

OLS Revenue Snapshot

FY 2004 - Through October 2003

- **Revenue Growth Continues.** Four months into FY 2004, nine of the 14 revenues the OLS tracks on a monthly basis in the *Snapshot* are growing at rates greater than the rates necessary to reach the Executive's certified year-end targets.
- After the first four months of the fiscal year, **Gross Income Tax (GIT)** receipts of \$1.67 billion are 6.9% ahead of the same period last year, compared to a revised growth rate of 5.9% needed to achieve the FY 2004 revenue target. Receipts from employer withholding, which have grown by 11.3% over last year's level, continue to spur the positive results in GIT receipts. Individual estimated payments, running 5.1% behind FY 2003, remain a downward pull on revenue growth. The strong GIT growth pattern for FY 2004 is evident even when controlling for accounting adjustments that produced a \$55 million spike in reported October withholding receipts and an equivalent drop in FY 2003 final receipts (this also caused an upward adjustment of 1% in the FY 2004 target growth rate).
- **Sales Tax** receipts after three months (October collections are for September activity because this tax is subject to a one month payment lag) total \$1.59 billion, up 4.5% from the same period last year. The sales tax target certified for FY 2004 requires growth of 4.0% for the fiscal year. September and October receipts posted very encouraging 8.6% and 8.3% growth rates respectively, mirroring some good national reports of retail sales growth. Economists have suggested that the strong retail sales were fueled by the distribution federal tax refunds in August.
- **Corporation Business Tax (CBT)** collections four months into the fiscal year are at \$570.1 million, or 39.4% above the same period last year. FY 2004 is only the second year under the new CBT payment structure. As the OLS noted last month, the accuracy of the certified forecast, a 16.5% decline in collections, will be proven in the latter months of FY 2004. Last year's collection patterns were subject to implementation fluctuations, and since certain portions of this revenue are either rolled back or not repeated this year, interpreting collection patterns will be difficult in FY 2004.
- On-budget **Cigarette Tax** collections have reached \$115.2 million through the end of October. More importantly, **total** on- and off-budget cigarette tax receipts, which include \$155 million dedicated to the Health Care Subsidy Fund, have reached \$270.2 million compared to \$208.2 million at the same time last year, an increase of 29.8%. For the second fiscal year in a row FY 2004 began with an increase in the cigarette tax rate. Reflecting this increase, the FY 2004 certified year-end target for on- and off-budget collections is \$790 million, or 24.8% above the total FY 2003 collection of \$633 million. Since cigarette sales typically slip most in the months just after a tax increase, it is very encouraging that the year-to-date growth rate, only 4 months after the July 1 tax rate increase, is already ahead of the growth rate needed to reach the certified target.

Office of Legislative Services
November 17, 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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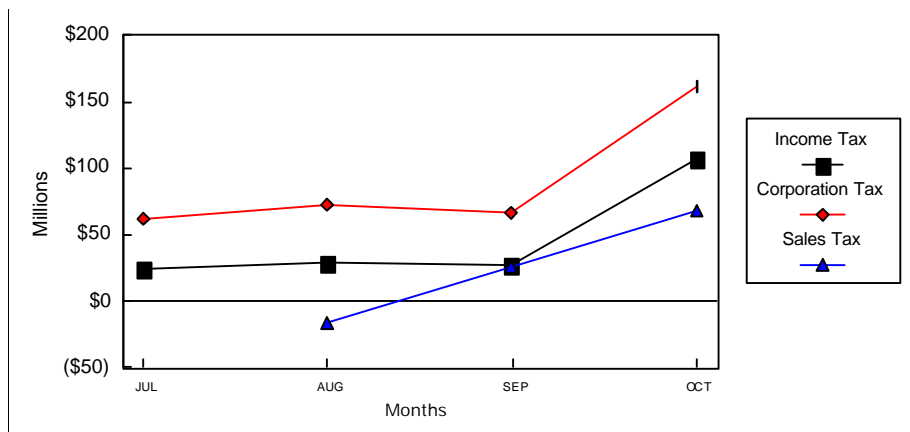
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Selected Year-To-Date Cash Collections (\$ millions)

| 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 | \$1,565.9 | \$1,673.7 | 6.9% | 5.9% | \$7,130.0 |
| * SALES TAX | \$1,525.2 | \$1,593.8 | 4.5% | 4.0% | \$6,165.0 |
| CORPORATION TAX | \$408.9 | \$570.1 | 39.4% | -16.5% | \$2,055.0 |
| LOTTERY | \$243.1 | \$243.3 | 0.1% | 3.6% | \$793.0 |
| (a) CIGARETTE | \$53.2 | \$115.2 | 116.4% | 32.8% | \$635.0 |
| * MOTOR FUELS | \$134.5 | \$141.2 | 5.0% | 2.5% | \$544.0 |
| CASINO | \$124.7 | \$147.2 | 18.1% | 29.3% | \$448.0 |
| TRANSFER INHERITANCE | \$163.5 | \$209.2 | 27.9% | -2.8% | \$433.0 |
| INSURANCE PREMIUM | \$3.5 | \$5.5 | 57.3% | 12.5% | \$420.0 |
| (b) MOTOR VEHICLE FEES | \$168.2 | \$0.0 | -100.0% | -17.2% | \$233.1 |
| * PETROLEUM PRODUCTS | \$55.7 | \$49.8 | -10.6% | 4.9% | \$225.0 |
| * REALTY TRANSFER | \$34.9 | \$47.2 | 35.3% | 57.4% | \$172.0 |
| BANKS & FINANCIAL (CBT) | \$31.6 | \$32.7 | 3.4% | 1.9% | \$131.0 |
| * ALCOHOL EXCISE | \$14.1 | \$14.7 | 4.7% | -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 three months of cash collections. All others represent four 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.