

# FY 2019 August Revenue Snapshot

## Office of Legislative Services

### Revenue Growth Outpaces Target to Start Fiscal Year 2019

Major revenue collections through the first two months of FY 2019 grew 9.2% in comparison to the same period last year. The Executive's certified<sup>1</sup> FY 2019 estimates for major revenues require 7.2% aggregate growth. FY 2019 major revenue collections will be impacted by policy changes enacted as part of the FY 2019 budget process. Specifically, two of the State's three main revenue sources, the gross income tax and corporation business tax, will benefit from increased tax rates pursuant to P.L.2018, c.45 and P.L.2018, c.48. Despite early positive revenue results, clear underlying patterns are difficult to discern this early in the fiscal year as data may be distorted by accounting adjustments and shifts between the prior and new fiscal years. September alone typically yields more revenue than July and August combined, as the first important individual and corporate quarterly tax payments are due.

- **Gross Income Tax (GIT)** net collections of \$1.049 billion through the end of August were \$66.3 million, or 6.7%, above last year. Withholding receipts, which account for nearly all of GIT revenue collections through August, were up 6.2%. The Executive's certified FY 2019 target assumes 5.4% growth above FY 2018.
- **Sales Tax** receipts year-to-date totaled \$800.8 million, up 2.0% from the same period<sup>2</sup> last year. While sales tax revenues will no longer be impacted by further rate reductions after the two-step tax rate decrease under P.L.2016, c.57, revenues for six months of FY 2019 (August – January) will be growing off a FY 2018 base that had a sales tax rate of 6.875%. The certified target assumes 6.2% growth above FY 2018, which includes tax amnesty collections and new collections from online vendors.
- **Corporation Business Tax (CBT)** cash collections of \$186.9 million through the first two months were 126.7% above the same period last fiscal year. The largest contributor to this growth was an increase in both estimated and final payments in July, which in the aggregate rose by 78.6%. August saw a slight uptick in both estimated and final payments, but not of the same magnitude as the prior month. The Executive's certified FY 2019 CBT target assumes 47.2% growth for the year, largely attributable to the newly enacted surtax and combined reporting requirements under P.L.2018, c.48. The upcoming CBT September quarterly payments should be viewed as a more important indicator of growth patterns for FY 2019, as these payments historically account for three times the revenue booked in July and August combined.
- **Petroleum Products Gross Receipts Tax (PPGRT)** collections of \$118.0 million were down 13.1%, a comparison that reflects the same rates of taxation in both years. Collections in November and thereafter will reflect a 4.3 cent tax increase which took effect on October 1, 2018, due to collections falling behind targets prescribed under P.L.2016, c.57.
- **Transfer Inheritance** revenues of \$113.0 million were up 3.3% compared to last year through August. Of the \$113.0 million collected, \$73.8 million is attributable to the inheritance tax, which grew 26.7%; and \$39.2 million is attributable to the estate tax, which decreased 23.4%. The certified year-end target assumes an aggregate decline of 24.2% from the FY 2018 level, accounting for the repeal of the estate tax which went into full effect on January 1, 2018.
- **Realty Transfer Fee** collections of \$37.1 million were 1.4% higher year-over-year.<sup>3</sup> The Executive's certified year-end target requires growth of 4.9% above FY 2018.

<sup>1</sup> The *OLS Revenue Snapshot* displays the growth rates of cash collections necessary to achieve the Executive's FY 2019 certified year-end targets compared to the estimated FY 2018 totals, as reported by the Treasurer to the Legislative Budget Committees (May 2018).

