

FY 2019 September Revenue Snapshot

Office of Legislative Services

First Quarter Revenue Collections Continue Upward Trend in Fiscal Year 2019

Major revenue collections through the first quarter of FY 2019 grew 11.7% in comparison to the same period last year. The Executive's certified¹ FY 2019 estimates for major revenues require 7.2% aggregate growth. Gross income tax and corporation business tax collections continue to drive almost all of the revenue growth, with important September quarterly payments reaching double digit 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 \$2.585 billion through the end of September were \$154.3 million, or 6.3%, above last year. Quarterly estimated payments were up 14.3% over last year's collections. Withholding receipts, which include out-of-State partnership withholdings, were up 2.7%. The Executive's certified FY 2019 target assumes 5.4% growth above FY 2018.
- **Sales Tax** receipts year-to-date totaled \$1.574 billion, up 1.7% 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%. 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 \$839.4 million through the first quarter of FY 2019 were 91.5% above the same period last fiscal year. Estimated payments through September grew by 68.4%, but, according to the Department of the Treasury, those estimated payments include 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 from 68.4% to about 48.0%. Another contributing factor to the CBT's strong growth is a 28.2% reduction in refunds year-over-year. 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.
- **Petroleum Products Gross Receipts Tax (PPGRT)** collections of \$233.2 million were down 11.1%, 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. The Executive's certified year-end target assumes no growth over FY 2018.
- **Transfer Inheritance** revenues of \$168.6 million were up 1.0% compared to last year through September. Of the amounts collected, \$120.2 million is attributable to the inheritance tax, which grew 33.8%; and \$48.4 million is attributable to the estate tax, which decreased 37.3%. 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.
- **Realty Transfer Fee** collections of \$73.1 million were 1.9% higher year-over-year.³ The Executive's certified year-end target requires growth of 4.9% above FY 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).

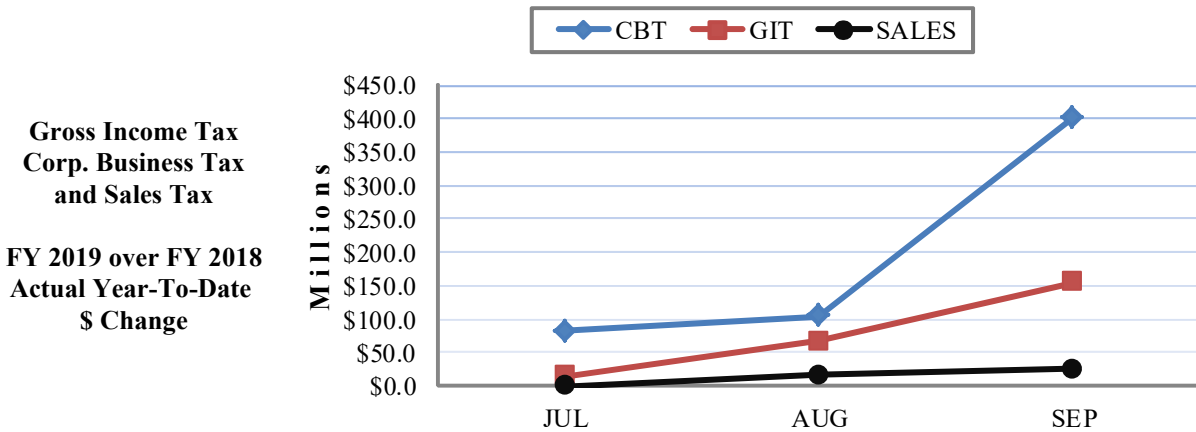
² September sales tax collections reflect August economic activity, as this tax is subject to a one-month payment lag.

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

FY 2019 September 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)	\$2,430.5	\$2,584.8	6.3%	5.4%	\$15,977.7
* SALES TAX	\$1,548.0	\$1,573.6	1.7%	6.2%	\$10,136.1
CORP. BUS. TAX (CBT)	\$438.3	\$839.4	91.5%	47.2%	\$3,046.1
[a] PETROLEUM PRODUCTS	\$262.3	\$233.2	-11.1%	0.0%	\$1,360.5
INSURANCE PREMIUM	(\$4.7)	(\$3.5)	--	0.0%	\$597.0
* MOTOR FUELS	\$86.6	\$83.1	-4.0%	0.0%	\$500.7
[b] MOTOR VEHICLE FEES	\$0.0	\$0.0	0.0%	-7.7%	\$461.8
TRANSFER INHERITANCE	\$167.0	\$168.6	1.0%	-24.2%	\$457.6
* REALTY TRANSFER	\$71.8	\$73.1	1.9%	4.9%	\$378.8
[c] CASINO	\$51.4	\$59.1	14.9%	4.9%	\$223.4
BANKS & FINANCIAL (CBT)	\$22.9	\$57.5	150.8%	39.1%	\$202.7
* ALCOHOL EXCISE	\$16.6	\$17.1	2.7%	2.0%	\$108.4
[d] CIGARETTE	\$0.0	\$0.0	0.0%	-27.8%	\$87.8
TOTALS:	\$5,090.9	\$5,686.1	11.7%	7.2%	\$33,538.6



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

* Revenues represent two months of cash collections. All others represent three 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 September, Lottery collections in FY 2019 total \$245.0 million, down 3.2% compared to \$253.2 million at the same point in FY 2018.