

# May 2020 Revenue Snapshot

## Office of Legislative Services

### Revenues Continue to Decline in May Due to Pandemic, Shutdown Orders, and Payment Extensions; Treasury Forecast Warns of Significant Shortfall

Year-to-date revenues through May 2020 of \$26.4 billion were \$2.6 billion or 9.0 percent below FY 2019. May collections dropped by \$392.8 million or 18.0 percent compared to last year. The principal cause of 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. The Department of the Treasury reduced its revenue forecast by over \$2.7 billion in total for FY 2020<sup>1</sup>, which was presented in its *Report on the Financial Condition of the State Budget for Fiscal Years 2020 and 2021*. While June is a significant estimated payment month for both the gross income tax and the corporation business tax, the year-end result for both taxes will not clarify until August.

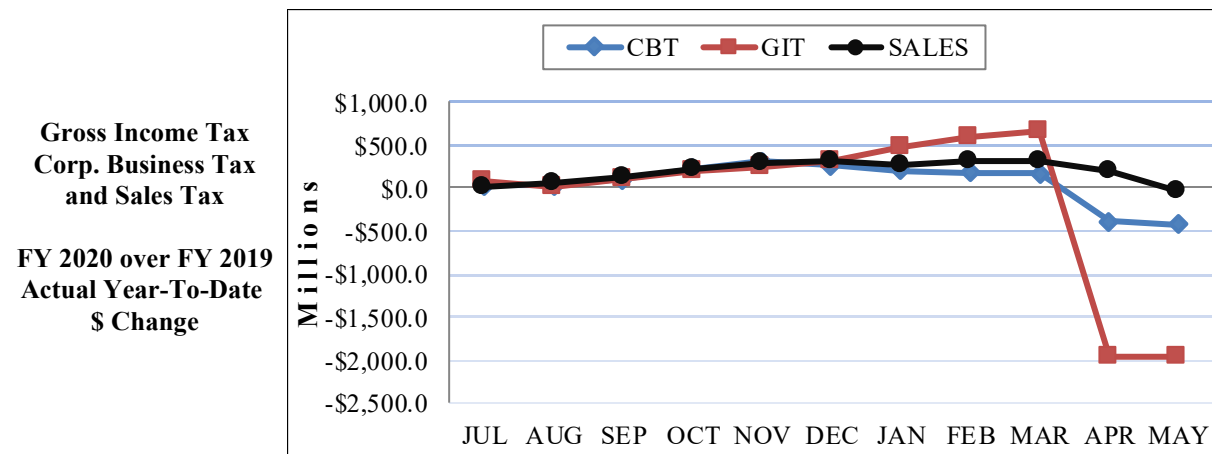
- **Gross Income Tax (GIT)** revenue of \$11.8 billion through the end of May was almost \$2.0 billion or 14.2 percent below the prior fiscal year. Normal collection patterns for this revenue were disrupted by the postponement of filing and payments deadlines under P.L.2020, c.19, as evidenced by the steep drop in April final payments. Due to calendar variance, the GIT had one fewer withholding payment date in May, with April benefiting from an additional payment date. May GIT collections were essentially flat despite the loss of the withholding payment date because refunds fell by approximately \$200.0 million. Year-to-date withholdings were up \$317.3 million or 3.1 percent, final payments were down \$2.4 billion or 68.8 percent, estimated payments were down \$111.3 million or 4.8 percent, and refunds were down by \$307.4 million or 11.4 percent. The Executive's revised year-end target assumes a 0.1 percent decline below FY 2019.
- **Sales Tax** revenue totaled \$8.1 billion through the end of May, which was nearly on par with last year. For the month of May, sales tax revenue plunged by \$222.0 million or 29.0 percent. This drop marked the largest percentage decline in sales tax revenue since the Great Recession when June 2009 collections fell by 18.4 percent. May sales tax revenue reflects economic activity from April, so the continuing impact of COVID-19 containment measures on retail sales is apparent in May collections. Consumer spending could also have been impaired from a combination of fewer opportunities to purchase taxable goods and services, decisions by consumers to save income instead of spending it, and many consumers shifting spending towards essential goods and services due to the COVID-19 pandemic. Many of those goods and services, such as groceries, are not subject to the State's sales tax. Restrictions on key sectors likely eroded May's collections even further. Next month's collections, which will reflect May economic activity, should benefit from some of those restrictions being relaxed and the economy starting to re-open. The Executive's revised year-end target assumes a decline of 6.7 percent below FY 2019.
- **Corporation Business Tax (CBT)** revenue of \$2.8 billion was \$427.6 million or 13.2 percent below the same period last fiscal year. Year-to-date gross payments, exclusive of refunds, for the CBT were down \$445.2 million or 11.9 percent compared to the same period last fiscal year. For the month of May, CBT revenue fell by approximately \$42.7 million, largely attributable to a 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 payments deadlines under P.L.2020, c.19. The Executive's revised year-end target assumes a decline of 14.5 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.

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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)	\$13,759.2	\$11,803.4	-14.2%	\$15,890.6	-0.1%
* SALES TAX	\$8,098.5	\$8,074.1	-0.3%	\$9,276.0	-6.7%
CORP. BUS. TAX (CBT)	\$3,248.3	\$2,820.6	-13.2%	\$3,445.1	-14.5%
[a] PETROLEUM PRODUCTS	\$1,243.9	\$1,156.9	-7.0%	\$1,291.0	-11.9%
INSURANCE PREMIUM	\$468.6	\$561.9	19.9%	\$654.7	25.4%
* MOTOR FUELS	\$408.6	\$369.5	-9.6%	\$419.6	-16.1%
[b] MOTOR VEHICLE FEES	\$374.2	\$355.8	-4.9%	\$404.7	-7.4%
TRANSFER INHERITANCE	\$455.7	\$349.6	-23.3%	\$380.4	-22.5%
* REALTY TRANSFER	\$314.2	\$318.4	1.3%	\$326.4	-12.8%
BANKS & FINANCIAL (CBT)	\$268.4	\$252.5	-5.9%	\$264.5	-9.5%
[c] CASINO	\$229.1	\$233.3	1.9%	\$262.8	-1.3%
[e] ALCOHOL EXCISE	\$87.3	\$90.6	3.8%	\$105.0	-6.4%
[d] CIGARETTE	\$60.9	\$32.6	-46.4%	\$81.2	-17.9%
<b>TOTALS:</b>	<b>\$29,016.8</b>	<b>\$26,419.4</b>	<b>-9.0%</b>	<b>\$32,802.0</b>	<b>-4.7%</b>



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

\* Revenues represent 10 months of cash collections. All others represent 11 months of cash collections.

\*\* The percentage difference between the FY 2020 Executive's revised estimates (May 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.