

# June 2020 Revenue Snapshot

## Office of Legislative Services

### Revenues Continue to Decline in June; July Collection Surge Pending

Year-to-date revenues through June 2020<sup>1</sup> of \$29.4 billion were \$3.1 billion or 9.6 percent below FY 2019. June collections dropped by \$519.5 million or 14.8 percent compared to last year. The principal cause of the year-to-date decline is 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. However, tax collections also reflect the economic impacts of the COVID-19 pandemic and subsequent emergency measures. June, an important payment month, saw a sharp double-digit decline in estimated payments for both the corporation business tax and the gross income tax. The year-end result for both taxes will be clearer once payments and refunds are processed after July 15<sup>th</sup>.

The Department of the Treasury revised its FY 2020 projected annual growth rates<sup>2</sup> for certain major taxes in June. Of note, the department anticipates sales tax revenue will decline by 3.0 percent year-over-year compared to 6.7 percent. Likewise, the department projects realty transfer fee revenues to decrease by 5.2 percent compared to 12.8 percent. Based on the major taxes tracked by OLS in this report, the department now estimates aggregate revenues will decline by \$1.2 billion or 3.6 percent compared to its May estimate of a \$1.6 billion or 4.7 percent drop.

- **Gross Income Tax (GIT)** revenue of \$13.1 billion through the end of June was \$2.1 billion or 14.1 percent below the prior fiscal year. Normal collection patterns for this revenue were disrupted by the postponement of filing and payment deadlines under P.L.2020, c.19, as evidenced by the steep drop in April final payments. June GIT revenues were down \$184.3 million, a decrease of 12.6 percent compared to the prior year. The drop in June was attributable to a \$283.3 million decrease in estimated payments, and this decline was partially offset by a \$104.3 million increase in final payments. The increase in final payments was likely due to taxpayers who took advantage of the filing and payment extension. Year-to-date withholdings were up \$335.8 million or 3.0 percent, final payments were down \$2.3 billion or 64.7 percent, estimated payments were down \$394.5 million or 13.4 percent, and refunds were down by \$272.4 million or 9.7 percent. The Executive's revised year-end target assumes a 0.1 percent decline below FY 2019.
- **Sales Tax** revenue totaled \$8.8 billion through the end of June, which was about \$146.7 million or 1.6 percent below last year. Sales tax revenue in June rebounded from the historic May decline of 29.0 percent. However, collections for June were still down \$122.3 million or 14.6 percent year-over-year. June sales tax revenue reflects economic activity from May, which included the relaxing of certain containment measures in place for the past few months and the partial re-opening of New Jersey's economy. Economic activity during June, reflected in July collections, typically produces the second strongest sales tax month of each fiscal year due to positive impacts from seasonal contributors, such as tourism, and quarterly payments from certain sellers. With tourism likely to be suppressed due to the COVID-19 pandemic and weaker quarterly payments, July sales tax collections could see a slight reversal of the modest improvement experienced in June. The Executive's revised year-end target assumes a decline of 3.0 percent below FY 2019.
- **Corporation Business Tax (CBT)** revenue of \$3.4 billion was \$613.2 million or 15.1 percent below the same period last fiscal year. Year-to-date gross payments, exclusive of refunds, for the CBT were down \$649.8 million or 14.2 percent compared to the same period last fiscal year. For the month of June, CBT revenue fell by approximately \$185.6 million, attributable to a notable drop in estimated payments. Similar to the GIT, the drop in year-to-date CBT revenue reflects a change in normal collection patterns from the postponement of filing and payment deadlines under P.L.2020, c.19. The Executive's revised year-end target assumes a decline of 14.5 percent below FY 2019.

