

OLS Revenue Snapshot

FY 2004 - Through December 2003

- **Midyear Revenue Results are Positive, But Still Not Conclusive.** Collections of major State tax revenues, including the "Key Three" (income, sales, and corporation taxes), remain at or above growth rates needed to reach the year-end targets. The solid performance of revenues during the first half of the fiscal year is encouraging as the State enters the second half of the year. Some uncertainty remains, however, pending revenues from holiday sales, important quarterly payments and final year-end payments by individuals and corporations, and the full realization of a number of tax changes.
- Six months into the fiscal year, **Gross Income Tax (GIT)** receipts of \$2.85 billion are 7.5% ahead of the same period last year, above the revised growth rate of 5.9% needed to achieve the FY 2004 revenue target. The OLS cautions that this growth rate is somewhat misleading, as December "benefited" from the shift in one week of employer withholding payments that last year occurred in January, possibly exaggerating the year-to-date growth rate by up to 2.5%. In addition, results from individual quarterly payments are annually affected by payment drift between December and January, leaving the GIT pattern inconclusive at this point. Nevertheless, the GIT forecast assumes lower growth early in the fiscal year and accelerating growth later in the year, a projection that is consistent with receipts so far this year.
- **Sales Tax** receipts after five months (December collections are for November activity because this tax is subject to a one month payment lag) total \$2.55 billion, up 4.2% from the same period last year. The sales tax target certified for FY 2004 requires growth of 4.0% for the fiscal year. December receipts increased by only 0.7% over last December, weaker than the strong growth rates seen during the previous three months. National retail sales reports indicated that holiday sales activity surged at the very end of December, but tax revenues from these sales will not be reported until Treasury releases January figures in early February.
- **Corporation Business Tax (CBT)** collections six months into the fiscal year are at \$975.9 million, or 13.7% above the same period last year. The important quarterly tax payments in December actually fell by 11.3% from last December, signaling that the CBT revenue declines anticipated for the second half of FY 2004 have most likely begun. The certified year-end forecast projects an 18.6% decline in collections, as certain provisions of last year's CBT reforms expire or produce less revenue.
- **Realty Transfer Tax** collections continued a recent surge in December, offsetting a slow start at the beginning of the fiscal year. Total receipts of \$84.2 million are 65.3% ahead of the same point last year, and these collections are now running ahead of the 57.4% growth rate necessary to reach the year-end budgeted target. Implementation of the new tax rate increase was subject to some misunderstandings and delays. However, receipts in October, November and December have surged well ahead of last year's pace, suggesting that the implementation problems have passed and that the home resale market remains strong.

Office of Legislative Services
January 21, 2004

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 2004 budget projections.

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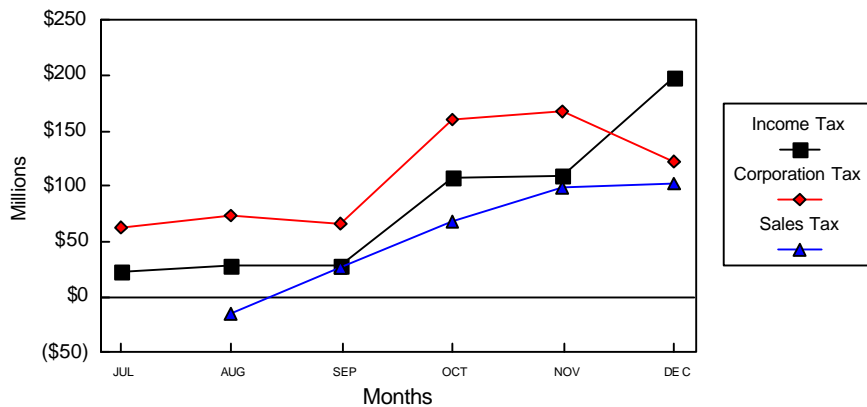
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Selected Year-To-Date Cash Collections (\$ millions)

REVENUE	FY 2003 Actual Year-To-Date	FY 2004 Actual Year-To-Date	Actual Y-T-D Growth %	Certified Year-End Growth % **	Certified Year-End \$ Estimate
INCOME TAX	\$2,648.5	\$2,846.8	7.5%	5.9%	\$7,130.0
* SALES TAX	\$2,451.7	\$2,554.6	4.2%	3.9%	\$6,165.0
CORPORATION TAX	\$858.2	\$975.9	13.7%	-18.6%	\$2,055.0
LOTTERY	\$361.1	\$371.6	2.9%	3.6%	\$793.0
(a) CIGARETTE	\$161.4	\$239.6	48.5%	32.7%	\$635.0
* MOTOR FUELS	\$224.3	\$228.7	2.0%	2.5%	\$544.0
CASINO	\$175.7	\$218.9	24.6%	29.3%	\$448.0
TRANSFER INHERITANCE	\$236.5	\$285.9	20.9%	-2.8%	\$433.0
INSURANCE PREMIUM	\$6.9	\$13.4	95.7%	12.5%	\$420.0
(b) MOTOR VEHICLE FEES	\$220.1	\$15.4	-93.0%	-20.9%	\$233.1
* PETROLEUM PRODUCTS	\$92.9	\$88.4	-4.9%	4.9%	\$225.0
* REALTY TRANSFER	\$50.9	\$84.2	65.3%	57.4%	\$172.0
BANKS & FINANCIAL (CBT)	\$47.6	\$62.6	31.4%	2.0%	\$131.0
* ALCOHOL EXCISE	\$27.3	\$28.3	3.8%	-0.1%	\$83.0

**Income Tax
Corporation Tax
and Sales Tax**

**FY04 Over FY03
Actual Year-To-Date
\$ Change**



Sources: Executive revised year-end revenue estimates as certified by the Governor in the FY 2004 Appropriations Act.

FY 2004 Year-To-Date actuals are from Treasury monthly reports.

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

** The percentage difference between FY 2004 certified revenue estimates (July 2003) and FY 2003 year-end figures reported by the NJ Comprehensive Annual Financial Report (CAFR, December 2003).

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

(b) The first \$202 million in motor vehicle fee collections are dedicated to the NJ Motor Vehicle Commission.