

# OLS Revenue Snapshot

FY 2018 - Through December 2017

- **December Collections Soar, Propelled by Unprecedented Income Tax Payments.** State revenue receipts in December were up 16.3% over last December, driven by a 30.5% surge in gross income tax collections. Through the first six months of FY 2018, major revenue collections are up \$1.0 billion, or 8.7%, above the same period last year. Two dedicated revenue sources account for this growth: \$634.7 million is attributable to the gross income tax, while \$421.3 million is driven by a statutory rate change to the petroleum products gross receipts tax. However, trends among all other major revenues are slightly down in the aggregate. The Executive's certified FY 2018 estimates for major revenues require 6.2% aggregate growth to reach the year-end<sup>1</sup> targets.
- **Gross Income Tax (GIT)** net collections of \$6.06 billion through the end of December were up \$634.7 million, 11.7% ahead of the same period last year. The Executive's FY 2018 GIT target assumes 3.9% growth over FY 2017. Driving the GIT was a 30.5% jump in December receipts, as estimated and final payments vaulted to record levels. Combined, these payments surged to \$773.0 million last month, soaring 86% above the \$416.3 million booked last December, the previous historical peak for this month. The most plausible explanation lies with taxpayer behavior spurred by the federal tax code. Under the federal Emergency Economic Stabilization Act of 2008, hedge fund managers had until December 31, 2017 to repatriate accumulated off-shore gains. Additionally, some taxpayers may have accelerated certain tax payments into 2017 prior to the effective date of the Tax Cuts and Jobs Act of 2017, which will cap the federal deduction for state and local taxes beginning in 2018.
- **Sales Tax** receipts year-to-date totaled \$3.94 billion, up 1.6% from the same period<sup>2</sup> last year. December collections were 4.1% above last December. FY 2018 collections are impacted by a two-step tax rate reduction under P.L.2016, c.57. The certified target assumes 4.4% growth above FY 2017, including a projected gain of \$200.0 million from certain Executive tax administration initiatives. The impact of these initiatives, which are intended to enhance collections of various state taxes, is entirely reflected in the sales tax estimate. Absent this \$200.0 million, the underlying FY 2018 sales tax growth target would be 2.3%.
- **Corporation Business Tax (CBT)** cash collections of \$955.5 million through the first six months were 1.6% above the same period last fiscal year. December net receipts grew by 15.0% as refund payments fell by \$31.7 million. The Executive's certified FY 2018 target assumes 7.8% growth.
- **Petroleum Products Gross Receipts Tax (PPGRT)** collections<sup>1</sup> of \$591.6 million through December were up \$421.3 million, or 247.4%, propelled by the higher tax rates under P.L.2016, c.57. This growth is in line with the FY 2018 certified estimate for a year-over-year increase of more than \$600.0 million. State voters constitutionally dedicated the revenues to the Transportation Trust Fund.
- **Transfer Inheritance** revenues of \$319.6 million were down 20.2% compared to last year through December. The year-end target assumes a decline of 0.9% from the FY 2017 level, including the phased-in impact of the multi-year elimination of the estate tax under P.L.2016, c.57.
- **Realty Transfer Fee** collections of \$172.0 million were 15.1% higher year-over-year,<sup>3</sup> exceeding the Executive's revised year-end target growth rate of 9.0%.

<sup>1</sup> The *OLS Revenue Snapshot* displays the growth rates of cash collections necessary to achieve the Executive's FY 2018 certified year-end targets compared to the estimated FY 2017 totals, as reported by the Treasurer to the Legislative Budget Committees (May 2017). The *Snapshot* display reflects the full \$1.487 billion target for the petroleum products tax, including the \$940.2 million allocated to the Petroleum Products Gross Receipts – Capital Reserves. The display no longer includes Lottery revenue in the General Fund pursuant to P.L.2017, c.98.

