

# FY 2019 December Revenue Snapshot

## Office of Legislative Services

### December Collections Decline: Taxpayers Likely Delaying Payments

Year-to-date collections of \$12.794 billion through the first six months of the fiscal year were 2.1% more than the prior fiscal year. The Executive's certified<sup>1</sup> FY 2019 estimates for major revenues require 7.2% aggregate growth. Revenue collections fell in December, as gross income tax receipts posted a sharp decline for the month. This result is due in part to changes in taxpayer behavior in response to federal tax reform that placed a cap of \$10,000 on the federal income tax deduction for state and local taxes paid starting in tax year 2018. Certain taxpayers who made their estimated quarterly payments in December 2017, rather than in January 2018, to take advantage of the uncapped federal deduction in tax year 2017 may no longer follow that practice this year. Other states, including California and Massachusetts, have noted a similar decline in recently published revenue reports. Since estimated payments in January should benefit from the payment shift, December and January collections must be viewed together to discern the underlying trend.

- **Gross Income Tax (GIT)** net collections of \$5.667 billion through the end of December fell 6.5% (\$393.0 million) below last year. December estimated and final payments plunged 81.8% and withholdings were essentially flat year-over-year. Besides taxpayers delaying quarterly estimated payments to January, last year's December GIT base included one-time payments by hedge fund managers who repatriated certain income, and accelerated payments by taxpayers attempting to take advantage of the uncapped federal deduction for state and local taxes. The Executive's certified FY 2019 target assumes 5.4% growth above FY 2018.
- **Sales Tax** revenues year-to-date totaled \$3.982 billion, up 1.2% 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 to 6.625% 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%. Absent this rate reduction, sales tax revenues year-to-date would have grown by 5.0% year-over-year. The certified target assumes 6.2% growth above FY 2018, which includes tax amnesty collections and new collections from online vendors. New Jersey's tax amnesty program ended on January 15, 2019.
- **Corporation Business Tax (CBT)** cash collections of \$1.536 billion were 60.8% above the same period last fiscal year. December net receipts grew by 40.9%. The Executive's certified FY 2019 CBT target assumes 47.2% growth for the year, largely attributable to the newly enacted surtax, combined reporting requirements, and other changes under P.L.2018, c.48.
- **Petroleum Products Gross Receipts Tax (PPGRT)** collections of \$604.3 million were up 2.1% year-over-year. December revenues jumped by \$32.7 million (35.3%) influenced by the 4.3 cent tax increase that took effect on October 1, 2018 as a result of revenues falling behind targets prescribed under P.L.2016, c.57. The Executive's certified year-end target assumes no growth over FY 2018.
- **Transfer Inheritance** revenues of \$264.9 million were down 17.1% compared to last year. Of the amounts collected, \$206.9 million is attributable to the inheritance tax, up 9.6%; and \$57.9 million is attributable to the estate tax, down 55.7%. 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 effect on January 1, 2018.

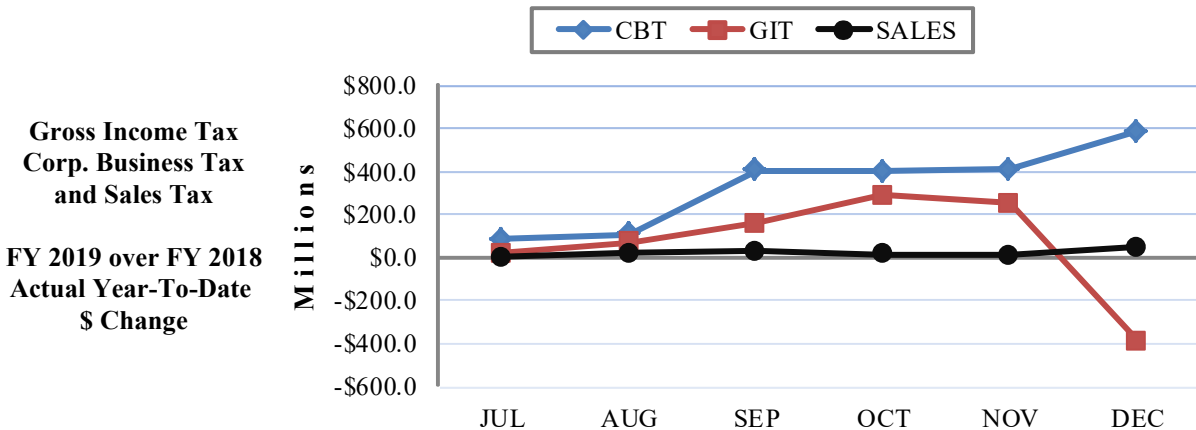
<sup>1</sup> The *OLS Revenue Snapshot* displays the growth rates of cash collections necessary to achieve the Executive's FY 2019 certified year-end targets compared to the estimated FY 2018 totals, as reported by the State Treasurer to the legislative budget committees (May 2018).

<sup>2</sup> December sales tax collections reflect November economic activity, as this tax is subject to a one-month payment 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)	\$6,060.0	\$5,667.0	-6.5%	5.4%	\$15,977.7
* SALES TAX	\$3,935.7	\$3,982.3	1.2%	6.2%	\$10,136.1
CORP. BUS. TAX (CBT)	\$955.5	\$1,536.5	60.8%	47.2%	\$3,046.1
[a] PETROLEUM PRODUCTS	\$591.6	\$604.3	2.1%	0.0%	\$1,360.5
INSURANCE PREMIUM	(\$10.2)	(\$43.0)	--	0.0%	\$597.0
* MOTOR FUELS	\$211.6	\$209.1	-1.2%	0.0%	\$500.7
[b] MOTOR VEHICLE FEES	\$114.3	\$70.7	-38.2%	-7.7%	\$461.8
TRANSFER INHERITANCE	\$319.6	\$264.9	-17.1%	-24.2%	\$457.6
* REALTY TRANSFER	\$172.0	\$174.7	1.6%	4.9%	\$378.8
[c] CASINO	\$98.9	\$119.0	20.3%	4.9%	\$223.4
BANKS & FINANCIAL (CBT)	\$51.1	\$177.7	247.8%	39.1%	\$202.7
* ALCOHOL EXCISE	\$33.9	\$31.3	-7.5%	2.0%	\$108.4
[d] CIGARETTE	\$0.0	\$0.0	0.0%	-27.8%	\$87.8
<b>TOTALS:</b>	<b>\$12,534.0</b>	<b>\$12,794.4</b>	<b>2.1%</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 five months of cash collections. All others represent six 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 December, Lottery collections in FY 2019 total \$546.6 million, up 12.2% compared to \$487.3 million at the same point in FY 2018.