

OLS Revenue Snapshot

FY 2003 - Through October 2002

- ? **October Revenues Look Good, But....** With one-third of the fiscal year completed, two of the three largest revenue sources, the sales tax and the corporation tax, appear to be performing well. But growth rate comparisons are complicated by an echo from last year's September 11 terrorist attacks and by recently enacted tax law changes. Moreover, while the income tax grew solidly in October, the State's largest tax revenue source remains behind expectations overall.
- ? **Gross Income Tax (GIT)** receipts through the first four months of the fiscal year are just over \$1.56 billion, 0.5% **above** the level reported for the same time last year. The FY 2003 certified GIT target requires growth of 6.7% over the full fiscal year. Although the GIT grew by 6.3% in October, breaking a long string of declines that began more than a year ago, it is still too early to determine if this change signals a trend in collection patterns or a single month's fluctuation. The major components of the GIT seem to be headed in opposite directions. Receipts from employer withholding of employee wages are now running 3.4% ahead of last year's amounts at this time. On the other hand, individual quarterly estimated tax payments are down by 6.7% from last year's level, most likely due to continuing weakness in the stock markets during most of 2002. January estimated payments will provide a clearer indication about whether the GIT is meeting expectations.
- ? **Sales Tax** receipts after three months (this tax is subject to a one month payment lag) total slightly more than \$1.52 billion, up 4.3% from the same period last year. The sales tax target certified for FY 2003 requires growth of 3.0% for the fiscal year. October grew by 7.9%, but that growth rate is misleading, since October of last year had dropped significantly in the aftermath of the September 11 terrorist attacks. October collections in FY 2003 are actually slightly below the collection for October two years ago, suggesting that sales tax collections are weaker than the apparent growth rate.
- ? **Corporation Business Tax (CBT)** collections through the end of October are \$408.9 million, 44% ahead of the same period last year. As was noted in last month's **Snapshot**, this strong growth rate so early in the fiscal year is encouraging, if somewhat surprising. CBT collections are expected to increase 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. A clearer reading on the status of this revenue source is still months away.
- ? In October, **Cigarette tax** revenue surpassed the \$155 million statutory threshold for depositing funds into the off-budget Health Care Subsidy Fund. \$53 million has now been reported as an on-budget revenue, and all receipts for the remainder of this fiscal year will likewise be recorded as an on-budget revenue. Total on- and off-budget cigarette tax revenues equal \$208 million through the end of October, 50% growth over the \$139 million collected by the same time last year. Following the 70 cent per pack tax rate increase effective on July 1, the year-end target rate is 62% growth. Last month the **Snapshot** reported that sales usually lag in the months just after a tax rate increase, and the current growth pattern is consistent with past consumer behavior and not a cause for immediate fiscal concern.

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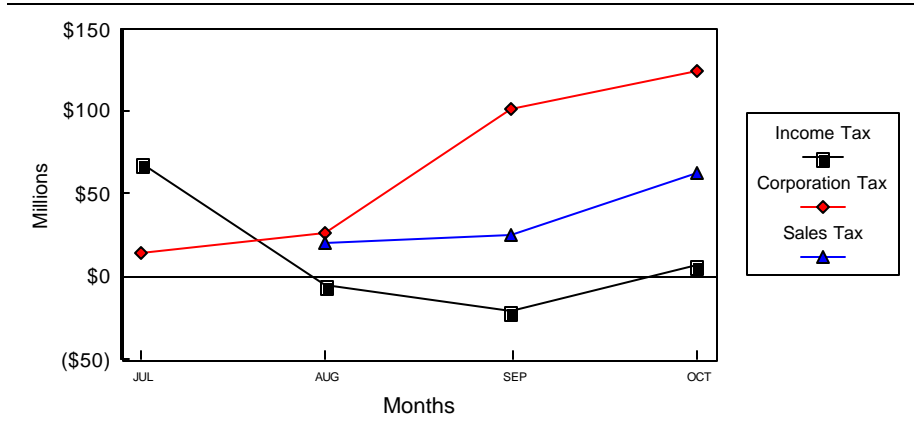
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Selected Year-To-Date Cash Collections (\$ millions)

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	\$1,558.2	\$1,565.9	0.5%	6.7%	\$7,297.5
* SALES TAX	\$1,462.7	\$1,525.2	4.3%	3.0%	\$6,172.0
CORPORATION TAX	\$283.7	\$408.9	44.1%	56.2%	\$1,829.5
LOTTERY	\$235.5	\$243.1	3.2%	2.7%	\$797.0
* MOTOR FUELS	\$128.4	\$134.5	4.8%	2.5%	\$536.0
TRANSFER INHERITANCE	\$198.4	\$163.5	-17.6%	3.8%	\$530.0
(a) CIGARETTE	\$0.0	\$53.2		105.9%	\$487.0
MOTOR VEH FEES	\$126.4	\$168.2	33.1%	4.5%	\$424.9
CASINO	\$121.3	\$124.7	2.8%	4.0%	\$361.8
INSURANCE PREM	\$4.1	\$3.5	-15.3%	-0.3%	\$345.0
* PETROLEUM PRODUCTS	\$56.6	\$55.7	-1.6%	2.3%	\$225.0
* REALTY TRANSFER	\$26.0	\$34.9	34.3%	6.7%	\$96.0
* ALCOHOL EXCISE	\$13.8	\$14.1	2.1%	-2.8%	\$79.0
BANKS & FINANCIAL (CBT)	\$11.5	\$31.6	174.8%	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 three month of cash collections. All others represent four 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).