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

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

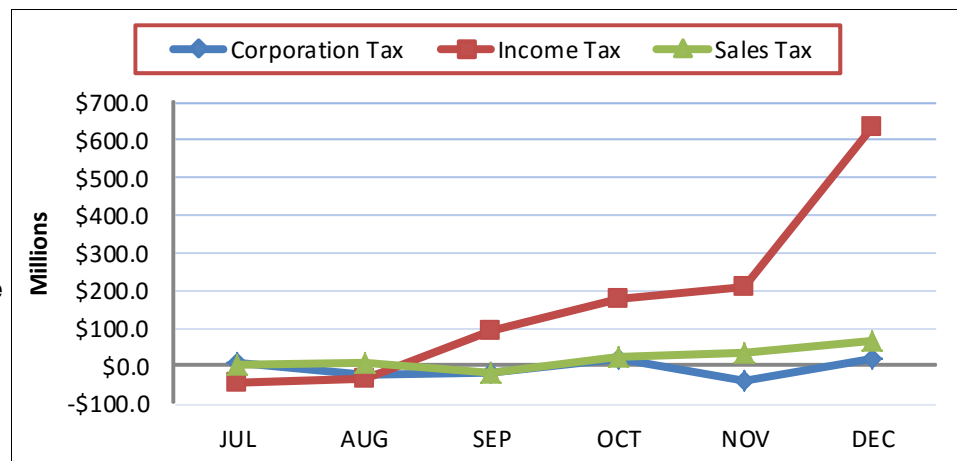
# OLS Revenue Snapshot

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

FY 2018 - Through December 2017

REVENUE	FY 2017 Actual Year-To-Date	FY 2018 Actual Year-To-Date	Actual Y-T-D Growth %	Exec. Certif. Year-End Growth % **	Exec. Certif. Year-End \$ Estimate
INCOME TAX	\$5,425.3	\$6,060.0	11.7%	3.9%	\$14,382.2
* SALES TAX	\$3,873.2	\$3,935.7	1.6%	4.4%	\$9,704.8
CORP. BUS. TAX (CBT)	\$940.6	\$955.5	1.6%	7.8%	\$2,375.4
[a]* PETROLEUM PRODUCTS	\$170.3	\$591.6	247.4%	69.4%	\$1,487.2
TRANSFER INHERITANCE	\$400.2	\$319.6	-20.2%	-0.9%	\$745.8
INSURANCE PREMIUM	\$9.5	(\$10.2)	-206.8%	9.0%	\$578.2
* MOTOR FUELS	\$228.4	\$211.6	-7.4%	2.0%	\$552.5
[b] MOTOR VEHICLE FEES	\$134.6	\$114.3	-15.1%	-1.2%	\$508.2
* REALTY TRANSFER	\$149.4	\$172.0	15.1%	9.0%	\$382.8
[c] CASINO	\$104.4	\$98.9	-5.2%	3.6%	\$217.5
BANKS & FINANCIAL (CBT)	\$60.0	\$51.1	-14.9%	7.5%	\$201.4
[d] CIGARETTE	\$0.0	\$0.0	0.0%	6.2%	\$181.3
* ALCOHOL EXCISE	\$31.9	\$33.9	6.1%	1.5%	\$107.0
<b>TOTALS:</b>	<b>\$11,527.9</b>	<b>\$12,534.0</b>	<b>8.7%</b>	<b>6.2%</b>	<b>\$31,424.1</b>

**Income Tax  
Corporation Tax  
and Sales Tax**  
**FY18 Over FY17  
Actual Year-To-Date  
\$ Change**



Sources: Executive's FY2018 certified estimates. FY2018 Year-To-Date from the Treasury Monthly reports.

\* Revenues represent 5 months of cash collections. All others represent 6 months of cash collections.

\*\* The percentage difference between the FY2018 Executive's certified estimates (July 2017) and estimated final FY2017 figures from the Treasurer's May 2017 projections. Energy revenues for the Sales tax and CBT are not included.

[a] The petroleum products year-end estimate reflects the full \$1.487 billion target. This total includes \$940.2 million to be allocated to the Petroleum Products Gross Receipts - Capital Reserves.

[b] The first \$221.1 million in motor vehicle fee collections are dedicated to the NJ Motor Vehicle Commission.

[c] The casino amounts include internet gaming revenues.

[d] 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 \$97.9 million, are dedicated to pay debt service pursuant to P.L.2004, c.68.

Note: Lottery revenues are no longer included in the General Fund pursuant to P.L.2017, c.98. Through the end of December, Lottery collections in FY2018 total \$487.3 million, up 4.4% compared to \$466.6 million at the same point in FY2017.