

# OLS Revenue Snapshot

FY 2002 - Through September 2001

- **Major Revenues Running Behind Last Year's Collections.** Three months into the new fiscal year, eight of the State's nine largest major revenues are running behind their year-end target growth rates, including all of the "Big Three" taxes. Indeed, the gross income tax and the corporation business tax actually failed to match last year's first quarter collections.
- **The Events of September 11.** There is considerable uncertainty and speculation about the State revenue impact of the September 11 terrorist attack in New York City. Clearly there were negative short-term repercussions from the immediate fall-off in business, consumer, and travel activity. However, the revenue sluggishness that characterized the first quarter of FY 2002 is only marginally impacted by the attack. Major economic indices such as employment, corporate profits, and stock values were depressed well before September 11. Moreover (as noted below), sales tax revenues reported thus far do not reflect *any* receipts from sales made in the month of September. Quarterly corporate payments and quarterly estimated personal tax payments were due on September 15, and most of those payments should not have been affected by the fallout from events in Manhattan. Although there is undoubtedly some drag on corporate and individual tax payments recorded through the end of September because of State-granted filing extensions, it would be a mistake to attribute all or even most of the ongoing weakness in State revenue collections to the events of September 11.
- **Gross Income Tax (GIT)** receipts at the end of the first quarter of the fiscal year are at \$1.1 billion, or about 5.0% *below* the same period last fiscal year. The certified year-end target requires GIT growth of about 6.6% for the year. This is the first time since FY 1996 that the first quarter has posted declining receipts. Weak collections are occurring both in monthly income tax withholding payments, which are down 0.2% and in the first quarterly estimated tax payments, which are down 11.8%. Weak withholding data reflect the sagging job market and will be further affected in the coming months due to anticipated reductions in bonuses and the likely evaporation of the exercising of stock options (which are subject to withholding as regular income). Falling quarterly estimated payments may reflect taxpayer adjustments to declining non-wage income such as capital gains.
- **Sales Tax** receipts after two months (this tax is subject to a one month reporting lag, so September collections are for August activity) are at \$995.6 million, or 3.7% above the same period last year. The certified year-end target for this revenue requires growth of about 6.2% for the year. Moreover, since September collections are reported to the State in October, next month's sales tax revenues will be affected by the reported national drop in retail sales and slowing general economic activity following the terrorist attack.
- **Corporation Business Tax (CBT)** collections through the end of the first quarter are only \$212.7 million, *down* a sharp 29.2% compared to the same time last year. The certified year-end target for the CBT requires a growth rate of 38.9% overall. Most of this growth is anticipated to occur in the spring, as the Executive anticipates \$420 million in receipts from certain limited liability corporations (LLC's) under legislation passed during the summer (P.L.2001, c.136). Nevertheless, first quarter payments are so low that they raise concerns about the CBT's baseline collections in addition to the potential revenue from the LLC's.

*Office of Legislative Services  
October 15, 2001*

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.

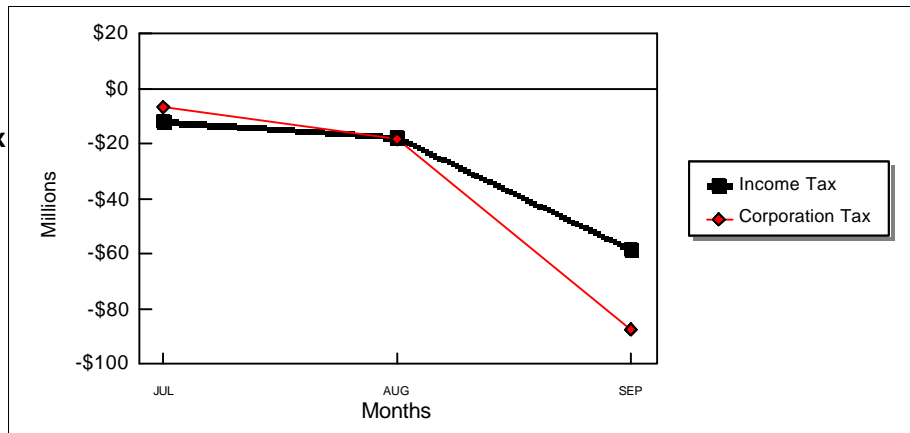
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Selected Year-To-Date Cash Collections (\$ millions)

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 Revised Est
INCOME TAX	\$1,171.2	\$1,112.5	-5.0%	6.6%	\$8,545.2
* SALES TAX	\$959.7	\$995.6	3.7%	6.2%	\$6,137.0
CORPORATION TAX	\$300.4	\$212.7	-29.2%	38.9%	\$1,854.1
LOTTERY	\$168.8	\$178.9	6.0%	7.3%	\$765.0
TRANSFER INHERITANCE	\$127.4	\$145.0	13.8%	13.7%	\$540.0
* MOTOR FUELS	\$86.6	\$88.5	2.2%	2.7%	\$537.0
MOTOR VEH FEES	\$94.7	\$94.6	0.0%	0.2%	\$396.8
CASINO	\$95.7	\$93.8	-2.0%	4.1%	\$359.4
INSURANCE PREM	\$7.3	\$3.8	-47.1%	1.0%	\$303.0
* PETROLEUM PRODUCTS	\$37.0	\$38.6	4.1%	3.2%	\$224.0
(a) CIGARETTE	\$0.0	\$0.0	0.0%	-1.8%	\$221.0
* REALTY TRANSFER	\$15.9	\$19.4	22.1%	8.7%	\$87.0
* ALCOHOL EXCISE	\$13.2	\$15.3	15.7%	2.5%	\$82.0
BANKS & FINANCIAL (CBT)	\$16.4	\$10.3	-37.5%	11.7%	\$67.0

**Income Tax  
and Corporation 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 two months of cash collections. All others represent three months of cash collections.

\*\* The percentage difference between FY 2002 certified revenue estimates (06/01) and final year-end estimated figures released by the Executive in June, 2001.

(a) The first \$155 million in cigarette tax collections are deposited into the Health Care Subsidy Fund (P.L.1997, c.264).