

# OLS Revenue Snapshot

FY 2003 - Through December 2002

- ? **December Revenues Include New Tax Payments by Corporations.** State tax revenue collections received a "shot in the arm" as corporations made the first significant payments under the new Business Tax Reform Act. While the State's two largest tax revenues (the sales tax and the income tax) remained below growth rates needed to reach certified year-end targets, corporate tax receipts surged as a payment of 25% of the increased annual tax liability under the law as amended came due.
- ? **Gross Income Tax (GIT)** receipts through six months of Fiscal Year 2003 total \$2.6 billion, 0.8% above the level reported for the same period last year. The certified GIT target requires growth of 6.7% over the full fiscal year. Overall, the GIT has remained within a percentage point above or below last year's totals year-to-date. Indeed, as of this writing midway into January, the cash collections on the State accounting system continue to fall within that range. The implications of this low growth rate are significant, since each percentage point of growth below the year-end target could cost nearly \$70 million in reduced revenues over the course of an entire fiscal year.
- ? **Sales Tax** receipts after five months (this tax is subject to a one month payment lag) total \$2.45 billion, up 1.9% from the same four months last year. The sales tax target certified for FY 2003 requires growth of 2.9% for the fiscal year. Despite a good December (November economic activity), year-to-date growth still lags behind the projected annual growth rate. In an uncertain retail environment, January sales tax receipts from the December holiday shopping season will be critical to achieving the FY 2003 revenue target. Those receipts will be reported next month.
- ? **Corporation Business Tax (CBT)** collections through the end of December are \$868.0 million, 96% ahead of the same period last year. The certified CBT forecast is for 56% growth in FY 2003. As has been discussed regularly in the *Revenue Snapshot*, most of the increased payments from the Business Tax Reform Act are due in December, April and June. Strong growth early in the fiscal year was encouraging and December's exceptionally robust collections inspire confidence that the CBT will experience significant growth in receipts in FY 2003. Lacking access to specific taxpayer returns, the OLS cannot break out details of which components of the tax are performing best. But given the new law's requirement that corporations must pay 25% of their annual tax liability in December, this month's receipts bode well for the April and June payments.

*Office of Legislative Services  
January 16, 2003*

**Special Notice for December Report:** Because the Department of the Treasury has not yet reported revenue collection data for the month of December, this *Revenue Snapshot* has been prepared by the Office of Legislative Services using OLS's best estimate of December cash receipts. OLS monitors revenue activity in the State's financial accounting system on a daily basis, but to avoid confusion, the OLS utilizes the State Treasurer's announcement of "official" monthly totals for the various tax and other revenue sources in preparing that month's *Revenue Snapshot*. In the absence of such announcement for December, OLS believes that the information reported in this *Snapshot* is a reasonable extrapolation and interpretation of December's revenue trends.

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.

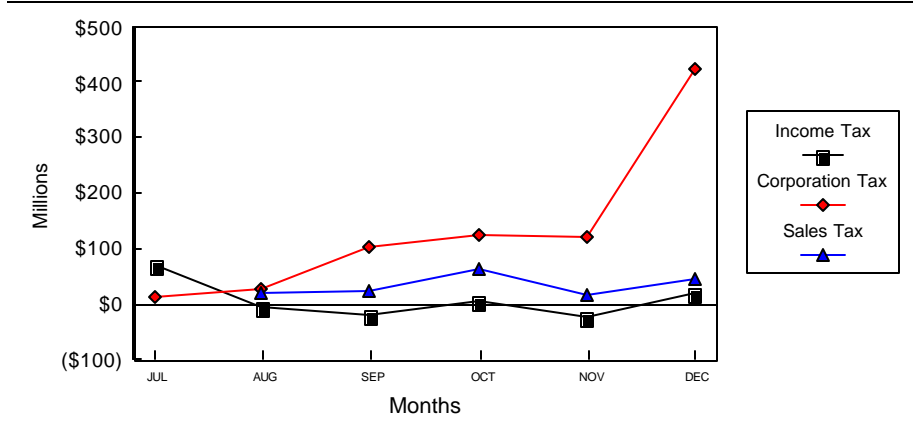
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Selected Year-To-Date Cash Collections (\$ millions)

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	\$2,588.2	\$2,610.0	0.8%	6.7%	\$7,297.5
* SALES TAX	\$2,402.7	\$2,449.0	1.9%	2.9%	\$6,172.0
CORPORATION TAX	\$443.3	\$868.0	95.8%	56.2%	\$1,829.5
LOTTERY	\$346.1	\$360.0	4.0%	5.6%	\$797.0
* MOTOR FUELS	\$219.2	\$224.0	2.2%	2.3%	\$536.0
TRANSFER INHERITANCE	\$276.1	\$236.0	-14.5%	3.8%	\$530.0
(a) CIGARETTE	\$44.0	\$161.0	265.6%	106.2%	\$487.0
MOTOR VEH FEES	\$178.2	\$220.0	23.5%	5.1%	\$424.9
CASINO	\$174.4	\$175.0	0.3%	4.0%	\$361.8
INSURANCE PREM	\$6.4	\$6.8	6.1%	-0.2%	\$345.0
* PETROLEUM PRODUCTS	\$92.9	\$92.9	0.0%	2.4%	\$225.0
* REALTY TRANSFER	\$39.7	\$50.8	28.0%	6.7%	\$96.0
* ALCOHOL EXCISE	\$26.2	\$27.3	4.3%	-2.8%	\$79.0
BANKS & FINANCIAL (CBT)	\$26.0	\$44.0	69.2%	24.9%	\$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 estimated based on amounts in the NJ Comprehensive Financial System.

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

\*\* The percentage difference between FY 2003 certified revenue estimates (June, 2002) and audited FY 2002 year-end figures reported by 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).