |
| [a] MOTOR VEHICLE FEES  | \$0.0                             | \$0.0                             | 0.0%                        | 7.6%                                     | \$515.6                                  |
| * REALTY TRANSFER       | \$57.4                            | \$68.1                            | 18.7%                       | 6.9%                                     | \$330.4                                  |
| * PETROLEUM PRODUCTS    | \$34.4                            | \$40.7                            | 18.5%                       | 0.0%                                     | \$218.1                                  |
| [b] CASINO              | \$52.9                            | \$54.8                            | 3.7%                        | 0.0%                                     | \$199.1                                  |
| BANKS & FINANCIAL (CBT) | \$34.7                            | \$23.0                            | -33.8%                      | 3.4%                                     | \$150.0                                  |
| [c] CIGARETTE           | \$0.0                             | \$0.0                             | 0.0%                        | -12.3%                                   | \$149.0                                  |
| * ALCOHOL EXCISE        | \$15.7                            | \$15.5                            | -1.0%                       | 1.3%                                     | \$110.8                                  |
| <b>TOTALS:</b>          | <b>\$5,032.1</b>                  | <b>\$5,075.5</b>                  | <b>0.9%</b>                 | <b>3.6%</b>                              | <b>\$30,765.9</b>                        |

**Income Tax  
Corporation Tax  
and Sales Tax**  
  
**FY17 Over FY16  
Actual Year-To-Date  
\$ Change**



Sources: Executive's FY2017 year-end estimates certified June 2016. FY2017 Year-To-Date from Treasury monthly reports.

\* Revenues represent 2 months of cash collections. All others represent 3 months of cash collections.

\*\* The percentage difference between the FY2017 Executive's certified estimates (June 2016) and estimated FY2016 figures from the Treasurer's report to the Legislature (May 2016). Energy revenues for the Sales tax and CBT are not included. No adjustment has been made at this time for tax changes under P.L. 2016, c.57.

[a] The first \$201.5 million in motor vehicle fee collections are dedicated to the NJ Motor Vehicle Commission.

[b] The casino amounts include internet gaming revenues.

[c] The first \$396.5 million in cigarette tax collections are deposited into the Health Care Subsidy Fund (P.L.2006, c.37). Additional amounts, estimated at about \$104.5 million, are dedicated to pay tobacco bond debt service (P.L.2004, c.68).