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New York City Independent Budget Office

Fiscal Brief

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Tax Revenue Update: Dimmer for 2003, But a Little Brighter in 2004-2006

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SUMMARY

The tax revenue picture has dimmed in the five months since the Mayor and City Council adopted the budget for 2003, the current fiscal year. With the benefit of hindsight, it is now clear that last spring's forecast that the recovery of the local and national economies would be well underway by early winter was too optimistic. With the U.S. economy showing mixed signs and the local economy essentially stagnant, IBO now projects that tax revenues for this fiscal year will fall $226 million short of the estimate in the Adopted Budget.

- The personal income tax (PIT) and the corporate income tax account for most of the $226 million shortfall in anticipated revenue for this year. Revenues from all taxes are now expected to total $22.6 billion.
- Much of the $162 million shortfall in PIT revenue reflects the continuing difficulties in the securities industry and the bear stock market, which has reduced employment and capital gains income for many New Yorkers.
- The $161 million shortfall in corporate income taxes results largely from the decline in corporate profits, particularly those in the securities industry, as well as anticipated losses stemming from last year's federal stimulus bill.
- These shortfalls are partially offset by stronger than anticipated growth in the mortgage recording and real property transfer taxes, which together will net $124 million more than previously projected.

The picture becomes brighter over the next few years. For 2004 through 2006, IBO expects tax revenues to slightly *exceed* the projections made when adopting the current budget. Economic growth at the local level is expected to resume by the middle of calendar year 2003.

- Fueled by the resumption of growth in personal income taxes, tax revenues are forecast to reach $24.2 billion in fiscal year 2004, 7.0 percent above the 2003 total.
- Despite the resumption of growth, PIT revenues will remain well remain below the levels estimated when this year's budget was adopted for each year through 2006.
- In contrast, IBO's forecasts for sales and property taxes in 2004 and beyond exceed the projections made at adoption.
- Tax revenue will grow at an annual average rate of 4.7 percent in 2005 and 2006.

OVERVIEW

The city's Adopted Budget tax revenue forecasts were crafted in a period of guarded optimism that the city had weathered the worst of the local recession and that the local economy would begin to grow by the end of calendar year 2002. Outside of the securities sector, employment was expected to pick up by the end of this year. Securities industry profits, thanks in part to firms shedding thousands of jobs and slashing bonuses, were expected to rise by over 25 percent to $12.8 billion for 2002. The outlook for 2003 was for somewhat stronger growth in employment, earnings, and local output.

Current data indicate that while employment losses have slowed, there is little evidence of recovery. Furthermore, gyrations in the equity markets and the slow pace of the investment banking business have lowered the outlook for 2002 profits of Wall Street firms to $8.1 billion, as well as the outlook for securities employment. With economic recovery now expected to be delayed until 2003, IBO projects that tax revenues for the current fiscal year will fall $226 million short (1.0 percent) of the estimate in the Adopted Budget.

Despite this shortfall in the forecast for this year, on a year-over-year basis, IBO expects tax revenues to grow by 4.6 percent in 2003 to $22.6 billion; this growth follows the 7.1 percent *fall* in tax revenues from 2001 to 2002. Tax revenues are expected to show stronger growth in 2004 (7.0 percent higher than in 2003) and then grow at an average annual rate of 4.7 percent in 2005 and 2006. IBO's forecasts for 2004 on are slightly above those in the 2003 Adopted Budget. If these forecasts hold, additional tax revenue shortfalls will not add to the already large budget gaps in the city's financial plan. On the other hand, IBO sees little reason to expect a resurgence in revenue growth that would help to close those gaps.

For fiscal year 2003, the largest revenue shortfalls are in the cyclically sensitive personal income tax (PIT), $162 million below the Adopted Budget, and general corporation tax (GCT), $161 million below. Although both taxes are expected to grow from their depressed 2002 levels, the delay in economic recovery is resulting in slower growth than was anticipated last June. These shortfalls are offset somewhat by stronger than anticipated growth in the mortgage recording tax (MRT) and the real property transfer tax (RPTT); current forecasts for the two taxes combined are $124 million above the Adopted Budget. The strength of these taxes has been fueled by low interest rates and the boom in housing sales, which may be ending. The forecasts for the real property tax and sales taxes for 2003 are little changed from adoption, although both are expected to exceed the previous projections for next year.

