

OLS Revenue Snapshot

FY 2003 - Through January 2003

- ? **Governor Revises FY 2003 Revenues Downward.** With the release of the proposed FY 2004 Budget, the Governor has also issued revised FY 2003 revenue estimates. Overall, revenues were reduced by \$86 million, including a \$332 million reduction in the income tax, a \$172 million reduction in the sales tax, a \$152 million increase in the corporation business tax, and a net \$266 million increase in all other revenues. These changes bring the year-end estimates more in line with current collection trends. The Office of Legislative Services will present its revised revenue outlook to the budget committees in April.
- ? **Gross Income Tax (GIT)** receipts through seven months of Fiscal Year 2003 total \$3.6 billion, 0.8% **below** the level reported for the same period last year. The revised GIT target requires growth of 1.9% over the full fiscal year. Withholding of employee wages by employers has shown some signs of improvement in recent months and total withholding revenue is up 2.6% from last year's level through the first seven months. However, tax payments on non-wage income remain weak. Quarterly estimated payments are down 7.4% so far this fiscal year, perhaps signaling additional weakness when taxpayers' final payments are due in April.
- ? **Sales Tax** receipts after six months (this tax is subject to a one month payment lag) total \$3.05 billion, up 0.9% from the same six months last year. The Governor's revised and reduced sales tax target for FY 2003 requires growth of 0.1% for the fiscal year, essentially flat with last year. January sales tax receipts from the December holiday shopping season were disappointing, falling 3.7% below the same month last year.
- ? **Corporation Business Tax (CBT)** collections through the end of January are \$907.2 million, 90.6% ahead of the same period last year. Based on the enactment of the Business Tax Reform Act last year, the revised CBT forecast is for 69% growth in FY 2003. Strong performance in the December corporate payments is encouraging. The next important payment period is in April.
- ? **Realty Transfer Tax** revenues are growing at historically high rates this fiscal year. Receipts of \$58.2 million are 32.2% above the same period last year. The revised realty tax revenues require 22.2% growth for the full fiscal year. Low mortgage interest rates continue to spur home sales in New Jersey.
- ? **Tobacco Securitization Proceeds.** As noted at the top of this page, the Governor's revised FY 2003 revenue estimates include a net increase of \$266 million for all budgeted revenues other than the "Big Three" taxes. This net increase covers a myriad of increases and decreases across the spectrum of smaller taxes, interfund transfers, and miscellaneous departmental revenues. However the main reason this net figure is positive is due to the planned transfer of an additional \$413 million in tobacco securitization proceeds into the State General Fund. The \$413 million represents the remaining usable balance from last August's tobacco bond sale. Together with the \$1.075 billion already taken into this year's budget, this will bring the total net tobacco proceeds utilized in FY 2003 to almost \$1.5 billion. Legislation will be needed to authorize the receipt of these additional bond monies.

*Office of Legislative Services
February 19, 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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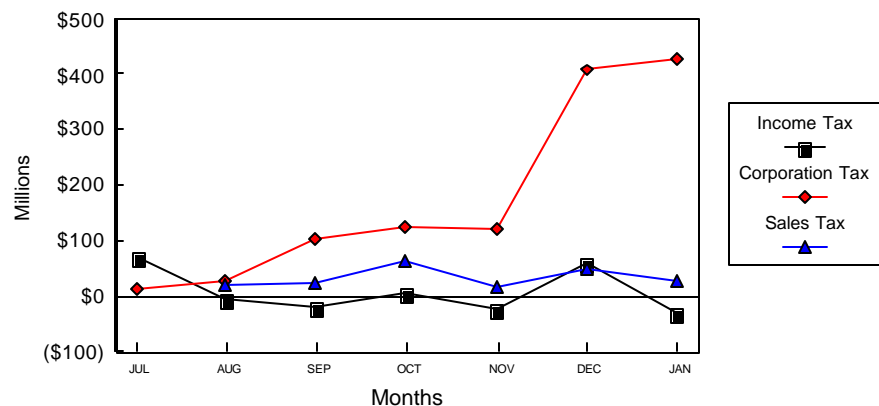
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Selected Year-To-Date Cash Collections (\$ millions)

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	\$3,652.8	\$3,622.1	-0.8%	1.9%	\$6,966.0
* SALES TAX	\$3,027.6	\$3,053.6	0.9%	0.1%	\$6,000.0
CORPORATION TAX	\$476.1	\$907.2	90.6%	68.6%	\$1,975.0
LOTTERY	\$410.0	\$422.0	2.9%	3.8%	\$783.0
* MOTOR FUELS	\$261.9	\$266.8	1.9%	1.2%	\$530.0
(a) CIGARETTE	\$75.2	\$210.7	180.1%	88.8%	\$446.0
MOTOR VEH FEES	\$217.6	\$240.3	10.4%	9.0%	\$440.6
TRANSFER INHERITANCE	\$315.1	\$268.2	-14.9%	-17.7%	\$420.0
CASINO	\$202.5	\$203.7	0.6%	2.0%	\$355.0
INSURANCE PREM	\$6.7	\$5.7	-15.6%	0.6%	\$348.0
* PETROLEUM PRODUCTS	\$111.5	\$112.5	0.9%	-2.1%	\$215.0
* REALTY TRANSFER	\$44.1	\$58.2	32.2%	22.2%	\$110.0
* ALCOHOL EXCISE	\$45.2	\$44.6	-1.4%	0.9%	\$82.0
BANKS & FINANCIAL (CBT)	\$26.9	\$53.3	98.6%	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 six month of cash collections. All others represent seven 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).