

OLS Revenue Snapshot

FY 2004 - Through November 2003

- **"Steady as She Goes"**. Solid year-to-date growth in the State's three largest tax sources through November suggests that the two-year slide in budgeted tax revenues will end this fiscal year. As the Winter season begins -- with its important holiday sales tax collections and quarterly payments for the income tax and corporation business tax -- we await indicators of whether the revenue growth that was assumed for the fiscal year 2004 budget will be realized or exceeded. While it is too early to celebrate a recovery, it does appear that the fiscal hemorrhage has come to an end.
- Five months into the fiscal year, **Gross Income Tax (GIT)** receipts of \$2.11 billion are 5.5% ahead of the same period last year, slightly below the revised growth rate of 5.9% needed to achieve the FY 2004 revenue target. Receipts from employer withholding have grown by 9.4% over last year's level. Individual estimated payments are running 5.0% behind FY 2003. The continued strength in withholding collections from primarily wage income is encouraging. Meanwhile, the December and January period will provide additional information about the pattern of non-wage income, as certain taxpayers make year-end payments and file their quarterly estimated payments.
- **Sales Tax** receipts after four months (November collections are for October activity because this tax is subject to a one month payment lag) total \$2.08 billion, up 5.0% from the same period last year. The sales tax target certified for FY 2004 requires growth of 4.0% for the fiscal year. The last three months have seen very good collections increases, as each month reported growth rates of no less than 6.9%. Holiday sales activity should be well underway at this time, but tax revenues from these sales will not be known until early February, when collections are reported.
- **Corporation Business Tax (CBT)** collections five months into the fiscal year are at \$594.3 million, or 38.9% above the same period last year. The accuracy of the certified year-end forecast, a 16.5% decline in collections, will be proven in the latter months of FY 2004, as certain provisions of last year's major CBT reforms are due to decline or expire. However, quarterly payments due in December may provide an early indication of how long the strong rate of growth may continue.
- **Realty Transfer Tax** collections began FY 2004 with growth rates well below the 57.4% growth rate necessary to reach the year-end budgeted target. Implementation of the new tax rate increase was subject to some misunderstandings and delays. However, receipts in October and November have surged well ahead of last year's pace, pulling the year-to-date growth rate after four months (like the sales tax, the realty tax is subject to a one month payment lag) to 54.6%. Low mortgage interest rates appear to still be encouraging strong home resales.

Office of Legislative Services
December 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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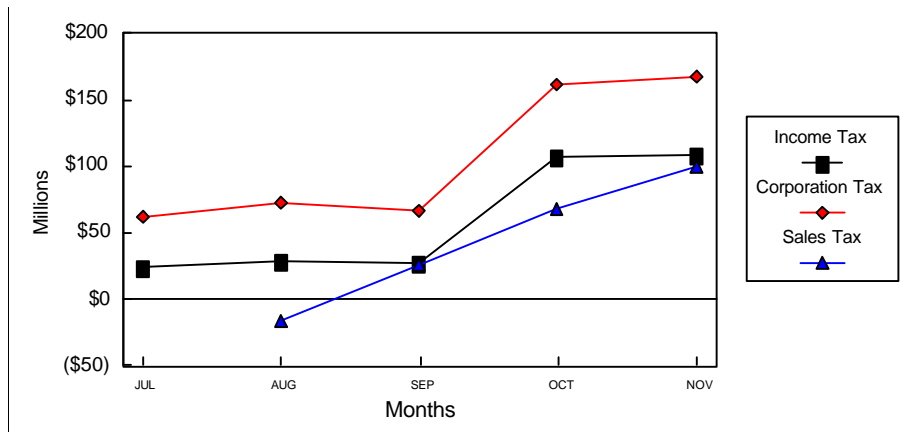
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Selected Year-To-Date Cash Collections (\$ millions)

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	\$1,999.7	\$2,108.9	5.5%	5.9%	\$7,130.0
* SALES TAX	\$1,980.4	\$2,080.2	5.0%	4.0%	\$6,165.0
CORPORATION TAX	\$428.0	\$594.3	38.9%	-16.5%	\$2,055.0
LOTTERY	\$301.7	\$301.6	0.0%	3.6%	\$793.0
(a) CIGARETTE	\$103.7	\$174.8	68.5%	32.8%	\$635.0
* MOTOR FUELS	\$178.5	\$178.1	-0.2%	2.5%	\$544.0
CASINO	\$152.1	\$185.0	21.6%	29.3%	\$448.0
TRANSFER INHERITANCE	\$186.7	\$249.5	33.7%	-2.8%	\$433.0
INSURANCE PREMIUM	\$6.4	\$7.9	23.3%	12.5%	\$420.0
(b) MOTOR VEHICLE FEES	\$190.4	\$0.0	-100.0%	-17.2%	\$233.1
* PETROLEUM PRODUCTS	\$73.7	\$70.6	-4.2%	4.9%	\$225.0
* REALTY TRANSFER	\$43.6	\$67.5	54.6%	57.4%	\$172.0
BANKS & FINANCIAL (CBT)	\$32.2	\$33.9	5.1%	1.9%	\$131.0
* ALCOHOL EXCISE	\$23.1	\$23.8	3.2%	-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 four months of cash collections. All others represent five 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.