ECONOMIC REVIEW

Economic update. Recent data for the national and local economies are not very encouraging. At the national level, the Bureau of Labor Statistics recently reported that U.S. payroll employment fell by 5,000 between September and October (after seasonal adjustment), the second consecutive month of loss. The unemployment rate inched up to 5.7 percent from 5.6 percent in September. The Department of Commerce reported that consumer spending, which had been sustaining the economy, was also down in September.

At the local level, the New York City Comptroller reported a loss of 5,300 jobs between August and September (after seasonal adjustment), following losses in the two previous months. Overall, payroll employment for September was down 89,600 (2.4 percent) from a year earlier.

Economic outlook. IBO's forecasts for the national and local economies are generally pessimistic for the near term, but more optimistic beginning in late 2003 and for 2004. Rebounds in the local and national economies are expected to occur later than previously forecasted, but they should be stronger when they arrive as a result of the delay.

The national economy is expected to grow slowly through early next year and then expand more strongly in late 2003 and early 2004. IBO expects inflation-adjusted gross domestic product (GDP) to grow at a rate of 3.1 percent in 2003 and then 3.8 percent in 2004, before tapering off to an average of 3.2 percent in 2005 and 2006. Similarly, IBO projects anemic growth in payroll employment through the end of this year, resulting in a 0.8 percent loss for 2002, but then slow growth in 2003 (1.0 percent) and strong growth in 2004 (2.3 percent), before dropping again to 1.5 percent per year in 2005 and 2006. Corporate profits are expected to grow 5.3 percent in 2003 and 6.7 percent in 2004, and then taper off to an average of 2.5 percent per year in 2005 and 2006. The forecast for the S&P 500 Index is for growth to resume, but not to levels of the late 1990s. IBO expects the S&P 500 Index to grow by 11.8 percent in 2003 and 10 percent in 2004 before tapering off to an average of 5 percent in 2005 and 2006.

Although New York City's job losses remain proportionately greater than losses for the U.S., IBO now expects the city's economy to track the national economy more closely than was forecast last spring. IBO projects gains in service sector employment that will more than offset losses in securities, manufacturing, and construction in 2003 and thus produce a net gain of 24,200 jobs (0.7 percent) for the year. For 2004, IBO projects considerably stronger employment growth—a gain of 71,200 jobs (2.0 percent)—but then moderate growth of 49,400 jobs (1.3 percent) for 2005 and slower growth of 35,600 jobs (0.9 percent) in 2006. These gains will fall far short of the job growth the city experienced in the late 1990s. From 1997 to 2000, payroll employment gains averaged 88,500 jobs (2.5 percent growth) per year. IBO does not expect the city to regain its 2000 employment peak until 2005.

IBO Economic Forecast November 2002

	2001	2002	2003	2004	2005	2006
National Economy						
Real GDP Growth	0.3	2.3	3.1	3.8	2.9	3.4
Non-farm Employment Growth	0.2	-0.8	1.0	2.3	1.6	1.3
Inflation Rate (CPI-U)	2.8	1.5	1.9	2.3	2.4	2.4
Personal Income Growth	1.3	1.8	1.8	2.4	2.3	2.5
Unemployment Rate	4.8	6.0	6.1	5.7	5.4	5.2
10-Year Treasury Bond Rate	5.0	4.9	5.3	5.9	5.8	5.9
Federal Funds Rate	3.9	1.7	2.7	5.0	5.3	5.1
NYC Economy						
Non-farm New Jobs (thousands)	-20.4	-82.3	24.2	71.2	49.4	35.6
Employment Growth	-0.5	-2.2	0.7	2.0	1.3	0.9
Inflation Rate (CPI-U-NY)	2.6	1.9	2.1	2.4	2.5	2.5
Personal Income ($ billions)	309.5	313.0	325.0	341.7	357.1	373.4
Personal Income Growth	2.9	1.1	3.8	5.1	4.5	4.6
Manhattan Office Rents ($/sq. ft.)	59.8	56.8	59.0	61.4	63.4	65.5

SOURCE: IBO.
NOTES: All rates reflect year-over-year percentage changes except for unemployment, 30-year Treasury Bond, and Federal Funds Rate. The local price index for urban consumers (CPI-U-NY) covers the New York /Northern New Jersey region. Personal income is nominal.

