

OLS Revenue Snapshot

FY 2005 - Through November 2004

- **November Collections Better Than October, But Still Below Expectations.** In the aggregate, November collections rebounded from a very weak performance in October, but the revenue outlook for FY 2005 remains guarded. Most significantly, corporation tax collections remain well below expectations and may miss the year-end target by hundreds of millions of dollars. The best news was that November income tax collections posted their strongest month of the fiscal year, suggesting an improving trend line and hope for achieving the year-end budgeted target. On the other hand, the sales tax turned in the opposite direction, posting its lowest growth rate of FY 2005. The remaining major State revenue sources are also mixed, with some above and some below the forecast expectations.
- **Gross Income Tax (GIT)** receipts of \$2.38 billion are 12.7% ahead of last year's levels through the first five months. November receipts were strong, propelled by a sharp rebound in withholding. After four months of little growth, total withholding receipts for FY 2005 are now up 4.9%. Withholding is the largest single component of the GIT, typically accounting for over 70% of annual receipts. The OLS will continue to monitor withholding collections to see if November marked an aberration or the beginning of a trend. In addition, quarterly estimated tax payments remain up nearly 40% this fiscal year, an encouraging sign for the April tax payments due later in the fiscal year. A further acceleration in growth is expected in the spring, due to this year's increased marginal tax rates on high-income taxpayers. So, while current overall GIT growth remains below the 19.2% growth assumed by the certified year-end GIT target, the collection pattern indicates that the year-end target is attainable.
- **Sales Tax** receipts after four months (November collections are for October activity because this tax is subject to a one month payment lag) total \$2.17 billion, up 4.3% from the same four months last year. November collections displayed weakness, growing only 1.4% over last November. The year-to-date growth rate has now slipped measurably below the sales tax target certified for FY 2005, which assumes growth of 5.9% for the fiscal year. Upcoming December and January collections will include the always important holiday shopping period.
- **Corporation Business Tax (CBT)** collections through the end of November have reached \$530.5 million, which is 10.7% *below* the same five months last fiscal year. The OLS remains concerned that the CBT growth pattern will make it difficult to achieve the certified year-end target for the CBT. That target projects growth of 7.5% for the year, but the OLS notes that CBT collections began to decline at the end of FY 2004, and this weakness has continued nearly half way into FY 2005.
- Among the second tier revenue sources, **Lottery** collections, the **Realty Transfer** tax, **Petroleum Products** and **Alcoholic Beverage Excise** taxes are running ahead of projections so far this fiscal year, while the **Transfer Inheritance** tax and the (CBT) **Banks and Financial Institutions** tax are lagging significantly behind expectations.

Office of Legislative Services
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As in past years, the OLS Revenue Snapshot summarizes current cash revenue collections in comparison to prior year cash collections for the same period, using information provided by the Department of Treasury. Certain revenues are reported with a one month lag due to payment schedules. The Treasury publicly reports monthly revenues in a different format which compares estimated or accrued earnings with FY 2005 budget projections.

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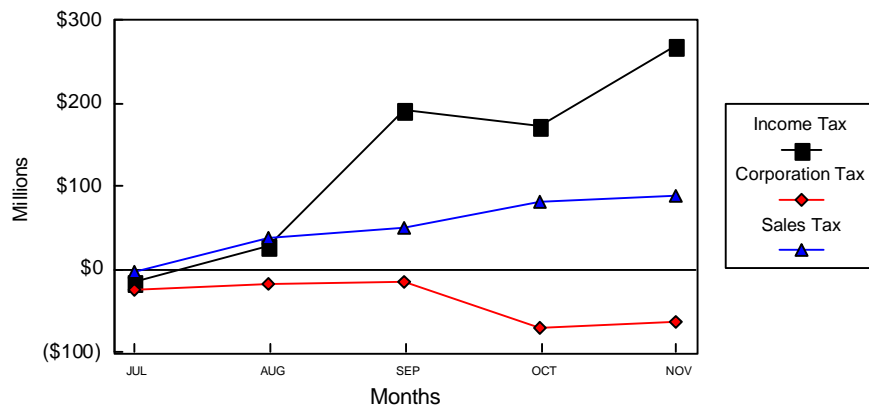
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Selected Year-To-Date Cash Collections (\$ millions)

REVENUE	FY 2004 Actual Year-To-Date	FY 2005 Actual Year-To-Date	Actual Y-T-D Growth %	Certified Year-End Growth % **	Certified Year-End \$ Estimate
INCOME TAX	\$2,108.9	\$2,377.7	12.7%	19.2%	\$8,855.0
* SALES TAX	\$2,080.2	\$2,169.9	4.3%	5.9%	\$6,600.0
CORPORATION TAX	\$594.3	\$530.5	-10.7%	7.5%	\$2,500.0
LOTTERY	\$301.6	\$320.9	6.4%	0.2%	\$795.0
(a) CIGARETTE	\$174.8	\$190.5	9.0%	10.7%	\$678.0
* MOTOR FUELS	\$178.1	\$172.6	-3.1%	-1.1%	\$559.0
TRANSFER INHERITANCE	\$249.5	\$226.4	-9.3%	7.8%	\$556.0
CASINO	\$185.0	\$192.0	3.8%	5.0%	\$474.0
INSURANCE PREMIUM	\$7.9	\$8.2	3.9%	7.4%	\$449.0
(b) MOTOR VEHICLE FEES	\$0.0	\$0.0	0.0%	16.9%	\$301.1
* REALTY TRANSFER	\$67.5	\$124.6	84.7%	25.9%	\$286.0
* PETROLEUM PRODUCTS	\$70.6	\$100.5	42.3%	-2.7%	\$212.0
BANKS & FINANCIAL (CBT)	\$33.9	\$15.0	-55.8%	-6.6%	\$132.0
* ALCOHOL EXCISE	\$23.8	\$27.9	17.3%	0.7%	\$88.0

**Income Tax
Corporation Tax
and Sales Tax**

**FY05 Over FY04
Actual Year-To-Date
\$ Change**



Sources: Executive FY 2005 year-end revenues as certified by the Governor in June 2004.

FY 2005 Year-To-Date actuals are from Treasury monthly reports.

* Revenues represent four months of cash collections. All others represent five months of cash collections.

** The percentage difference between FY 2005 Certified revenue estimates (June 2004) and preliminary FY 2004 year-end figures reported by the Treasury (August 2004).

(a) The first \$150 million in cigarette tax collections are deposited into the Health Care Subsidy Fund (P.L.1997, c.264).

(b) The first \$204.5 million in motor vehicle fee collections are dedicated to the NJ Motor Vehicle Commission.