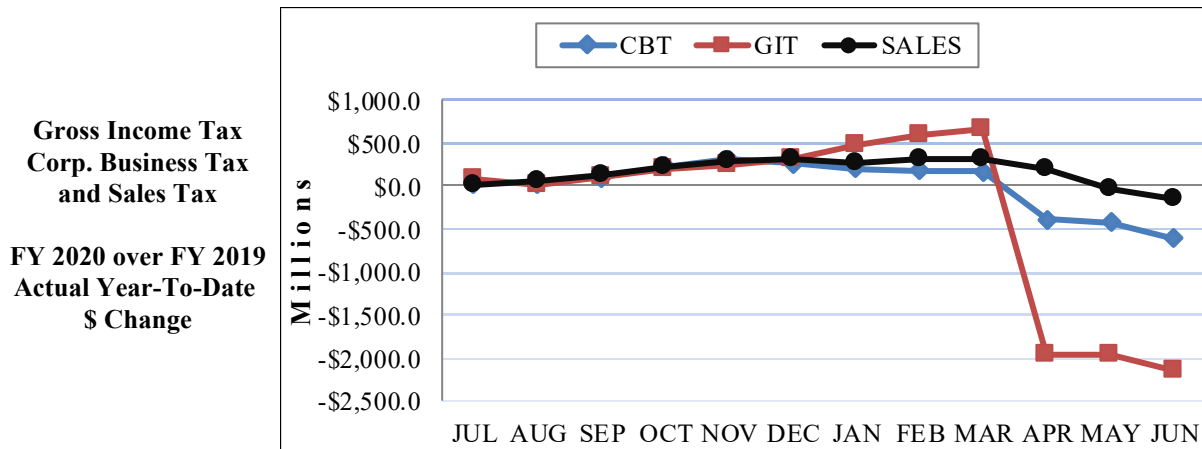
<sup>1</sup> This report does not account for the extension of FY 2020 pursuant to P.L.2020, c.19. Thus, FY 2020 refers to the period from July 1, 2019 to June 30, 2020.

<sup>2</sup> As initially presented in the department's *Report on the Financial Condition of the State Budget for Fiscal Years 2020 and 2021*.

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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)	\$15,225.0	\$13,084.9	-14.1%	\$15,890.6	-0.1%
* SALES TAX	\$8,935.7	\$8,789.0	-1.6%	\$9,637.6	-3.0%
CORP. BUS. TAX (CBT)	\$4,054.3	\$3,441.1	-15.1%	\$3,445.1	-14.5%
[a] PETROLEUM PRODUCTS	\$1,354.7	\$1,247.2	-7.9%	\$1,291.0	-11.9%
INSURANCE PREMIUM	\$510.8	\$634.2	24.2%	\$654.7	25.4%
* MOTOR FUELS	\$453.0	\$400.5	-11.6%	\$419.6	-16.1%
[b] MOTOR VEHICLE FEES	\$429.0	\$395.7	-7.8%	\$404.7	-7.4%
TRANSFER INHERITANCE	\$490.4	\$384.4	-21.6%	\$380.4	-22.5%
* REALTY TRANSFER	\$344.8	\$340.8	-1.2%	\$354.6	-5.2%
BANKS & FINANCIAL (CBT)	\$292.4	\$283.0	-3.2%	\$264.5	-9.5%
[c] CASINO	\$251.1	\$247.0	-1.7%	\$262.8	-1.3%
[e] ALCOHOL EXCISE	\$87.4	\$91.3	4.5%	\$105.0	-6.4%
[d] CIGARETTE	\$108.0	\$80.6	-25.4%	\$81.2	-17.9%
<b>TOTALS:</b>	<b>\$32,536.5</b>	<b>\$29,419.7</b>	<b>-9.6%</b>	<b>\$33,191.8</b>	<b>-3.6%</b>



Sources: Report on the Financial Condition of the State Budget for Fiscal Years 2020 and 2021; Treasury Monthly reports.

\* Revenues represent 11 months of cash collections. All others represent 12 months of cash collections.

\*\* The percentage difference between the FY 2020 Executive's revised estimates (June 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 \$1,291.0 billion target, including \$491.1 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.