IBO anticipates the composition of payroll employment in New York City to continue its current shift away from relatively high-paying jobs in securities and toward other service sector jobs—a change with significant implications for the New York City economy and budget. As of September, employment in the securities industry was down by 21,200 from last year, and several major firms in the financial industry—including JP Morgan Chase, Merrill Lynch and Goldman Sachs—have since announced plans to possibly cut more jobs. IBO does not expect the securities industry to add jobs until the fourth quarter of 2003, and employment gains are expected to average just 2,200 in 2004 and 2005. IBO's forecast for securities employment in 2005 is 176,200, almost 15,000 fewer jobs than the August 2001 peak of 190,600.

Other measures of local economic activity are expected to exhibit patterns similar to employment. IBO forecasts a jump in the annual growth rate for nominal personal income from 1.1 percent this year to 3.8 percent in 2003, another jump to 5.1 percent in 2004, but then a drop to 4.5 percent. The forecast for wages and salaries is similar—with a peak of 6.2 percent growth in 2004. The inflation forecast remains mild at 2.1 percent next year, and 2.4 to 2.5 percent in 2003-2006. Profits in the securities industry are expected to be $8.1 billion this year, which is 37 percent lower than the $12.8 billion assumed by the Bloomberg Administration at budget adoption and less than half their peak level of $21 billion in 2000. Office vacancy rates are expected to drop slightly in 2004, but remain near their current levels. Asking rents are expected to rise just slightly.

PROPERTY TAX

Background. The property tax remains the city's single largest revenue stream with $9.0 billion expected for fiscal year 2003. It is also one of the city's most stable revenue sources. The limits on assessment changes built into the city's property tax law mean that assessments and revenues rarely have sharp year-to-year swings. Instead, even sharp changes in property markets only gradually affect property tax receipts, although they eventually gain momentum over several years. IBO expects property tax revenues to slightly exceed the Adopted Budget level for 2003, with a somewhat larger excess expected in 2004. Revenues are now expected to total $9.5 billion in 2004 and $10.3 billion by 2006. Assessments and bills are already determined when the fiscal year begins, so IBO's slightly higher forecast for 2003 is attributable to small differences regarding collections rather than changes in assessed values. The larger differences from the Adopted Budget forecasts in 2004 through 2006 are due to IBO's somewhat more optimistic forecast of property values and assessments.

IBO Tax Revenue Forecast vs 2003 Adopted Budget

Millions of dollars; fiscal years

	2003	2004
Property	24	142
Personal Income	(162)	(75)
General Sales	35	81
General Corporation	(161)	(67)
Unincorporated Business	(86)	(73)
Banking Corporation	13	22
Real Property Transfer	63	40
Mortgage Recording	61	53
Hotel Occupancy	(4)	(15)
Commercial Rent	0	6
Other taxes, audits, and PILOTs	(9)	(7)
Total Difference	(226)	106
Percentage Change	-1.0%	0.4%

SOURCE: IBO

Market value outlook. The value of houses and apartments has continued to show surprising strength in the face of the local recession. After growing by 13.7 percent during calendar year 2000 and 13.5 percent during 2001, the Department of Finance's estimated market value for one-, two-, and three-family houses (Tax Class 1) is expected to grow by a still substantial 6.8 percent in calendar year 2002. The delayed economic recovery will begin to have a greater effect in 2003, however, when market value is projected to fall by 2.8 percent. A slow rebound is expected by 2004 with value growing by 2-3 percent in subsequent years. The value of coops and condos, particularly in Manhattan, has also continued to rise even as the economy has contracted, although there is some evidence that prices, particularly for high-end apartments, are now softening. The outlook is for slower growth in 2003 through 2005.

The values of rental apartment buildings in Manhattan, Manhattan office buildings, and other commercial properties, which are largely determined by the income from operating the buildings, are expected to decline during calendar year 2002 by 3.6 percent, 5.4 percent, and 6.3 percent, respectively. Manhattan office buildings, faced with declining demand due to job losses in the FIRE (financial, insurance and real estate) and business services sectors, are expected to see a further decline in value in 2004.

