

FY 2019 January Revenue Snapshot

Office of Legislative Services

Major Revenues Trailing Certified Targets Despite Growth in January

Year-to-date collections of \$16.796 billion through the first seven months of the fiscal year were 2.9% more than the prior fiscal year. The Executive's certified¹ FY 2019 estimates for major revenues require 7.2% aggregate growth. January revenues totaled approximately \$4.041 billion, an increase of approximately \$225 million. Strong growth in the corporation business tax combined with the State's tax amnesty program help to offset the second month of decline in gross income tax revenues. Aggregate December and January gross income tax collections fell short of the same two-month period last fiscal year by \$751.3 million, or 18.1%. According to the Department of the Treasury, the State's tax amnesty program yielded approximately \$282 million in payments, but the allocation of those payments between the major revenues has not been finalized at the time of this report.

- **Gross Income Tax (GIT)** net collections of \$7.874 billion through the end of January fell 6.0% (\$503.4 million) below last year. The Executive's certified FY 2019 target assumes 5.4% growth above FY 2018. January withholdings were up 1.5% and estimated and final payments declined by roughly 11.5%.

Expectations that weak estimated payments in December would recover in January were not met. The mediocre performance of GIT revenues in January may reflect taxpayer decisions to further defer payments until April, since the cap on federal deductibility of state and local taxes (SALT) removed the incentive to make larger year-end estimated payments. Other states, including California, Massachusetts, and Connecticut, have noted a decline in estimated payments as part of recently published revenue reports.

- **Sales Tax** revenues year-to-date totaled \$5.116 billion, up 3.2% from the same period² 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, the first half of FY 2019 grew off a FY 2018 base that had a sales tax rate of 6.875%. January sales tax revenues, which increased by 10.8%, included an unknown allocation of tax amnesty revenues. The certified target assumes 6.2% growth above FY 2018, accounting for tax amnesty collections and new collections from online vendors.
- **Corporation Business Tax (CBT)** cash collections of \$1.810 billion were 74.5% above the same period last fiscal year. January net receipts grew by 234.4%. 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 \$741 million were up 2.6% year-over-year as the 4.3 cent tax increase, which took effect on October 1, 2018, continues to impact PPGRT revenues during the remaining months of FY 2019. The Executive's certified year-end target assumes no growth over FY 2018.
- **Transfer Inheritance** revenues of \$312.8 million were down 15.5% compared to last year. Of the amounts collected, \$248.2 million is attributable to the inheritance tax, up 16.4%; and \$64.6 million is attributable to the estate tax, down 58.9%. 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.

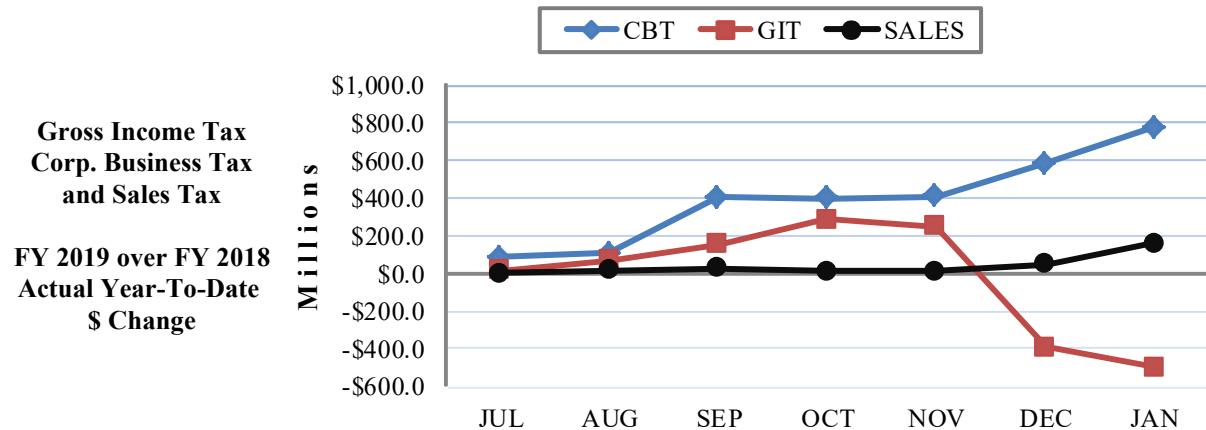
¹ The *OLS Revenue Snapshot* displays the growth rates of cash collections necessary to achieve the Executive's FY 2019 certified year-end targets compared to the estimated FY 2018 totals, as reported by the State Treasurer to the legislative budget committees (May 2018).

² January sales tax collections reflect December economic activity, as this tax is subject to a one-month payment lag.

FY 2019 January Revenue Snapshot

Office of Legislative Services

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)	\$8,377.6	\$7,874.2	-6.0%	5.4%	\$15,977.7
* SALES TAX	\$4,959.4	\$5,116.5	3.2%	6.2%	\$10,136.1
CORP. BUS. TAX (CBT)	\$1,037.4	\$1,810.4	74.5%	47.2%	\$3,046.1
[a] PETROLEUM PRODUCTS	\$722.2	\$741.0	2.6%	0.0%	\$1,360.5
INSURANCE PREMIUM	(\$6.6)	(\$39.3)	--	0.0%	\$597.0
* MOTOR FUELS	\$261.4	\$255.2	-2.4%	0.0%	\$500.7
[b] MOTOR VEHICLE FEES	\$175.5	\$132.5	-24.5%	-7.7%	\$461.8
TRANSFER INHERITANCE	\$370.2	\$312.8	-15.5%	-24.2%	\$457.6
* REALTY TRANSFER	\$201.8	\$202.1	0.1%	4.9%	\$378.8
[c] CASINO	\$118.1	\$142.5	20.6%	4.9%	\$223.4
BANKS & FINANCIAL (CBT)	\$52.1	\$189.6	264.3%	39.1%	\$202.7
* ALCOHOL EXCISE	\$57.6	\$58.9	2.2%	2.0%	\$108.4
[d] CIGARETTE	\$0.0	\$0.0	0.0%	-27.8%	\$87.8
TOTALS:	\$16,326.8	\$16,796.2	2.9%	7.2%	\$33,538.6



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

* Revenues represent six months of cash collections. All others represent seven 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 January, Lottery collections in FY 2019 total \$623.1 million, up 9.2% compared to \$571.5 million at the same point in FY 2018.