

# OLS Revenue Snapshot

FY 2005 - Through October 2004

- **FY 2005 Revenue Collections Slip in October.** October was not a good month for State revenue collections. Most major revenue sources fell below targets for the month, dragging year-to-date collections through the first four months of the fiscal year below expectations. Six of the top eight revenue sources are now running below levels needed to achieve year-end targets, including the income tax and the corporation tax. Of the three largest revenues (the income tax, sales tax, and corporation tax), only the sales tax growth rate remains close to the certified targets. However, it is still relatively early in the fiscal year and it is premature to draw firm conclusions about the revenue picture.
- **Gross Income Tax (GIT)** receipts of \$1.85 billion are 10.4% ahead of last year's levels through the first four months. The certified year-end target assumes growth of 19.2% for the full fiscal year. While current growth is below the year-end target growth rate, an acceleration in growth is still expected later in the fiscal year, when increased marginal tax rates on high-income taxpayers will affect the 2004 tax returns in April. Quarterly estimated tax payments are up nearly 40% so far, an encouraging sign for those final tax payments. On the other hand, the OLS is concerned about monthly withholding collections, which are up only 0.8% so far this fiscal year. Withholding is the largest single component of the GIT, typically accounting for over 70% of annual receipts. Continued weakness in this component could outweigh strong collections in other components of the GIT.
- **Sales Tax** receipts after the first three months (October collections are for September activity because this tax is subject to a one month payment lag) total \$1.68 billion, up 5.2% from the first quarter last year. This growth rate is very close to the sales tax target certified for FY 2005, which assumes growth of 5.9% for the fiscal year. The next few months will include the holiday shopping period, which is always significant for this tax.
- **Corporation Business Tax (CBT)** collections through the end of October total \$499.6 million, 12.4% *below* the first four 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 through the early months of FY 2005.
- Several other significant State revenue sources are falling short of the growth rates needed to achieve FY 2005 year-end targets. As can be seen in the table on the second page of the **Snapshot**, after the three largest revenues discussed above, several significant second tier revenue sources are also underperforming at this time. The **Cigarette Tax, Motor Fuels Tax, Transfer Inheritance Tax, and Casino Tax** are all showing signs of weakness. Of the largest revenue sources, only **Lottery** collections are exceeding expectations so far this fiscal year.

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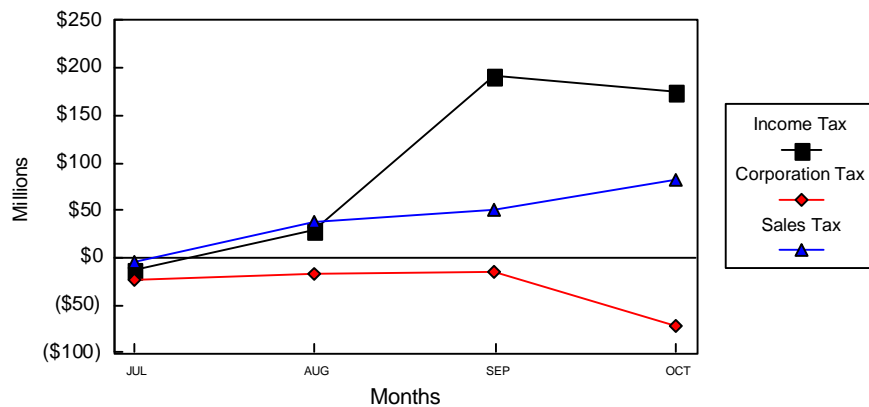
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Selected Year-To-Date Cash Collections (\$ millions)

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	\$1,673.7	\$1,847.8	10.4%	19.2%	\$8,855.0
* SALES TAX	\$1,593.8	\$1,676.4	5.2%	5.9%	\$6,600.0
CORPORATION TAX	\$570.1	\$499.6	-12.4%	7.5%	\$2,500.0
LOTTERY	\$243.3	\$253.4	4.2%	0.2%	\$795.0
(a) CIGARETTE	\$115.2	\$122.3	6.2%	10.7%	\$678.0
* MOTOR FUELS	\$141.2	\$124.6	-11.8%	-1.1%	\$559.0
TRANSFER INHERITANCE	\$209.2	\$180.1	-13.9%	7.8%	\$556.0
CASINO	\$147.2	\$149.5	1.6%	5.0%	\$474.0
INSURANCE PREMIUM	\$5.5	\$2.1	-61.2%	7.4%	\$449.0
(b) MOTOR VEHICLE FEES	\$0.0	\$0.0	0.0%	16.9%	\$301.1
* REALTY TRANSFER	\$47.2	\$92.7	96.5%	25.9%	\$286.0
* PETROLEUM PRODUCTS	\$49.8	\$80.0	60.8%	-2.7%	\$212.0
BANKS & FINANCIAL (CBT)	\$32.7	\$12.1	-63.1%	-6.6%	\$132.0
* ALCOHOL EXCISE	\$14.7	\$14.4	-2.6%	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 three months of cash collections. All others represent four 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.