Pipeline of assessments buoys levy. Market values are only the first step in determining property tax liabilities. Tax bills are based on assessed values, which are a different percentage of the market value for each tax class. In Tax Class 2 (apartment buildings including most coops and condos) and Tax Class 4 (non-residential property), year-to-year assessment charges are phased in over five years, which helps sustain revenues even if market value growth slows or turns negative. IBO projects that on the 2004 assessment roll there will be a backlog of nearly $10 billion in assessment increases from the past four years remaining to be phased in. Thus, when 2004 and 2005 assessments are pulled down in response to the expected market value declines in calendar years 2002 and 2003, the pipeline of earlier increases will keep the assessment subject to tax (billable assessed value) growing, albeit at a diminishing rate. IBO expects billable assessed value to grow by 5.2 percent for 2004, followed by 3.8 percent for 2005 and 3.7 percent for 2006.

Total property tax revenues are determined by other factors in addition to the level of assessments, including the current year delinquency rate, prior year collections, the level of tax abatements, refunds, and the ultimate tax rates set by the City Council. IBO's forecast of property tax revenues assumes that the Council continues the informal freeze in the average tax rate since 1992. With sustained growth in the local economy now not expected until later in 2003, IBO's forecast assumes a slightly higher delinquency rate and a small decrease in prior year collections.

PROPERTY TRANSFER TAXES

Despite the city's current economic downturn, revenues from the mortgage recording tax and the real property transfer tax continue to grow. Home sales and mortgage refinancing have been particularly strong, helped by low interest rates and the attractiveness of real property as an investment as the values of other holdings shrink. From fiscal years 2002 to 2003, the two taxes are projected to increase from $902 million to $935 million.

Background. The MRT and RPTT are revenue sources levied on commercial and residential real estate transactions. The RPTT is levied directly on the sale price and is typically paid by the seller. The MRT is levied on the mortgage used to finance the purchase (usually the sale price less the down payment) and is paid by the buyer. While mortgage refinancing is usually subject to the MRT, it is exempt from the RPTT, as no transfer of property is involved. Sales of coop apartments are subject to the RPTT but are exempt from the MRT because coop financing loans are not technically mortgages.

IBO Tax Revenue Forecast

Millions of dollars; fiscal years

	2002	2003	2004	2005	2006	Average Change
Property	8,761	9,025	9,459	9,856	10,272	4.06%
Personal Income	4,469	4,774	5,368	5,846	6,271	8.84%
General Sales	3,360	3,611	3,785	3,979	4,154	5.45%
General Corporation	1,330	1,348	1,551	1,551	1,547	3.85%
Unincorporated Business	790	789	867	881	910	3.57%
Banking Corporation	320	358	428	422	420	7.06%
Real Property Transfer	425	480	494	538	541	6.21%
Mortgage Recording	477	455	446	482	516	1.99%
Hotel Occupancy	184	213	228	256	272	10.26%
Commercial Rent	380	370	385	402	415	2.23%
Other taxes, audits, and PILOTs	1,130	1,195	1,194	1,199	1,197	1.45%
Total Taxes	21,627	22,619	24,205	25,412	26,515	5.23%
growth		4.59%	7.01%	4.99%	4.34%	

SOURCE: IBO.
NOTE: Personal income tax includes Transitional Finance Authority dedicated revenue.

MRT forecast. IBO projects that MRT revenue will fall from its all time record of $477 million in 2002 to $455 million in 2003. The 2002 figure is somewhat inflated by a few extraordinary transactions. Although the 2003 forecast is for a nominal decline, revenues are still expected to be more than 12 percent above the average levels of 1999-2001, which had been the previous high-water marks. IBO expects MRT revenue to decline slightly again in 2004, falling to $446 million as interest rates are projected to begin to rise in the second half of calendar year 2003. Higher rates will dampen refinancing and home purchasing decisions even as economic recovery results in stronger property markets. Stronger employment growth in calendar year 2004 is expected to help push MRT revenue growth in the last years of the plan period. In 2005, revenues are projected to increase to $482 million, and continue their growth rate in 2006 to a total of $516 million.

RPTT forecast. The strength of local property markets in calendar year 2002 have pushed RPTT collections well above what was anticipated in the Adopted Budget for 2003. Even as growth in the markets slows a bit in coming months, IBO expects RPTT collections to remain strong and result in total revenue of $480 million for the current fiscal year, 13 percent above 2002 and $63 million above the Adopted Budget. IBO's forecast that interest rates will rise is not expected to have an adverse effect on RPTT revenues, which are projected to continue growing, although at a slower pace, to $494 million in 2004. By 2006, revenues are expected to reach $541 million.

