

OLS Revenue Snapshot

FY 2003 - Through September 2002

- **Mixed Signals From September Revenues.** September quarterly tax payments have now been made by individuals and corporations, but the news is decidedly mixed. Corporation business tax revenues are up sharply, while gross income tax revenues are trailing last year's levels. Overall, 10 of the 14 revenues the OLS tracks each month are running below the growth rates needed to match year-end expectations, while four revenues are running ahead of expectations.
- **Gross Income Tax (GIT)** receipts after the first three months of the fiscal year are almost \$1.1 billion, 1.8% *below* the already depressed level reported for the same time last year. The FY 2003 certified GIT target requires growth of 6.7% over the full fiscal year. Receipts from employer withholding of employee wages are running barely ahead of last year's amounts at this time. The erratic pattern of economic growth is probably retarding growth from taxpayer withholdings. However, individual quarterly estimated tax payments are down by 5.5% from last year's level. On-going weakness in the stock markets during most of 2002 may be causing quarterly estimated payments to continue to perform poorly.
- **Sales Tax** receipts after two months (this tax is subject to a one month payment lag) total slightly more than \$1.0 billion, up 2.6% from the same period last year. The sales tax target certified for FY 2003 requires growth of 3.0% for the fiscal year. The year-to-date performance of this tax will be more accurately gauged next month, after a full quarter of collections is analyzed.
- **Corporation Business Tax (CBT)** collections through the end of September are \$314.2 million, 48% ahead of the same period last year. Even though CBT collections are expected to increase by 56% in FY 2003 as a result of the Business Tax Reform Act, little of that increase was expected to be seen so early in the fiscal year. Most of the increased payments are due in December, April and June. Therefore, this strong growth rate so early in the fiscal year is encouraging, if somewhat surprising. The Treasury notes that increased tax compliance enforcement (audit) activity can explain some of the strong growth at this point in the fiscal year. The OLS does not have access to specific taxpayer data to analyze current tax payments, but will continue to monitor aggregate CBT collections throughout the year.
- Reported **Cigarette tax** revenue is affected by statutory requirements that place the first \$155 million received into the off-budget Health Care Subsidy Fund. Since the \$155 million threshold has not yet been reached, no cigarette tax revenue has been recorded for budget purposes. However, at the end of September, actual collections had reached \$144 million, or about 44% ahead of the approximately \$100 million received by the end of September last year. Because of the 70 cent per pack tax rate increase effective on July 1, total on-budget and off-budget cigarette tax collections are anticipated to reach \$642 million, or 62% growth over last year. While the current growth rate is running behind the year-end target growth rate, sales are likely to pick up later in the year. Typically cigarette consumers accelerate their purchases just before a tax rate increase (the State saw a brief jump in collections in June) and reduce their purchases just after a tax rate increase. The currently lagging growth rate is consistent with past consumer behavior and not a cause for immediate fiscal concern.

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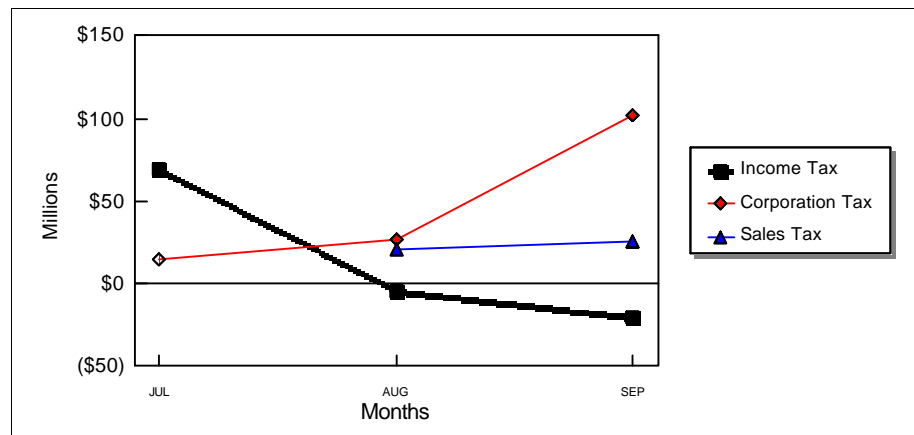
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Selected Year-To-Date Cash Collections (\$ millions)

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	\$1,112.5	\$1,092.1	-1.8%	6.7%	\$7,297.5
* SALES TAX	\$995.6	\$1,021.2	2.6%	3.0%	\$6,172.0
CORPORATION TAX	\$212.7	\$314.2	47.7%	56.2%	\$1,829.5
LOTTERY	\$178.9	\$182.2	1.8%	2.7%	\$797.0
* MOTOR FUELS	\$88.5	\$86.8	-1.9%	2.5%	\$536.0
TRANSFER INHERITANCE	\$145.0	\$106.7	-26.4%	3.8%	\$530.0
(a) CIGARETTE	\$0.0	\$0.0	0.0%	105.9%	\$487.0
MOTOR VEH FEES	\$94.6	\$125.2	32.3%	4.5%	\$424.9
CASINO	\$93.8	\$96.5	2.9%	4.0%	\$361.8
INSURANCE PREM	\$3.8	\$4.4	14.4%	-0.3%	\$345.0
* PETROLEUM PRODUCTS	\$38.6	\$36.8	-4.5%	2.3%	\$225.0
* REALTY TRANSFER	\$19.4	\$23.5	21.3%	6.7%	\$96.0
* ALCOHOL EXCISE	\$15.3	\$11.7	-23.7%	-2.8%	\$79.0
BANKS & FINANCIAL (CBT)	\$10.3	\$26.2	155.1%	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 two month of cash collections. All others represent three 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).