

March 2020 Revenue Snapshot

Office of Legislative Services

Slight Uptick in March Collections; Revenue Outlook Poor for Coming Months

Year-to-date revenues through March 2020 of \$22.2 billion were \$1.3 billion or 6.2 percent above FY 2019. The Executive's revised year-end target for all major revenues is 3.6 percent. March collections improved by 2.1 percent over last year, with the gross income tax contributing most to that improvement. However, certain tax collections, such as those from the sales tax and taxes on motor fuels, reflect economic activity only through February. Thus, the expected erosion of revenues from the current COVID-19 pandemic and related emergency measures will first be evident in April. Also contributing to the uncertainty about revenue conditions is the extension of the gross income tax and corporation business tax filing deadline for returns and payments originally due on April 15, 2020 to July 15, 2020. Payments normally concentrated in April will be scattered over the next few months to varying degrees, which further obscures the FY 2020 revenue outlook.

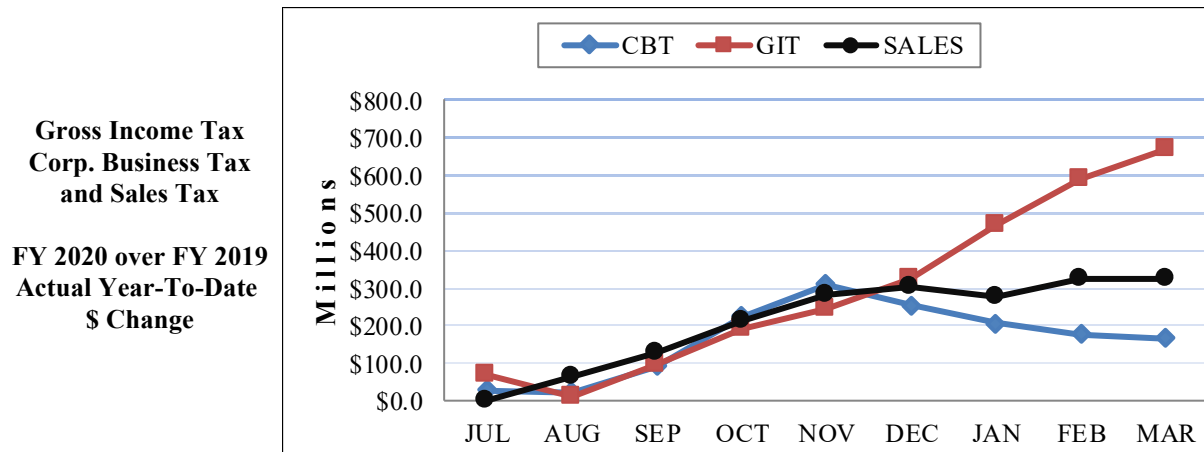
- **Gross Income Tax (GIT)** net revenues of \$10.1 billion through the end of March were up by \$670.6 million or 7.1 percent over the prior fiscal year. Year-to-date withholdings were up \$443.8 million or 5.3 percent, estimated payments were up \$149.7 million or 7.8 percent, final payments were up \$134.9 million or 21.7 percent, and refunds increased by \$66.8 million or 3.9 percent. The Executive's revised year-end target assumes 5.6 percent growth above FY 2019. Normal collection patterns for this revenue, the State's largest, will be disrupted by the postponement of filing and payments deadlines under P.L.2020, c.19.
- **Sales Tax** revenue totaled \$6.7 billion, an increase of \$321.8 million or 5.0 percent, at the end of March. For the month of March, revenue was nearly flat year-over-year. Since March sales tax revenue reflects economic activity from February, the impact of emergency measures on retail sales will register first in next month's collections. For most of FY 2020, sales tax revenue will benefit from additional remote online sellers remitting payments to the State.¹ The revised year-end target assumes 4.7 percent growth above FY 2019.
- **Corporation Business Tax (CBT)** net revenues of \$2.4 billion were \$167.6 million or 7.7 percent above the same period last fiscal year. Year-to-date payments for the CBT were up \$232.4 million or 9.1 percent more than the same period last fiscal year, but refunds also increased by \$64.8 million or 17.2 percent. The Executive's revised 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. Normal collection patterns for this revenue will be disrupted by the postponement of filing and payments deadlines under P.L.2020, c.19.
- **CBT Banking and Financial Business** revenue of \$236.1 million was 22.0 percent above the same period last fiscal year. Year-to-date revenue includes a non-recurring payment of \$130.0 million attributable to a multi-year liability settlement. The Executive's revised year-end target assumes growth of 4.5 percent for the year.
- **Transfer Inheritance and Estate Tax** revenues of \$296.9 million were down 21.4 percent. Of the amounts received, \$277.4 million was attributable to the transfer inheritance tax, down 10.5 percent; and \$19.4 million was attributable to the estate tax, down 71.4 percent. Taken together, the Executive's revised year-end target for both taxes assumes a decline of 15.5 percent from FY 2019.
- **Insurance Premiums Tax** revenue of \$361.1 million grew 38.7 percent over the prior fiscal year after the first major payment of the tax was due March 1. The Executive's revised estimate anticipates growth of 6.8 percent.

¹ The State's remote seller law allowed online vendors to request a 180-day deferral period from the law's October 2018 enactment date. Thus, the last two months of sales tax revenue in FY 2019 were the only months that reflected this enactment.

March 2020 Revenue Snapshot

Office of Legislative Services

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)	\$9,448.2	\$10,118.8	7.1%	\$16,801.5	5.6%
* SALES TAX	\$6,425.9	\$6,747.7	5.0%	\$10,406.5	4.7%
CORP. BUS. TAX (CBT)	\$2,182.8	\$2,350.3	7.7%	\$3,897.0	-3.3%
[a] PETROLEUM PRODUCTS	\$972.8	\$1,003.0	3.1%	\$1,460.0	-0.4%
INSURANCE PREMIUM	\$260.4	\$361.1	38.7%	\$557.5	6.8%
* MOTOR FUELS	\$327.8	\$320.5	-2.2%	\$485.0	-3.0%
[b] MOTOR VEHICLE FEES	\$240.9	\$247.1	2.6%	\$465.6	6.6%
TRANSFER INHERITANCE	\$377.7	\$296.9	-21.4%	\$415.0	-15.5%
* REALTY TRANSFER	\$260.3	\$269.4	3.5%	\$387.0	3.4%
BANKS & FINANCIAL (CBT)	\$193.4	\$236.1	22.0%	\$305.5	4.5%
[c] CASINO	\$182.1	\$210.7	15.7%	\$290.7	9.2%
[e] ALCOHOL EXCISE	\$70.5	\$72.3	2.6%	\$114.5	2.0%
[d] CIGARETTE	\$0.0	\$0.0	0.0%	\$71.1	-28.1%
TOTALS:	\$20,942.8	\$22,233.9	6.2%	\$35,656.9	3.6%



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

* Revenues represent eight months of cash collections. All others represent nine 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.