

OLS Revenue Snapshot

FY 2004 - Through January 2004

- **Executive Increases Revenue Estimates for FY 2004; Collections Remain on Target.** With the release of the Governor's Budget message for FY 2005, the Executive has also established new revenue targets for FY 2004. Budgeted revenues are now expected to total \$24.4 billion this fiscal year, \$384 million more than had been certified when the current appropriations act was signed into law last July. Most significantly, the estimates for each of the "Key Three" major taxes were increased -- the income tax (up \$110 million); the sales tax (up \$70 million); and the corporation tax (up \$192 million) -- accounting for nearly all of the net revenue increase. Through January, collections for the major taxes are consistent with these revised estimates. The OLS will present its revenue estimates to the two budget committees at the beginning of April.
- **Gross Income Tax (GIT)** receipts of \$3.86 billion are 6.7% ahead of the same seven month period last year, slightly below the Executive's revised growth rate of 7.5% needed to achieve the FY 2004 revenue target. Receipts from employer withholding of wages are up 8.4% so far this fiscal year, maintaining strong growth. Estimated quarterly tax payments by individuals may also have turned a corner after declining most of the last two and a half years. Combined December and January estimated payments were up 5.1% over the same months last year, pulling the year-to-date growth rate to 1.1%.
- **Sales Tax** receipts after six months (January collections are for December activity because this tax is subject to a one month payment lag) total \$3.20 billion, up 4.9% from the same period last year. The Executive's revised sales tax target for FY 2004 requires growth of 5.0% for the fiscal year. January receipts increased by 7.7% over last January. These collections represent the receipts from the important holiday shopping period and are consistent with national retail sales reports that indicated a surge in holiday sales activity at the very end of December.
- Seven months into the fiscal year, **Corporation Business Tax (CBT)** collections are at \$1.09 billion, or 19.2% above the same period last year. The Executive's revised year-end forecast projects an 11.0% decline in collections, as certain provisions of last year's CBT reforms expire or produce less revenue in the second half of FY 2004. In addition, the OLS notes that certain corporate refund payments had been delayed in recent months, but that refund processing has apparently surged ahead during February. As a result, the current 19.2% growth rate is artificially high and will decline with the completion of the next month of tax revenue activity.
- The recent pattern of sharply rising **Realty Transfer Tax** collections continued in January. Total receipts of \$104.1 million are now 78.7% ahead of the same point last year, ahead of even the Executive's recent upward revision to 71.1% in the growth rate necessary to reach the year-end target. The real estate market shows few signs of slowing down.

Office of Legislative Services
February 26, 2004

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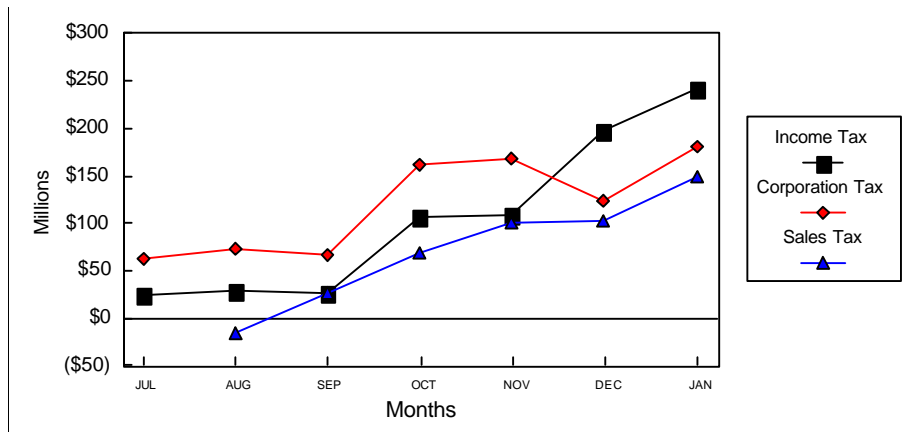
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Selected Year-To-Date Cash Collections (\$ millions)

REVENUE	FY 2003 Actual Year-To-Date	FY 2004 Actual Year-To-Date	Actual Y-T-D Growth %	Revised Year-End Growth % **	Revised Year-End \$ Estimate
INCOME TAX	\$3,622.1	\$3,863.2	6.7%	7.5%	\$7,240.0
* SALES TAX	\$3,053.6	\$3,202.7	4.9%	5.0%	\$6,235.0
CORPORATION TAX	\$913.0	\$1,088.6	19.2%	-11.0%	\$2,247.0
LOTTERY	\$422.0	\$431.4	2.2%	3.2%	\$790.0
(a) CIGARETTE	\$210.7	\$299.2	42.0%	24.3%	\$595.0
* MOTOR FUELS	\$266.8	\$272.9	2.3%	1.7%	\$540.0
TRANSFER INHERITANCE	\$268.2	\$328.9	22.7%	14.5%	\$510.0
CASINO	\$203.7	\$251.4	23.4%	32.5%	\$459.0
INSURANCE PREMIUM	\$5.7	\$14.8	159.7%	15.2%	\$430.0
(b) MOTOR VEHICLE FEES	\$240.3	\$32.0	-86.7%	-20.9%	\$233.1
* PETROLEUM PRODUCTS	\$112.5	\$105.4	-6.3%	-4.4%	\$205.0
* REALTY TRANSFER	\$58.2	\$104.1	78.7%	71.1%	\$187.0
BANKS & FINANCIAL (CBT)	\$53.3	\$56.2	5.4%	9.0%	\$140.0
* ALCOHOL EXCISE	\$44.6	\$46.5	4.3%	3.5%	\$86.0

**Income Tax
Corporation Tax
and Sales Tax**

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



Sources: Executive revised FY 2004 year-end revenues as presented by the Governor in the FY 2005 Budget proposal. FY 2004 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 2004 revised revenue estimates (February 2004) and FY 2003 year-end figures reported by the NJ Comprehensive Annual Financial Report (CAFR, December 2003).

(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.