

OLS Revenue Snapshot

FY 2004 - Through September 2003

- **First Quarter Revenues Generally Meeting Expectations.** Collection patterns through September for the State's major tax revenues are close to expectations. However, given the one month reporting lags and other factors implicit in collections to date, it is premature to draw firm conclusions about the overall health of State revenues.
- Three months into the fiscal year, **Gross Income Tax (GIT)** receipts of \$1.12 billion are 2.6% ahead of the same period last year. The year-end certified target requires growth of 4.9%, but both the Executive and the OLS are anticipating slightly slower growth during the first half of the fiscal year and slightly stronger growth during the second half of the fiscal year. Accordingly, the current GIT growth pattern is essentially on target so far this year. Receipts from employer withholding are growing at an encouraging 7.9% rate at this time. Total growth is being held down because individual estimated payments are 3.7% below last year and refund payments are 35.1% above last year.
- **Sales Tax** receipts after two months (September collections are for August activity because this tax is subject to a one month payment lag) total \$1.05 billion, up 2.6% from the same two months last year. The sales tax target certified for FY 2004 requires growth of 4.0% for the fiscal year. Following weak August receipts (down 5.1%), September receipts rebounded by posting an 8.6% growth rate. The OLS cautions that it remains too early in the fiscal year to draw any conclusions about the performance of the sales tax in FY 2004.
- **Corporation Business Tax (CBT)** collections at the end of the 1st Quarter of the fiscal year are at \$380.9 million, or 21.2% above the same period last year. FY 2004 is only the second year under the new CBT payment structure. Since last year's collection patterns were subject to implementation fluctuations, and since certain portions of this revenue are either rolled back or not repeated this year, interpreting collection patterns will be difficult in FY 2004. The accuracy of the certified forecast, a 16.5% decline in collections, will be proven in the latter months of FY 2004.
- Two other revenues appearing to behave contrary to the certified forecasts provide good examples of why it is prudent to be cautious early in any fiscal year. The **transfer inheritance tax** is running 41.2% ahead of the same time last year, but the tax also experienced a very weak 1st Quarter in FY 2003 (down 26.4%), so the year-to-year comparison needs to be made with care. This tax is up a more modest 3.9% compared with two years ago. On the other hand, the **realty transfer tax** was certified to grow by 57.4%, due to the recently enacted tax increase, but actual growth is up only 11.8% so far this year. Implementation of the new tax increase has been subject to some misunderstandings and delays which could be affecting collections at this time (this tax also reflects a one month reporting lag).

Office of Legislative Services
October 16, 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 2004 budget projections.

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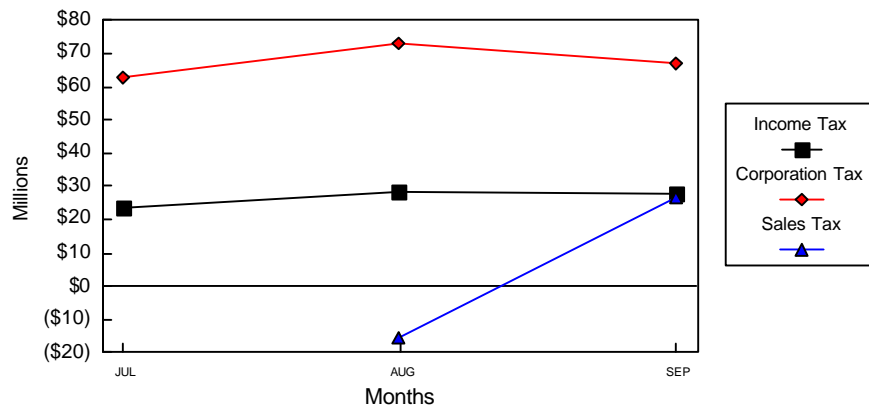
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Selected Year-To-Date Cash Collections (\$ millions)

REVENUE	FY 2003 Actual Year-To-Date	FY 2004 Actual Year-To-Date	Actual Y-T-D Growth %	Certified Year-End Growth % **	Certified Year-End \$ Estimate
INCOME TAX	\$1,092.1	\$1,120.1	2.6%	4.9%	\$7,130.0
* SALES TAX	\$1,021.2	\$1,048.0	2.6%	4.0%	\$6,165.0
CORPORATION TAX	\$314.2	\$380.9	21.2%	-16.5%	\$2,055.0
LOTTERY	\$182.2	\$183.3	0.6%	3.6%	\$793.0
(a) CIGARETTE	\$0.0	\$41.8		32.8%	\$635.0
* MOTOR FUELS	\$86.8	\$95.2	9.7%	2.5%	\$544.0
CASINO	\$96.5	\$109.3	13.3%	29.3%	\$448.0
TRANSFER INHERITANCE	\$106.7	\$150.6	41.2%	-2.8%	\$433.0
INSURANCE PREMIUM	\$4.4	\$2.1	-53.3%	6.7%	\$420.0
(b) MOTOR VEHICLE FEES	\$125.2	\$0.0	-100.0%	-17.2%	\$233.1
* PETROLEUM PRODUCTS	\$36.8	\$32.7	-11.3%	4.9%	\$225.0
* REALTY TRANSFER	\$23.5	\$26.3	11.8%	57.4%	\$172.0
BANKS & FINANCIAL (CBT)	\$26.2	\$28.6	9.1%	1.9%	\$131.0
* ALCOHOL EXCISE	\$11.7	\$14.4	23.2%	-0.1%	\$83.0

**Income Tax
Corporation Tax
and Sales Tax**

**FY04 Over FY03
Actual Year-To-Date
\$ Change**



Sources: Executive revised year-end revenue estimates as certified by the Governor in the FY 2004 Appropriations Act.

FY 2004 Year-To-Date actuals are from Treasury monthly reports.

* Revenues represent two months of cash collections. All others represent three months of cash collections.

** The percentage difference between FY 2004 certified revenue estimates (July, 2003) and preliminary FY 2003 year-end figures reported by 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).

(b) The first \$202 million in motor vehicle fee collections are dedicated to the NJ Motor Vehicle Commission.