

OLS Revenue Snapshot

FY 2003 - Through November 2002

- ? **November Revenues Reverse Course, Decline.** The positive revenue signs in October were fleeting, as November revenue collections fell below last year's level. With the mid-point of the fiscal year approaching, the two largest revenue sources, the sales tax and the income tax, are running behind the growth rates needed to reach the year-end revenue targets. The third largest revenue source, the corporation business tax, is performing well, considering that most of the growth from the tax law changes are not expected until the spring. The remaining smaller revenues paint a mixed picture. Some, such as the lottery and the realty transfer tax, are performing well, while others, such as the inheritance tax, are running behind expectations.
- ? **Gross Income Tax (GIT)** receipts through five months of Fiscal Year 2003 total \$2.0 billion, 1.1% **below** the level reported for the same five months last year. The certified GIT target requires growth of 6.7% over the full fiscal year. The GIT fell by 6.3% in November, suggesting that the solid growth seen in October (up 6.3%) was not the beginning of a positive trend. The bulk of November GIT revenue comes from employer withholding collections, as individual payments and refunds are not significant at this time of year. Withholding fell 4.8% in November, and is running only 1.3% ahead of withholding receipts for the same five month period last year.
- ? **Sales Tax** receipts after four months (this tax is subject to a one month payment lag) total \$1.98 billion, up 0.9% from the same four months last year. The sales tax target certified for FY 2003 requires growth of 3.0% for the fiscal year. November sales tax revenues declined by 9.0%, reversing the growth seen in October. The divergent growth rates during the last two months are the product of fluctuations that occurred **last year** at this time, since growth rates are calculated from last year's baseline numbers. October 2001 collections slipped sharply following the September 11 terrorist attacks, while November 2001 collections rebounded sharply following attractive auto financing incentives. This year's sales tax collections are now past the period most affected by the September 11, 2001 terrorist attacks, so the recent fluctuations in the growth rates should give way to a steadier monthly pattern in the future. With year-to-date growth lagging behind the projected annual growth rate, the results of the ongoing holiday shopping season are even more critical to achieving the FY 2003 revenue target.
- ? **Corporation Business Tax (CBT)** collections through the end of October are \$427.2 million, 40% ahead of the same period last year. As has been discussed regularly in the **Snapshot**, this strong growth rate at this point in the fiscal year is encouraging, if somewhat surprising. CBT collections are projected to increase overall by 56% in FY 2003 as a result of the Business Tax Reform Act, but most of the increased payments are due in December, April and June.
- ? **Inheritance tax** collections five months into the fiscal year are running nearly 25% **below** the same period last year. The certified year-end target requires an annual growth rate of 3.8%. Part of the shortfall has to do with a single large inheritance tax payment received last year that has not been repeated so far this year. The shortfall may also be due to the stock market tumble, which might be affecting the value of many estates. The OLS will continue to monitor the inheritance tax, which has traditionally been one of the State's five or six largest tax revenue sources.

*Office of Legislative Services
December 17, 2002*

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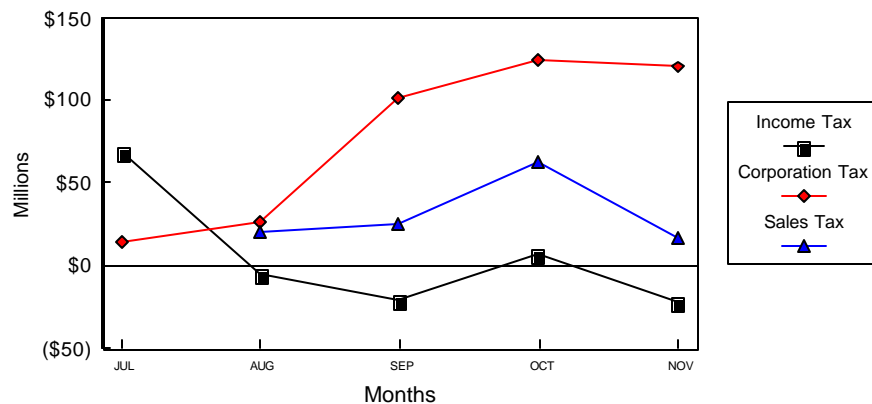
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Selected Year-To-Date Cash Collections (\$ millions)

REVENUE	FY 2002 Actual Year-To-Date	FY 2003 Actual Year-To-Date	Actual Y-T-D Growth %	Certified Year-End Growth % **	Certified Year-End \$ Estimate
INCOME TAX	\$2,021.2	\$1,999.7	-1.1%	6.7%	\$7,297.5
* SALES TAX	\$1,963.1	\$1,980.4	0.9%	3.0%	\$6,172.0
CORPORATION TAX	\$306.2	\$427.2	39.5%	56.2%	\$1,829.5
LOTTERY	\$284.4	\$301.7	6.1%	2.7%	\$797.0
* MOTOR FUELS	\$175.8	\$178.5	1.5%	2.5%	\$536.0
TRANSFER INHERITANCE	\$247.6	\$186.7	-24.6%	3.8%	\$530.0
(a) CIGARETTE	\$10.4	\$103.7	898.4%	105.9%	\$487.0
MOTOR VEH FEES	\$150.4	\$190.4	26.6%	4.5%	\$424.9
CASINO	\$148.7	\$152.1	2.2%	4.0%	\$361.8
INSURANCE PREM	\$6.6	\$6.4	-3.2%	-0.3%	\$345.0
* PETROLEUM PRODUCTS	\$75.7	\$73.7	-2.7%	2.3%	\$225.0
* REALTY TRANSFER	\$34.1	\$43.6	28.0%	6.7%	\$96.0
* ALCOHOL EXCISE	\$27.6	\$23.1	-16.4%	-2.8%	\$79.0
BANKS & FINANCIAL (CBT)	\$11.5	\$32.2	179.1%	25.0%	\$52.0

**Income Tax
Corporation Tax
and Sales Tax**

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



Sources: Executive year-end certified revenues are the amounts from the FY 2003 Appropriations Act. FY 2003 Year-To-Date actuals are from Treasury monthly reports.

* Revenues represent four month of cash collections. All others represent five months of cash collections.

** The percentage difference between FY 2003 certified revenue estimates (June, 2002) and unofficial, preliminary FY 2002 year-end figures reported through the NJ Comprehensive Financial System.

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