

# April 2020 Revenue Snapshot

## Office of Legislative Services

### Significant Revenue Decline in April Due to Pandemic, Shutdown Orders, and Payment Extensions

Year-to-date revenues through April 2020 of \$24.6 billion were \$2.2 billion or 8.2 percent below FY 2019. April collections dropped by \$3.5 billion or 59.4 percent compared to last year. The principal cause of the decline was the extension of the gross income tax and corporation business tax filing and payment deadlines for returns and payments originally due on April 15, 2020 to July 15, 2020. Tax collections also reflect the initial economic impacts of the COVID-19 pandemic and subsequent emergency measures enacted in response. The State Treasurer on May 13, 2020 announced that Executive FY 2020 revenue targets would be lowered by almost \$2.8 billion in total when revised revenue projections for FY 2020<sup>1</sup> are presented next week under the provisions of P.L.2020, c.19. Revised forecasts for specific revenues are not yet available.

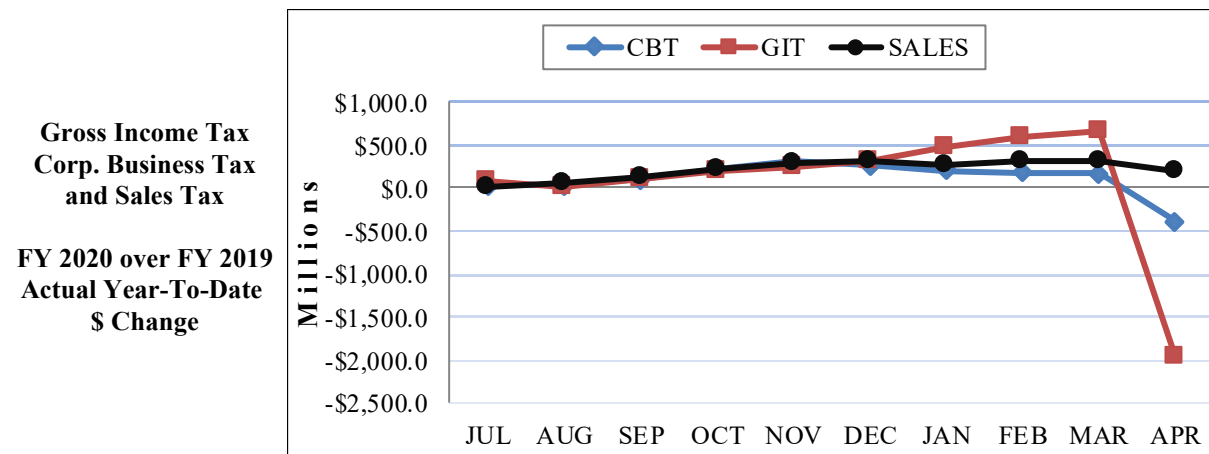
- **Gross Income Tax (GIT)** revenue of \$11.1 billion through the end of April was almost \$2.0 billion or 14.9 percent below the prior fiscal year. Normal collection patterns for this revenue were disrupted by the postponement of filing and payments deadlines under P.L.2020, c.19. April final payments, which are a significant source of revenue for the State as taxpayers settle a majority of their outstanding tax liabilities, plunged by \$2.5 billion. Year-to-date withholdings were up \$497.3 million or 5.3 percent, final payments were down \$2.4 billion or 70.4 percent, estimated payments were down \$105.6 million or 4.7 percent, and refunds were down by \$102.9 million or 4.6 percent. The Executive's current year-end target, which assumes 5.6 percent growth above FY 2019, is expected to be revised downward sharply next week.
- **Sales Tax** revenue totaled \$7.5 billion, compared to the \$7.3 billion collected by the end of last April. For the month of April, revenue decreased by \$124.2 million or 13.7 percent. April sales tax revenue reflects economic activity from March, so the initial impact of COVID-19 containment measures on retail sales is apparent in April collections. Consumer spending is constrained by loss of disposable income, and many consumers' spending is shifting due to the COVID-19 pandemic to prioritize essential goods and services. Many of those goods and services, such as groceries, are not subject to the State's sales tax. Continued restrictions on key sectors, such as motor vehicle sales and food services, are certain to erode next month's collections even further. The current year-end target, 4.7 percent growth above FY 2019, is also expected to be reduced significantly next week.
- **Corporation Business Tax (CBT)** revenue of \$2.7 billion was \$384.9 million or 12.4 percent below the same period last fiscal year. Year-to-date payments for the CBT were down \$393.9 million or 11.0 percent compared to the same period last fiscal year. For the month of April, CBT revenue fell roughly \$552.5 million. Final payments for the month were down \$303.0 million and estimated payments were down \$238.5 million. Similar to the GIT, the drop in April revenue reflects a change in normal collection patterns from the postponement of filing and payments deadlines under P.L.2020, c.19. The Executive's current year-end target assumes a decline of 3.3 percent for the year, largely due to the temporary surtax phasing down and significant nonrecurring payments booked in FY 2019. This target is also subject to revision in the State Treasurer's forthcoming report.

