

FY 2019 October Revenue Snapshot

Office of Legislative Services

Revenues On Target as Second Quarter of Fiscal Year Begins

Major revenue collections through October grew 9.2% in comparison to the same period last year, a result enhanced by a payment calendar shift. When adjusting for this factor, year-to-date growth is closer to 7.1%. The Executive's certified¹ FY 2019 estimates for major revenues require 7.2% aggregate growth. Gross income tax and corporation business tax collections remain the predominant sources of revenue 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 reflect increased tax rates pursuant to P.L.2018, c.45 and P.L.2018, c.48.

- **Gross Income Tax (GIT)** net collections of \$3.638 billion through the end of October were \$286.0 million, or 8.5%, above last year. GIT revenues were boosted by the shift of about \$150 million in withholding receipt from employee wages. Adjusting for the withholding shift, year-to-date collections were up 4.2%. Estimated and final payments were up 15.9% over last year's collections. The Executive's certified FY 2019 target assumes 5.4% growth above FY 2018.
- **Sales Tax** revenues year-to-date totaled \$2.470 billion, up 0.5% 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, 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 be approximately 4.3% higher year-over-year. 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 \$918.7 million through the first four months of FY 2019 were 76.7% above the same period last fiscal year. Estimated payments through October grew by 54.3%, including a non-recurring payment of roughly \$100 million. Adjusting estimated payments downward to account for this non-recurring payment reduces the year-to-date growth rate for the CBT from 76.7% to about 57.4%. 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 \$345.4 million were down 4.5%, 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 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 \$207.1 million were down 6.9% compared to last year through October. Of the amounts collected, \$155.3 million is attributable to the inheritance tax, which grew 29.1%; and \$51.8 million is attributable to the estate tax, which declined by 49.3%. 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.
- **Insurance Premiums Tax (IPT)** collections for the year have gone negative by \$39.7 million, largely the result of an increasing use by taxpayers of tax credits awarded by the Economic Development Authority. The IPT has two major payment dates, both of which occur during the second half of the fiscal year.

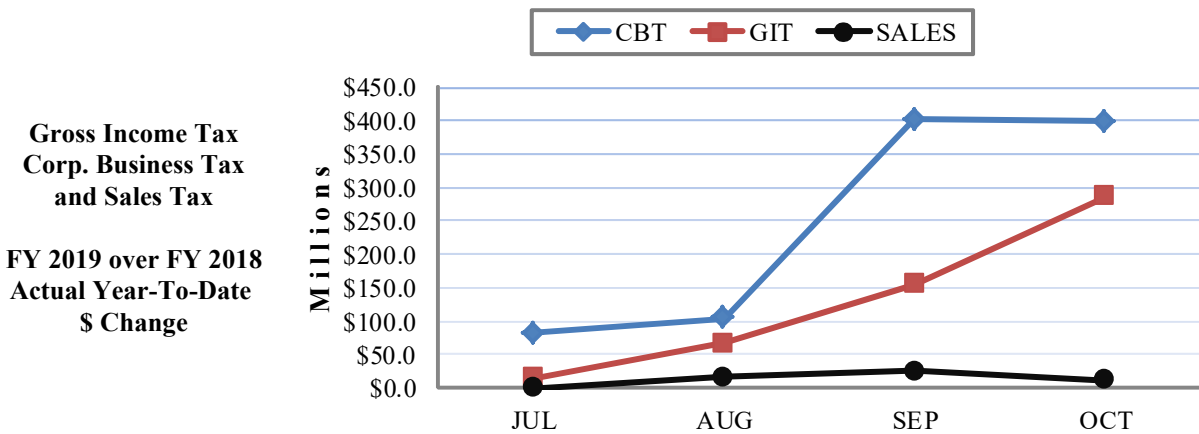
¹ The *OLS Revenue Snapshot* displays the growth rates of cash collections necessary to achieve the Executive's FY 2019 certified year-end targets compared to the estimated FY 2018 totals, as reported by the State Treasurer to the legislative budget committees (May 2018).

² October sales tax collections reflect September 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)	\$3,351.8	\$3,637.8	8.5%	5.4%	\$15,977.7
* SALES TAX	\$2,458.5	\$2,470.1	0.5%	6.2%	\$10,136.1
CORP. BUS. TAX (CBT)	\$520.0	\$918.7	76.7%	47.2%	\$3,046.1
[a] PETROLEUM PRODUCTS	\$361.5	\$345.4	-4.5%	0.0%	\$1,360.5
INSURANCE PREMIUM	\$0.9	(\$39.7)	-4346.2%	0.0%	\$597.0
* MOTOR FUELS	\$131.5	\$127.7	-2.9%	0.0%	\$500.7
[b] MOTOR VEHICLE FEES	\$11.6	\$0.0	-100.0%	-7.7%	\$461.8
TRANSFER INHERITANCE	\$222.4	\$207.1	-6.9%	-24.2%	\$457.6
* REALTY TRANSFER	\$106.3	\$105.4	-0.9%	4.9%	\$378.8
[c] CASINO	\$68.6	\$83.9	22.2%	4.9%	\$223.4
BANKS & FINANCIAL (CBT)	\$24.0	\$66.7	178.5%	39.1%	\$202.7
* ALCOHOL EXCISE	\$16.7	\$17.6	5.4%	2.0%	\$108.4
[d] CIGARETTE	\$0.0	\$0.0	0.0%	-27.8%	\$87.8
TOTALS:	\$7,273.7	\$7,940.4	9.2%	7.2%	\$33,538.6



Sources: Executive's FY 2019 certified estimates. FY 2019 Year-To-Date from the Treasury Monthly reports.
 * Revenues represent three months of cash collections. All others represent four 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 October, Lottery collections in FY 2019 total \$381.1 million, up 16.5% compared to \$327.2 million at the same point in FY 2018.