

OLS Revenue Snapshot

FY 2003 - Through March 2003

- ? **Tax Collections Remain Soft, But Important April Filings Loom Ahead.** A recurring pattern of weakness in the State's two largest tax revenues continued through the end of March. The lack of growth from the sales tax and the income tax was partially offset by the ongoing strong performance of corporate tax revenues. Fiscal Year 2003 is about to enter its final quarter, the most important quarter for tax collections, usually accounting for about one-third of annual revenues.
- ? **Gross Income Tax (GIT)** receipts through nine months of Fiscal Year 2003 total \$4.36 billion, 1.1% *below* the level reported for the same period last year. The revised GIT target requires growth of 1.9% over the full fiscal year. Part of the GIT's weakness is attributable to higher than expected refund payments so far this year. Actual collections represent a 3% reversal in expectations, which, if it were to continue for the remainder of the fiscal year, would represent a GIT shortfall of about \$200 million. However, receipts for the upcoming months of April and May will determine whether the important individual 2002 year-end tax payments will meet expectations.
- ? **Sales Tax** receipts after eight months (this tax is subject to a one month payment lag) total almost \$3.9 billion, running flat with the same eight months last year. The sales tax target for FY 2003 requires growth of only 0.1% for the fiscal year, also essentially flat with last year. The recent pattern in sales tax revenue has been particularly weak. March sales tax collections (for February sales activity) were down 6.8% from last March. While these tax collections were undoubtedly affected by reduced sales during the poor February weather, weakness is evident for the last three months, with combined collections 3.3% below the same three month period in FY 2002. National retail activity for March was reported to be strong, so there is hope that next month's collections may reverse this trend.
- ? **Corporation Business Tax (CBT)** collections through the end of March are \$1.1 billion, 85% 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. The next important payment period is in April. The **corporation tax on banks and financial institutions** also continues to perform strongly, up 142% above last year's levels.

*Office of Legislative Services
April 15, 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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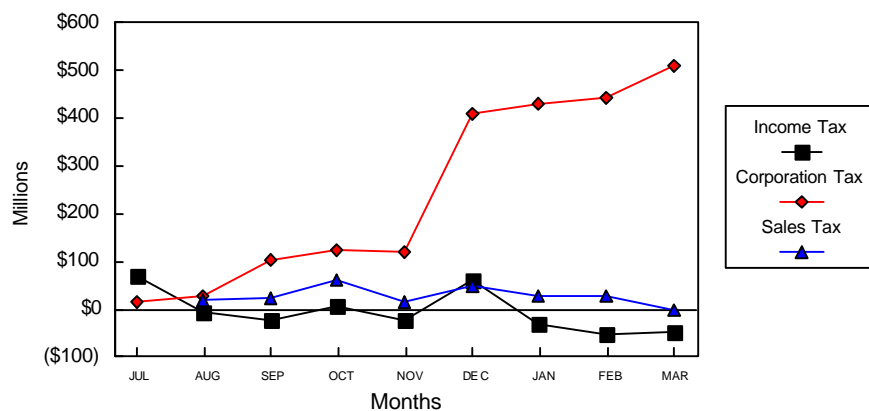
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Selected Year-To-Date Cash Collections (\$ millions)

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	\$4,403.5	\$4,357.0	-1.1%	1.9%	\$6,966.0
* SALES TAX	\$3,881.9	\$3,881.4	0.0%	0.1%	\$6,000.0
CORPORATION TAX	\$603.4	\$1,115.3	84.8%	68.6%	\$1,975.0
LOTTERY	\$519.7	\$542.2	4.3%	3.8%	\$783.0
* MOTOR FUELS	\$338.8	\$343.0	1.2%	1.2%	\$530.0
(a) CIGARETTE	\$129.6	\$301.6	132.8%	88.8%	\$446.0
MOTOR VEH FEES	\$283.7	\$330.0	16.3%	9.0%	\$440.6
TRANSFER INHERITANCE	\$387.7	\$332.0	-14.4%	-17.7%	\$420.0
CASINO	\$259.3	\$256.8	-1.0%	2.0%	\$355.0
INSURANCE PREM	\$204.4	\$233.5	14.2%	0.6%	\$348.0
* PETROLEUM PRODUCTS	\$143.6	\$145.0	1.0%	-2.1%	\$215.0
* REALTY TRANSFER	\$57.3	\$75.9	32.4%	22.2%	\$110.0
* ALCOHOL EXCISE	\$53.4	\$54.7	2.3%	0.9%	\$82.0
BANKS & FINANCIAL (CBT)	\$26.0	\$63.0	142.3%	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 eight month of cash collections. All others represent nine 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).