PERSONAL INCOME TAX

Background. The personal income tax is levied on the incomes of city residents. It consists of a base rate plus a surcharge. By 2003, a series of tax cuts in the last several years is expected to leave PIT collections 20 percent less than what they would have been in the absence of the cuts. Until tax year 1999, commuters were also taxed on income earned in the city, albeit at a much lower rate, and PIT receipts have been further reduced by the elimination of the commuter tax.

Revenues in recent years. The sharp decline in PIT receipts this past year resulted from changes in national and local economic conditions. PIT liabilities are highly sensitive to employment and incomes of residents, especially those with high incomes. These New Yorkers account for a large share of local income and realize significant capital gains during a bull market on Wall Street; many of them also work for securities firms and receive much of their pay in the form of large year-end bonuses.

Both the prolonged economic expansion and Wall Street boom, which together swelled PIT revenue by an annual average of 6.2 percent from 1998 to 2001 in spite of substantial tax cuts, had come to an end by the beginning of 2002. The slowdown in employment growth evident by the summer of 2001 turned into a decline after the World Trade Center attack. The deteriorating employment outlook was compounded by a slump on Wall Street, which resulted in a reversal of fortune for many investors and an estimated 30 percent decline in securities industry bonus compensation. By the end of fiscal year 2002, PIT receipts totaled $4.5 billion, 22.2 percent less than the $5.7 billion collected in 2001.[1] The extent of the PIT decline had not been foreseen prior to last spring, when taxpayers filed their returns for calendar year 2001; relatively few city residents made final payments with their returns and many received substantial refunds because they had overpaid their liability through withholding collections and estimated payments during the year.

Revenues in the current year. While there have not been any further shocks to New York City in the last 12 months in any way comparable to the events of September 11, 2001, the city's short-term economic outlook has not improved significantly. Local employment is beginning to grow again, but only very modestly, and the persistence of the bear market on Wall Street is expected to result in another sharp decline in securities industry bonuses and further depress capital gains. Still, IBO projects that PIT revenue will increase to almost $4.8 billion in 2003. Receipts of PIT withheld by employers will account for most of the increase, largely resulting from the reversion in calendar year 2002 of the surcharge to its full, 14 percent rate. Quarterly estimated payments made by the self-employed and those with substantial financial portfolios, however, will remain low relative to the payments received from 1998 to 2001, as will payments made with final returns for calendar year 2002. This forecast is $162 million less than projected in the budget adopted last June.

The forecast for 2004 and beyond. Both the national and local economies are expected to begin improving substantially by the end of calendar year 2003. Local income and employment growth, projected to be particularly strong in calendar year 2004, will significantly boost PIT collections. We expect the PIT to grow by a robust (though hardly unprecedented) 12.4 percent in 2004 and reach $5.4 billion, with projected increases in withholding, estimated payments, and final returns payments. In spite of the strong growth expected after 2003, the 2004 forecast is lower than what had been expected last spring: $165 million less than IBO's May forecast and $75 million lower than estimated at the time the budget was adopted.

For the final two years of the financial plan, PIT revenue is projected to grow by a healthy annual average of 8.1 percent, and in each year receipts are expected to exceed the record-high $5.7 billion collected in 2001. At $5.8 billion and $6.2 billion for 2005 and 2006 respectively, our projections are slightly lower—$19 million on average—than estimated in the Adopted Budget.

BUSINESS INCOME TAXES

The sensitivity of New York City's business income taxes to profits and employment on Wall Street is reflected in the steep drop-off ($540 million) in collections in fiscal year 2002 and the limited recovery ($56 million) forecast for 2003. The business tax relief provided to aid economic recovery after last year's September 11 attack will also limit the growth in 2003. A stronger rebound in 2004 will be followed by almost flat revenue growth in 2005 and 2006.

General corporation tax. General corporation tax revenues show particular volatility: after jumping 25.0 percent ($355 million) in 2000, slipping 2.5 percent ($44 million) in 2001, and plunging 23.4 percent ($405 million) in 2002, IBO expects GCT revenues to inch up by just 1.4 percent ($18 million) in 2003. IBO's 2003 forecast is $161 million below the projection in the Adopted Budget. GCT revenues will rebound more strongly in 2004, growing 15.1 percent ($203 million), but virtually no growth is forecast for 2005 and 2006. Thus in the latter year GCT collections will still be well below the levels reached in 2000 and 2001.

