

OLS Revenue Snapshot

FY 2002 - Through April 2002

- ! **Revenue Slump Deepens in April.** April was a difficult month for revenue collections in states across the nation and at the federal level, as the "April Surprise" proved to be an unpleasant one. Reports of tumbling revenue receipts, increased taxpayer refunds, and growing budget shortfalls were the rule rather than the exception. For the eighth consecutive month, New Jersey revenue collections fell below the same month a year ago. Including April's 14% decline, major revenues for the first 10 months of FY 2002 are now running 7% below the same period last year. In particular, the income tax and the corporation business tax remain far behind last year's pace.
- ! **Gross Income Tax (GIT)** receipts continue to be the leading cause of the growing revenue shortfall. **April revenue collections fell 25% below April last year, mirroring national trends.** Reflecting the lack of employment growth, withholding of employee wages remained basically flat with last April. However, **final year-end payments for tax year 2001 dropped 26% below last year, refund payments were 16% ahead of last year, and the first quarterly estimated tax payments for tax year 2002 fell 24% below last year.** Final payments and quarterly estimated payments are heavily influenced by non-wage income. The sharp declines in these GIT components provides compelling evidence of the significant impact the stock market decline has had on non-wage income such as capital gains.

Including the sharp revenue drop in April, total GIT collections during the first 10 months of FY 2002 have reached only \$5.5 billion, nearly \$1 billion below the same period last year, a decline of 15%. By comparison, the appropriations act had originally assumed GIT revenues would increase by 7% in FY 2002, the Governor's March revenue revision assumed GIT revenues would decline by 9%, and the OLS's April revenue estimates assumed GIT revenues would decline by 14%. To put the magnitude of the GIT's current decline in perspective, **collections are on track to fall hundreds of millions of dollars below the amount collected two years ago**, in FY 2000.
- ! **Sales Tax** receipts in April, which reflect March sales activity, were down 3% from the same month last year. Through the first nine months of FY 2002, cash receipts are at \$4.36 billion, or **2% above** the same period last year. The revised sales tax forecast assumes over 3% growth by the end of the fiscal year.
- ! **Corporation Business Tax** collections ten months into the fiscal year have reached only \$835 million, **21% below** the same time last year. April's important quarterly tax payments, year-end settlements, and new remittances on behalf of limited liability corporations (LLC's) all performed poorly. With reported collections of only \$52 million, the LLC component alone fell \$168 million below the Treasurer's recently revised estimate of \$220 million, and far below the appropriations act estimate of \$420 million.
- ! The only noteworthy positive revenue news involves the **State Lottery**. Because of a sharp jump in sales spurred by two large *Big Game* prize drawings, Lottery revenues in April nearly doubled last April's collection, topping Treasury's target by about \$35 million. As a result, Lottery collections through the first 10 months are up 12%, compared with a year-end target growth rate of 7%.
- ! New Jersey's **Tax Amnesty** program was launched on April 15 and will run until June 10. The Administration expects to net \$150 million from this effort, above and beyond what might have been received from normal compliance efforts during that period. Only a small amount has been collected thus far, but amnesty programs typically generate the vast bulk of their payments in the last week of the payment period.

**Office of Legislative Services
May 9, 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 2002 budget projections.

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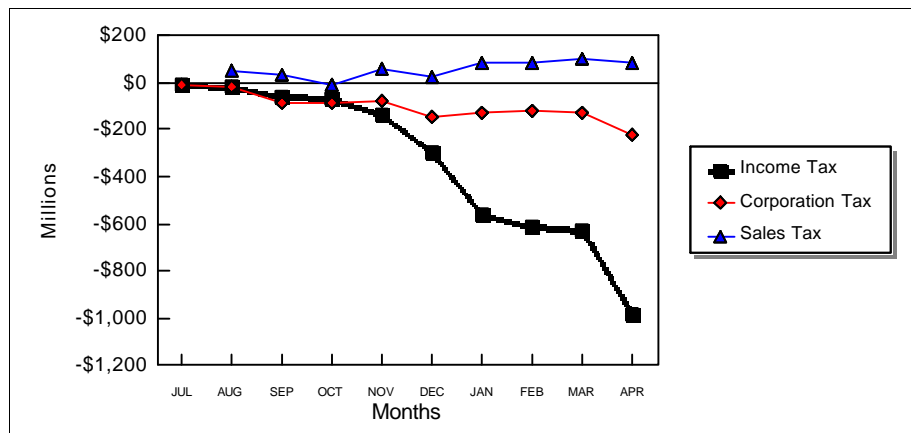
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Selected Year-To-Date Cash Collections (\$ millions)

REVENUE	FY 2001 Actual Year-To-Date	FY 2002 Actual Year-To-Date	Actual Y-T-D Growth %	Revised Year-End Growth % **	Revised Year-End \$ Estimate
INCOME TAX	\$6,484.5	\$5,494.4	-15.3%	-8.7%	\$7,291.0
* SALES TAX	\$4,267.6	\$4,355.0	2.0%	3.3%	\$5,951.0
CORPORATION TAX	\$1,054.0	\$835.2	-20.8%	-20.0%	\$1,112.0
LOTTERY	\$564.6	\$634.6	12.4%	7.1%	\$747.0
* MOTOR FUELS	\$383.2	\$386.5	0.9%	2.4%	\$529.0
TRANSFER INHERITANCE	\$392.2	\$420.6	7.2%	8.4%	\$518.0
MOTOR VEH FEES	\$330.2	\$338.3	2.5%	-11.5%	\$393.4
CASINO	\$281.3	\$288.3	2.5%	1.9%	\$347.0
INSURANCE PREM	\$193.1	\$215.9	11.8%	-0.7%	\$307.0
* PETROLEUM PRODUCTS	\$162.9	\$164.2	0.8%	1.9%	\$220.0
(a) CIGARETTE	\$162.2	\$160.4	-1.1%	-4.1%	\$219.0
* REALTY TRANSFER	\$59.3	\$65.1	9.8%	8.8%	\$86.0
* ALCOHOL EXCISE	\$53.4	\$53.5	0.1%	-4.9%	\$76.0
BANKS & FINANCIAL (CBT)	\$43.9	\$37.6	-14.2%	28.9%	\$67.0

**Income Tax
Corporation Tax
and Sales Tax**

**FY02 Over FY01
Actual Year-To-Date
\$ Change**



Sources: Executive year-end certified revenues are the amounts from the FY 2002 Appropriations Act.

FY 2002 Year-To-Date actuals are from Treasury monthly reports.

* Revenues represent nine months of cash collections. All others represent ten months of cash collections.

** The percentage difference between FY 2002 revised revenue estimates (03/02) and final year-end audit figures released through 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).