

OLS Revenue Snapshot

FY 2011 - Through August 2010

- **Initial FY 2011 Revenue Patterns Inconclusive.** Revenue collections through the first two months of a fiscal year provide little information about emerging patterns or underlying trends for the year. At this point in the year only one month of sales tax receipts have been reported and the first quarterly payments for the gross income tax and the corporation business tax are not yet due. Allocation of revenue to the old or new fiscal year and the accounting adjustments between fiscal years adds confusing noise to the data. In previous years we have deferred issuing our first OLS Revenue Snapshot until after the conclusion of the first quarter, but we are issuing this snapshot to add context to the State Treasurer's recent release on August tax revenues.
- **Gross Income Tax (GIT)** receipts of \$659.9 million are running 25.4% above last year's levels after the first two months of FY2011. The certified year-end target of \$9.855 billion assumes a decline of 4.5% from FY2010 levels, due largely to the expiration of about \$1.0 billion in temporary tax increases on higher income taxpayers. The bulk of this decline will be seen in the Spring of 2011, with the final Tax Year 2010 payments. Withholding receipts, which typically account for nearly 80% of the annual GIT collections, are driving the initial surge in GIT receipts, up a remarkable 27% from the same two months last year. *We are unaware of any economic data that would explain this extraordinary rate of growth in the collections reported by the Division of Taxation.* Collections for July in any fiscal year are subject to fluctuations due to adjustments from the close-out of the prior fiscal year, but the growth rate for withholding in August was nearly 24%. Going forward we will watch this closely. September collections will include the first quarterly taxpayer estimated payments of FY2011, and will provide our first signals about non-wage income.
- **Sales Tax** receipts after one full month of the new fiscal year (August collections reflect July activity because this tax is subject to a one month payment lag) total \$655.3 million, up 1.6% from the same period last year. While any growth is welcome after two consecutive fiscal years of sales tax revenue declines, the OLS notes that this August's receipts remain below receipts in August of FY2009 and August of FY2008. The certified year-end target requires growth of 3.9% for the full fiscal year.
- **Corporation Business Tax (CBT)** collections through the end of August total \$47.8 million, 56.7% below the same period last fiscal year. The certified year-end target for the CBT anticipates an increase of 7.3% over FY2010. Owing to the structure of this tax, collections for July and August are not significant and do not necessarily presage the pattern for the year. September represents the first quarterly payment period in the new fiscal year and will provide a better indication of underlying strength or weakness of this tax revenue source.

Office of Legislative Services
September 15, 2010

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 2011 budget projections.

OLS Revenue Snapshot

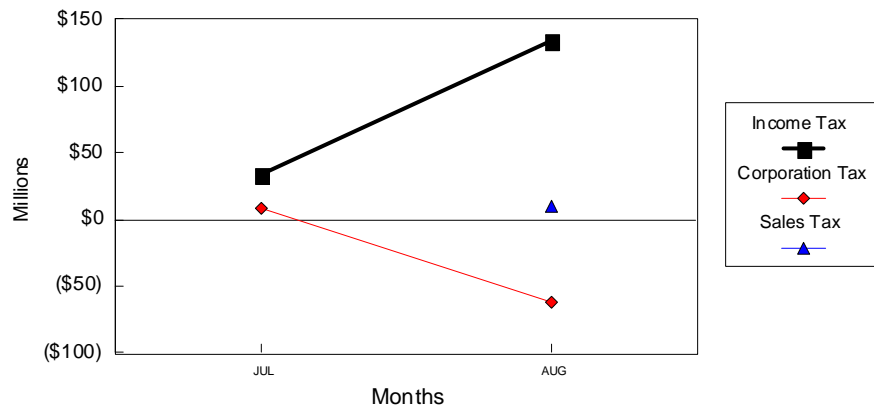
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Selected Year-To-Date Cash Collections (\$ millions)

REVENUE	FY 2010 Actual Year-To-Date	FY 2011 Actual Year-To-Date	Actual Y-T-D Growth %	Certified Year-End Growth % **	Certified Year-End \$ Estimate
INCOME TAX	\$526.1	\$659.9	25.4%	-4.5%	\$9,855.1
* SALES TAX	\$644.8	\$655.3	1.6%	3.9%	\$7,829.0
CORPORATION TAX	\$110.3	\$47.8	-56.7%	7.3%	\$2,145.0
LOTTERY	\$160.3	\$143.7	-10.3%	3.2%	\$953.0
TRANSFER INHERITANCE	\$95.1	\$96.6	1.7%	1.0%	\$587.7
* MOTOR FUELS	\$42.9	\$47.9	11.6%	7.1%	\$572.6
INSURANCE PREMIUM	(\$28.3)	\$9.5	--	-0.6%	\$478.0
(b) MOTOR VEHICLE FEES	\$0.0	\$0.0	0.0%	108.1%	\$398.5
CASINO	\$58.6	\$54.9	-6.3%	-7.8%	\$256.4
* REALTY TRANSFER	\$13.1	\$19.5	48.4%	27.9%	\$228.9
* PETROLEUM PRODUCTS	\$17.3	\$17.9	3.7%	4.6%	\$226.2
(a) CIGARETTE	\$0.0	\$0.0	0.0%	-2.8%	\$199.0
BANKS & FINANCIAL (CBT)	\$2.0	\$13.3	553.1%	25.8%	\$164.0
* ALCOHOL EXCISE	\$0.1	\$0.1	60.0%	6.0%	\$99.0

**Income Tax
Corporation Tax
and Sales Tax**

**FY11 Over FY10
Actual Year-To-Date
\$ Change**



Sources: Executive FY 2011 year-end revenues as certified by the Governor in June 2010.

FY 2011 Year-To-Date actuals are from Treasury monthly reports.

* Revenues represent one month of cash collections. All others represent two months of cash collections.

** The percentage difference between FY 2011 revised revenue estimates (June 2010) and FY 2010 preliminary year-end figures from the NJ Comprehensive Financial System. Energy revenues for the sales tax and CBT are not included.

- (a) The first \$396.5 million in cigarette tax collections are deposited into the Health Care Subsidy Fund (P.L.2006, c.37). Additional amounts, estimated at about \$145.0 million, are dedicated to pay tobacco bond debt service (P.L.2004, c.68).
- (b) The first \$238.0 million in motor vehicle fee collections are dedicated to the NJ Motor Vehicle Commission.