

# OLS Revenue Snapshot

FY 2002 - Through January 2002

- **Treasurer Announces \$2.5 Billion Reduction in the FY 2002 Revenue Forecast.** On January 28th State Treasurer John McCormac announced that the State revenues for FY 2002 certified by Acting Governor DiFrancesco last summer need to be revised downward. The updated forecast consisted of a \$1.4 billion reduction in the gross income tax, a \$307 million reduction in the sales tax, a \$618 million reduction in the corporation business tax, and unspecified reductions of about \$200 million in other revenue sources. Taken together, these reductions total \$2.5 billion. However, until a complete list of the recertified revenues is released, the OLS will continue to show the comparison with the original certified targets on the second page of the **Snapshot**.
- **Major Revenues Continue to Lag Last Year's Pace.** Seven months into FY 2002, two of the State's top three revenues, the gross income tax and the corporation business tax, continue to fall well behind the FY 2001 collections over the same period of time. As a result, total collections for the State's major revenues are running about **6% below** last year's pace, and even farther behind the FY 2002 budget targets.
- **Gross Income Tax (GIT)** receipts after the first seven months of FY 2002 are just under \$3.7 billion, **13% below** the same period last fiscal year. The certified revenues assumed 7% growth by the end of the year, while the Treasurer's new projection assumes an 11% decline. Significantly, quarterly estimated tax payments are **down 28%** from the same period last year. Taxpayers with sizable amounts of **non-wage income**, such as capital gains, must make these quarterly tax payments, and the sharp decline is consistent with the end of the stock market boom. Employer withholding of employee wages, which constitutes about two-thirds of GIT revenues, is **down 5%** so far this fiscal year. Seasonally adjusted State employment figures are down only 0.4% since peaking 10 months ago, so the decline in withholding may have more to do with income declines from bonuses and from most kinds of stock options, which are both subject to withholding.
- **Sales Tax** receipts through the first six months are at just over \$3.0 billion, or 2.8% above the same period last year. The certified revenues assumed over 6% growth by the end of the year, while the Treasurer's new projection assumes about 1% growth. January receipts, which reflect December sales activity and quarterly settlement payments, were up a strong 10% over the same month last year.
- **Corporation Business Tax (CBT)** collections seven months into the fiscal year have reached only \$476 million, **22% below** the same time last year. The certified revenues assumed about 33% growth by the end of the year, after including revenues from a tax change on limited liability corporations (LLC's). The Treasurer's new CBT projection assumes an 11% decline even with the LLC revenue.

**Office of Legislative Services**  
**February 11, 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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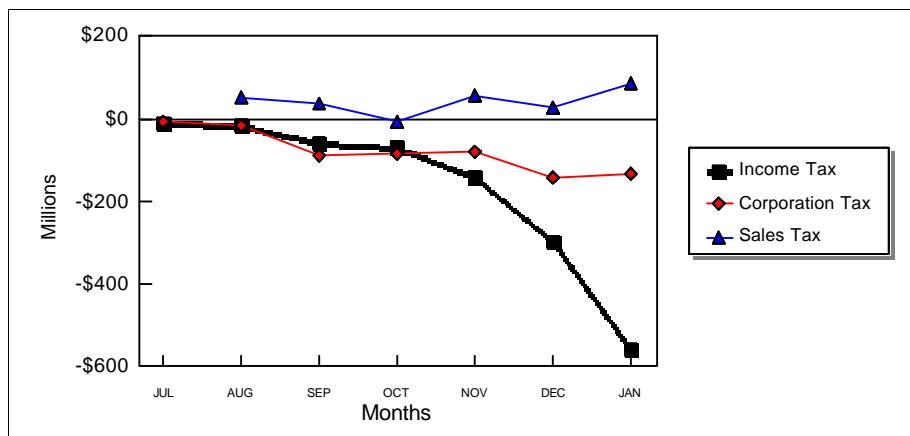
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Selected Year-To-Date Cash Collections (\$ millions)

REVENUE	FY 2001 Actual Year-To-Date	FY 2002 Actual Year-To-Date	Actual Y-T-D Growth %	Certified Year-End Growth % **	Certified Year-End \$ Estimate
INCOME TAX	\$4,213.1	\$3,652.8	-13.3%	7.0%	\$8,545.2
* SALES TAX	\$2,943.8	\$3,027.6	2.8%	6.6%	\$6,137.0
CORPORATION TAX	\$607.3	\$476.1	-21.6%	33.4%	\$1,854.1
LOTTERY	\$397.4	\$410.0	3.2%	9.7%	\$765.0
TRANSFER INHERITANCE	\$290.7	\$315.1	8.4%	13.0%	\$540.0
* MOTOR FUELS	\$261.9	\$261.9	0.0%	4.0%	\$537.0
MOTOR VEH FEES	\$225.7	\$217.6	-3.6%	-10.7%	\$396.8
CASINO	\$198.7	\$202.5	1.9%	5.5%	\$359.4
INSURANCE PREM	\$11.0	\$6.7	-38.8%	-2.0%	\$303.0
* PETROLEUM PRODUCTS	\$110.2	\$111.5	1.2%	3.8%	\$224.0
(a) CIGARETTE	\$75.8	\$75.2	-0.7%	-3.2%	\$221.0
* REALTY TRANSFER	\$43.8	\$44.1	0.7%	10.0%	\$87.0
* ALCOHOL EXCISE	\$43.5	\$45.2	3.8%	2.6%	\$82.0
BANKS & FINANCIAL (CBT)	\$35.0	\$26.9	-23.3%	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 six months of cash collections. All others represent seven months of cash collections.

\*\* The percentage difference between FY 2002 certified revenue estimates (06/01) 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).