<sup>1</sup> This report does not account for the extension of FY 2020 pursuant to P.L.2020, c.19. Thus, FY 2020 refers to the period from July 1, 2019 to June 30, 2020.

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Revenue (\$ millions)	FY 2019 Actual Year-To-Date	FY 2020 Actual Year-To-Date	Actual Y-T-D Change (%)	Exec. Revised Year-End Estimate	Exec. Revised Year-End Change (%)**
GROSS INCOME TAX (GIT)	\$13,075.1	\$11,122.7	-14.9%	\$16,801.5	5.6%
* SALES TAX	\$7,332.5	\$7,530.0	2.7%	\$10,406.5	4.7%
CORP. BUS. TAX (CBT)	\$3,110.6	\$2,725.7	-12.4%	\$3,897.0	-3.3%
[a] PETROLEUM PRODUCTS	\$1,101.0	\$1,096.0	-0.5%	\$1,460.0	-0.4%
INSURANCE PREMIUM	\$262.0	\$369.2	40.9%	\$557.5	6.8%
* MOTOR FUELS	\$371.8	\$354.3	-4.7%	\$485.0	-3.0%
[b] MOTOR VEHICLE FEES	\$314.2	\$271.8	-13.5%	\$465.6	6.6%
TRANSFER INHERITANCE	\$421.0	\$320.2	-23.9%	\$415.0	-15.5%
* REALTY TRANSFER	\$286.3	\$293.4	2.5%	\$387.0	3.4%
BANKS & FINANCIAL (CBT)	\$269.6	\$252.5	-6.3%	\$305.5	4.5%
[c] CASINO	\$208.3	\$219.6	5.4%	\$290.7	9.2%
[e] ALCOHOL EXCISE	\$70.6	\$72.5	2.7%	\$114.5	2.0%
[d] CIGARETTE	\$9.6	\$0.0	-100.0%	\$71.1	-28.1%
<b>TOTALS:</b>	<b>\$26,832.5</b>	<b>\$24,627.9</b>	<b>-8.2%</b>	<b>\$35,656.9</b>	<b>3.6%</b>



Sources: FY 2021 Governor's Budget Message. FY 2020 Year-To-Date from the Treasury Monthly reports.

\* Revenues represent nine months of cash collections. All others represent ten months of cash collections.

\*\* The percentage difference between the FY 2020 Executive's revised estimates (February 2020) and final FY 2019 figures from the Comprehensive Annual Financial Report (March 2020). The year-end change estimate reflects only those revenues displayed in the table above. Energy revenues for the sales tax and CBT are not included.

[a] The PPGRT year-end estimate reflects the full \$1,460.0 billion target, including \$725.5 million for Capital Reserves.

[b] The first \$265.3 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 this tax is deposited into the Health Care Subsidy Fund (HCSF) (P.L.2006, c.37), \$91.7 million is dedicated to pay debt service pursuant to P.L.2004, c.68, and \$6.0 million is dedicated for anti-smoking initiatives pursuant to P.L.2017, c.242.

[e] The first \$33.0 million from this tax is deposited in the Alcohol Education, Rehabilitation and Enforcement Fund and HCSF.