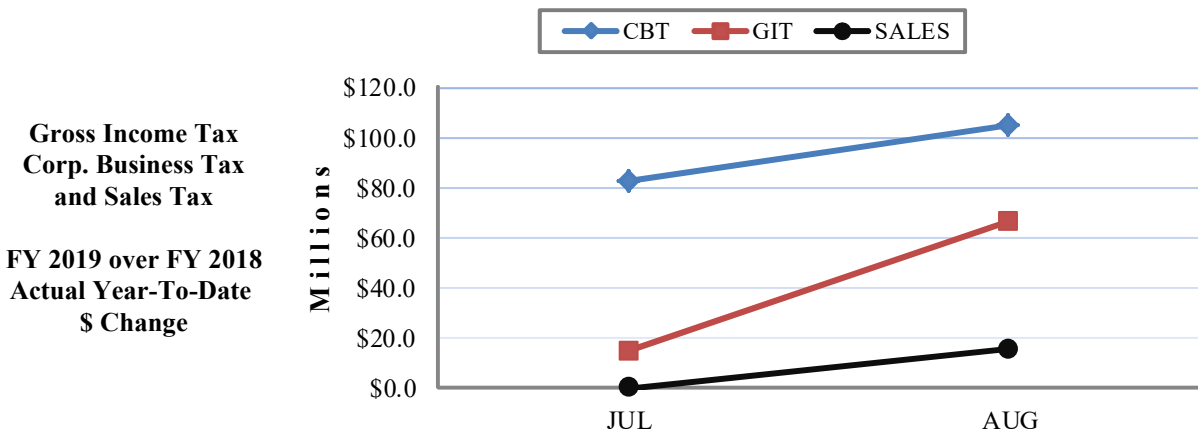
<sup>2</sup> August sales tax collections reflect July economic activity, as this tax is subject to a one-month payment lag.

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

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Revenue (\$ millions)	FY 2018 Actual Year-To-Date	FY 2019 Actual Year-To-Date	Actual Y-T-D Growth %	Exec. Certif. Year-End Growth % **	Exec. Certif. Year-End \$ Estimate
GROSS INCOME TAX (GIT)	\$982.4	\$1,048.7	6.7%	5.4%	\$15,977.7
* SALES TAX	\$785.4	\$800.8	2.0%	6.2%	\$10,136.1
CORP. BUS. TAX (CBT)	\$82.4	\$186.9	126.7%	47.2%	\$3,046.1
[a] PETROLEUM PRODUCTS	\$135.7	\$118.0	-13.1%	0.0%	\$1,360.5
INSURANCE PREMIUM	(\$5.0)	\$19.9	--	0.0%	\$597.0
* MOTOR FUELS	\$47.8	\$36.8	-23.0%	0.0%	\$500.7
[b] MOTOR VEHICLE FEES	\$0.0	\$0.0	0.0%	-7.7%	\$461.8
TRANSFER INHERITANCE	\$109.4	\$113.0	3.3%	-24.2%	\$457.6
* REALTY TRANSFER	\$36.6	\$37.1	1.4%	4.9%	\$378.8
[c] CASINO	\$33.8	\$39.6	16.9%	4.9%	\$223.4
BANKS & FINANCIAL (CBT)	\$0.2	\$11.4	6774.1%	39.1%	\$202.7
* ALCOHOL EXCISE	(\$0.1)	\$0.2	--	2.0%	\$108.4
[d] CIGARETTE	\$0.0	\$0.0	0.0%	-27.8%	\$87.8
<b>TOTALS:</b>	<b>\$2,208.7</b>	<b>\$2,412.5</b>	<b>9.2%</b>	<b>7.2%</b>	<b>\$33,538.6</b>



Sources: Executive's FY 2019 certified estimates. FY 2019 Year-To-Date from the Treasury Monthly reports.

\* Revenues represent one month of cash collections. All others represent two months of cash collections.

\*\* The percentage difference between the FY 2019 Executive's certified estimates (July 2018) and estimated FY 2018 figures from the Treasurer's May 2018 projections. Energy revenues for the sales tax and CBT are not included.

[a] The PPGRT year-end estimate reflects the full \$1.360 billion target, including \$725.0 million for Capital Reserves.

[b] The first \$270.8 million in motor vehicle fee collections are dedicated to the NJ Motor Vehicle Commission.

[c] The casino amounts include internet gaming and sports betting revenues.

[d] The first \$391.5 million from the tax on cigarettes is deposited into the Health Care Subsidy Fund (P.L.2006, c.37). An additional \$94.8 million is 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 August, Lottery collections in FY 2019 total \$166.6 million, down 8.4% compared to \$181.8 million at the same point in FY 2018.