Unincorporated business and banking taxes. Both the unincorporated business tax (UBT), which relies heavily on legal services, and the banking corporation tax (BCT) are expected to recover somewhat more strongly than the GCT from the collections declines in 2002. The BCT, subject to gyrations that do not necessarily coincide with fluctuations in current bank earnings, is forecast to jump 12 percent in 2003 and another 19.4 percent in 2004, more than offsetting the 25 percent drop in collections in 2002.

The UBT, which fell only slightly in 2002, is projected to grow slightly in 2003 and to surpass its previous peak in 2004. With modest growth averaging 2.5 percent in 2005 and 2006, UBT revenues in the latter year will reach $910 million.

Post-9/11 tax relief. As noted above, business tax collections will be impacted in 2003 and thereafter by federal tax relief provisions enacted after the attack on the World Trade Center. The tax relief has two components: a 30 percent bonus depreciation provision applying to all businesses regardless of where they are located, and "Liberty Zone" exemptions for firms in a swath of downtown Manhattan. IBO estimates that these programs would reduce city business income tax collections by about $185 million per year in 2003-2006 (except 2004, when the cost would dip to $155 million). However, by decoupling from the federal bonus depreciation rule on investment outside the Liberty Zone, the city's estimated cost will be trimmed to $96 million in 2003 and $72 million in 2004. Decoupling will have virtually no impact on the cost of providing business relief in 2005 and will *increase* the net cost of tax relief to $239 million in 2006. This increase results from the fact that while the federal bonus depreciation provision will allow businesses to frontload capital replacement costs and reduce reported net income in 2003 and 2004, those are costs that otherwise would have been expensed in 2006 (and beyond). Thus, while decoupling lets the city avoid the initial negative revenue impact from the bonus depreciation provision, it will cost the city the subsequent positive revenue impact that results from depreciation having been accelerated from later years to earlier years.

GENERAL SALES TAX

After a $300 million drop in sales tax collections in 2002, IBO projects that the rebound in the local economy will recoup $250 million in 2003 (a 7.5 percent increase) and grow by an additional $180 million (4.8 percent) per year over the next three years (2004-2006). The forecast resiliency in the sales tax is partly a function of the relatively transient impact of September 11 on residents' disposable income, the partial revival of tourism and business travel, the bottoming out of the bear market losses in household wealth early in the current fiscal year, and an expected moderate pick-up in taxable business and personal service sales. It should be noted, however, that a continuation of the slide in consumer confidence—spurred by concerns over investor losses in the stock markets and the possibility of a war in the Middle East—could curtail household spending and unravel the projected recovery in sales tax revenues.

HOTEL OCCUPANCY TAX

Background. The hotel occupancy tax, which is levied in addition to city and state general sales taxes on hotel room charges, has been one of the city's fasting growing sources of tax revenues. Hotel tax receipts grew by an average of 15 percent annually from fiscal years 1995 to 2001, to reach $242 million. This revenue growth was fueled by the nation's prolonged economic expansion, growth in other countries that generally invigorated travel, and by factors such as the well-publicized drop in New York City's crime rate and several tax cuts that made New York a relatively more attractive destination for tourists.

But from 2001 to 2002, hotel occupancy tax receipts plunged 24 percent—to $184 million—the combined effect of the national recession, which hampered both business and leisure travel, and the events of September 11, which made many visitors, particularly foreign tourists, apprehensive about traveling to New York City. Many hotels slashed their room rates in an effort to fill rooms, which in turn further depressed hotel tax receipts since the tax is roughly proportional to room rent.

Outlook for tourism and hotel tax revenue. Recent figures on hotel occupancy rates suggest that the city has been able to recover a large portion of the tourism it formerly enjoyed, though a sluggish recovery from the recession, declines in consumer confidence, a sharp fall-off in the number of foreign visitors and lower average room rates will constrain revenue. IBO projects that hotel tax revenue will equal $213 million in 2003—15.6 percent greater than in 2002 but still 12.0 percent less than in 2001. This forecast is about $4 million less than the Adopted Budget estimate.

With faster economic growth expected at the end of calendar year 2003, IBO predicts that hotel tax revenues will continue to increase by an average of 8.6 percent annually after 2003, and by 2005 hotel tax receipts will surpass the record set in 2001. At $256 million in 2005 and $272 million in 2006, IBO's forecasts are roughly equal to the Adopted Budget estimates.

END NOTES

[1] These and other collection figures reported in this section are net of refunds and include PIT revenue dedicated to the Transitional Finance Authority.