

OLS Revenue Snapshot

FY 2003 - Through April 2003

- **April Highlights -- Two Big Revenues Moving in Opposite Directions.** April is a month revenue forecasters watch closely, because final returns and quarterly estimated payments are due for individual income tax payers and for most corporations. This April, the gross income tax failed to meet expectations, setting up the possibility of another dismal year-end performance. However, the corporate business tax continued to soar following the major tax code revisions made in last year's Business Tax Reform Act. Meanwhile, the sales tax continued to muddle along with the revenue equivalent of a low grade fever. The Treasurer and the OLS will report updated revenue estimates for FY 2003 and for FY 2004 to the budget committees at the end of May.
- **Gross Income Tax (GIT)** receipts through 10 months of Fiscal Year 2003 total \$5.47 billion, 0.5% **below** the level reported for the same period last year. The revised GIT target requires growth of 1.9% over the full fiscal year. The important April final year-end tax payments and the quarterly estimated payments were disappointing and refund payments continued to exceed last year by significant amounts. Final payments, about two-thirds of which are annually received in April, are down 9% this fiscal year. Estimated payments in April were essentially flat with last April, and overall estimated payments are down 6% this fiscal year. Meanwhile, refund payments, which had been expected to decline from last year's high levels, are actually up 5% so far this year.

The outlook for the remaining months of FY 2003 is not encouraging. While some final payments typically spill over into May, a significant "tail" of these payments appears unlikely this May. Treasury's tax payment processing in April was reportedly ahead of last year, leaving fewer checks to be processed this year. May should also see a drop in withholding payments, which for timing reasons saw some withholding amounts shifted into April. Lastly, the upcoming June collections should trail last June's figures, because June of 2002 was bolstered by tax amnesty receipts. At this time it appears very likely that FY 2003 GIT revenues will fall below the prior year for the second year in a row.

- The **Sales Tax** is now three quarters of the way through FY 2003 (this tax is subject to a one month payment lag). Despite a respectable April collection, total receipts of \$4.37 billion are only 0.5% ahead of the same nine month period last year. The revised sales tax target for FY 2003 requires growth of only 0.1% for the fiscal year, essentially flat with last year. While the sales tax growth rate appears to be on-target, this tax revenue actually needs to be running at least 1.3% ahead of last year just to reach the year-end target. June receipts are expected to be below last year, because last June was bolstered by one-time tax amnesty payments. In other words, the cushion the sales tax needs to withstand the anticipated drop in June is not apparent at this late point in the year.
- **Corporation Business Tax (CBT)** collections are strongly exceeding expectations. Through the end of April, receipts are \$1.88 billion, 125% ahead of the same period last year. Based on the enactment of the Business Tax Reform Act last year, the revised CBT forecast was for "only" 69% growth in FY 2003. At this rate, the Treasurer's year-end target of \$1.98 billion will be exceeded before the end of May, with the substantial June payments still pending. Likewise, the **corporation tax on banks and financial institutions** continues to perform strongly, up 199% above last year's levels.

*Office of Legislative Services
May 12, 2003*

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 2003 budget projections.

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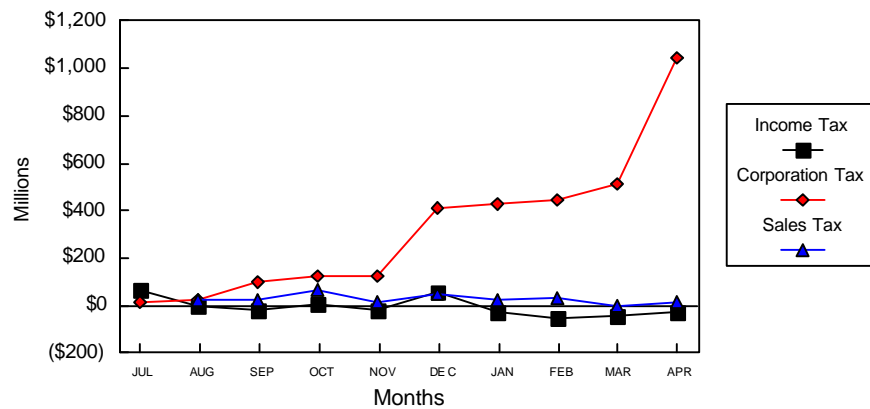
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Selected Year-To-Date Cash Collections (\$ millions)

REVENUE	FY 2002 Actual Year-To-Date	FY 2003 Actual Year-To-Date	Actual Y-T-D Growth %	Revised Year-End Growth % **	Revised Year-End \$ Estimate
INCOME TAX	\$5,494.4	\$5,468.4	-0.5%	1.9%	\$6,966.0
* SALES TAX	\$4,355.0	\$4,374.8	0.5%	0.1%	\$6,000.0
CORPORATION TAX	\$835.2	\$1,881.7	125.3%	68.6%	\$1,975.0
LOTTERY	\$634.6	\$619.9	-2.3%	3.8%	\$783.0
* MOTOR FUELS	\$386.5	\$395.3	2.3%	1.2%	\$530.0
(a) CIGARETTE	\$160.4	\$352.3	119.7%	88.8%	\$446.0
MOTOR VEH FEES	\$338.3	\$356.1	5.3%	9.0%	\$440.6
TRANSFER INHERITANCE	\$420.6	\$363.4	-13.6%	-17.7%	\$420.0
CASINO	\$288.3	\$283.8	-1.6%	2.0%	\$355.0
INSURANCE PREM	\$215.9	\$236.4	9.5%	0.6%	\$348.0
* PETROLEUM PRODUCTS	\$164.2	\$162.1	-1.3%	-2.1%	\$215.0
* REALTY TRANSFER	\$65.1	\$81.1	24.5%	22.2%	\$110.0
* ALCOHOL EXCISE	\$53.5	\$54.7	2.3%	0.9%	\$82.0
BANKS & FINANCIAL (CBT)	\$37.6	\$112.4	198.8%	89.7%	\$79.0

**Income Tax
Corporation Tax
and Sales Tax**

**FY03 Over FY02
Actual Year-To-Date
\$ Change**



Sources: Executive revised year-end revenue estimates as published in the FY 2004 Budget proposal.

FY 2003 Year-To-Date actuals are from Treasury monthly reports.

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

** The percentage difference between FY 2003 revised revenue estimates (February, 2003) and audited FY 2002 year-end figures reported by the NJ Comprehensive Annual Financial Report.

(a) The first \$155 million in cigarette tax collections are deposited into the Health Care Subsidy Fund (P.L.1997, c.264).