



Peter Franchot
Comptroller

May 25, 2011

Honorable Martin O'Malley
Governor of Maryland
State House
Annapolis, Maryland 21401

Honorable Thomas V. "Mike" Miller, Jr.
President, Senate of Maryland
State House
Annapolis, Maryland 21401

Honorable Michael E. Busch
Speaker, Maryland House of Delegates
State House
Annapolis, Maryland 21401

Dear Governor, President and Speaker:

April's general fund revenues of \$1.638 billion were 9.6% above last April's collections. For the fiscal year to date, general fund collections total \$10.179 billion, an increase of 7.6% from this time last year. Excluding the general fund distribution of highway user revenues, new this fiscal year, revenues increased 7.1% in April and have grown 4.7% for the fiscal year. With the bulk of the income tax filing season in the books, it appears increasingly likely that the full-year general fund revenue forecast will be exceeded. Most of the revenue components that are overperforming, however, relate to tax year 2010 activity; collections reflecting current activity, such as income tax withholding and the sales tax, are either at or below expectations.

Individual Income Tax

General fund individual income tax collections increased 8.2% for the month, and are now up 5.3% for the fiscal year. Final income tax payments—collections remitted with tax returns—increased 29% in April, bringing growth for the full fiscal year to more than 21%. At \$1.082 billion, receipts are over the full-year forecast by almost \$50 million. Another \$75 million to \$100 million or more will be collected over the last two months of the fiscal year; final payments will likely finish the fiscal year 10% or more above the estimate of \$1.033 billion. After a record March, individual income tax refunds declined 1.7% in April. Refunds are now down 4.2% on the fiscal year. Based on year-to-date performance and historical processing patterns for May and June, refunds are likely to finish the fiscal year below the forecast.

Estimated income tax payments for the first quarter, due in April, increased 7.8%. Growth for the fiscal year is 5.0%, running ahead of the 1.0% decline in estimated payments in the forecast. Income tax withholding was down 2.3% for the month, with one fewer deposit day than last April. With employment nearly stagnant since the start of the fiscal year but wages increasing, withholding has increased 4.0%, in line with the full-year forecast. Payments from fiduciaries were \$21.9 million in April, an increase of 14.4%, and are now \$2.3 million over the full-year estimate at \$46.6 million.

Although over \$2 billion of gross receipts are yet to be collected, it seems quite likely the individual income tax will exceed its general fund forecast for fiscal year 2011. The surprise relates largely to final payments and refunds—activity related to tax year 2010—and, to a lesser extent, to estimated payments. Income tax

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withholding, which is the bulk of income tax payments and which, along with estimated payments, reflects current activity, appears likely to finish the fiscal year right around the estimate.

Corporate Income Tax

General fund corporate income tax collections grew 11.3% in April, and have increased 1.1% for the year. Quarterly estimated payments for most taxpayers are due in April, as are final payments for many taxpayers. Estimated payments, about two-thirds of April's gross receipts, increased 2.0%, while final payments declined 2.7%. Refunds, however, fell over 50%, resulting in growth of net receipts of 10.4%.

Sales Tax

General fund sales tax collections declined 2.2% in April (March sales), the first decline since March of last year. Sales tax gross receipts increased a healthy 8.3% last April, the first month of growth since June of 2010, and the start of the first period of sustained growth since late 2008. In addition to the comparison to a strong month, sales tax growth has been adversely affected by high gas prices—March was the first month with gas prices consistently over \$3.00. Preliminary figures indicate that tax receipts from consumer spending were down 1.4% for the month, and utility-related receipts were down almost 5%. For the fiscal year, general fund receipts have increased 3.7%, while the full-year forecast calls for growth of 5.0%. Three months of collections remain for fiscal year 2011; at this point it seems likely that revenues will fall several tens of millions of dollars short of the forecast.

Lottery

Lottery sales were down 3.5% for the month, but a drop in prize payouts from 64.5% to 58.3% resulted in general fund revenue growth of 17%. All major games saw sales declines except for instant tickets, the largest game, but substantial reductions in prize payouts led to revenue growth of almost 30% from Pick 3 and almost 150% from Pick 4. For the year, sales are up 0.7%, with revenues growing a modest 3.6%. The strongest games are Pick 4, boosted by the largest swing in prize payouts, and Powerball, which was not in play for all of fiscal year 2010.

Other Revenues

Quarterly estimated payments are due in April for the franchise tax and insurance premium tax. Altogether, franchise taxes increased almost 21% in April, boosted by a 37% increase in estimated payments likely arising from safe harbor calculations. Business filing fees, included with franchise taxes, increased a strong 5.8%. For the year, franchise tax collections themselves are up 8.8%, while filing fees have increased 3.6%. Premium tax collections were down slightly, and are down slightly for the year. All other revenues save the estate and inheritance taxes and miscellaneous revenues declined for the month. Miscellaneous revenue growth came primarily from the Department of Health and Mental Hygiene (\$9.5 million more than last April) and the Maryland State Department of Education (\$8.0 million), while revenues from uninsured motorist penalties (\$3.0 million lower than last year) and the Department of Public Safety and Correctional Services (\$1.0 million) subtracted from growth.

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I hope this information is helpful. If you have any questions, please do not hesitate to contact me or David F. Roose, Director of the Bureau of Revenue Estimates.

Sincerely,

A handwritten signature in black ink that reads "Peter Franchot". The signature is written in a cursive style with a prominent loop at the end of the last name.

Peter Franchot
Comptroller

cc: Treasurer Nancy K. Kopp
Secretary T. Eloise Foster
Senator Edward J. Kasemeyer
Senator Nancy Jacobs
Delegate Norman H. Conway
Delegate Sheila E. Hixson
Delegate Anthony J. O'Donnell
Warren G. Deschenaux
Linda L. Tanton
Len N. Foxwell

State of Maryland General Fund Source Revenue Collections
Fiscal Year 2011 (April)
Summary Report
(\$ in thousands)

	April			Year to Date		
	FY 2011	FY 2010	Growth	FY 2011	FY 2010	Growth
General Fund Receipts						
Individual Income Tax	952,021	880,211	8.2%	5,149,015	4,888,513	5.3%
Corporate Income Tax	85,616	76,928	11.3%	441,186	436,579	1.1%
Sales Tax	311,261	318,123	-2.2%	2,707,075	2,610,255	3.7%
Lottery	50,622	43,267	17.0%	417,921	403,468	3.6%
Franchise Tax	56,672	46,960	20.7%	150,773	141,056	6.9%
Premium Tax	51,244	51,673	-0.8%	212,559	214,403	-0.9%
Estate and Inheritance Tax	12,713	10,180	24.9%	169,678	138,851	22.2%
Alcohol / Tobacco	34,376	35,979	-4.5%	331,978	330,233	0.5%
Court Revenues	10,246	10,411	-1.6%	100,173	104,252	-3.9%
Interest	1,836	(1,708)	-207.5%	54,750	39,983	36.9%
Highway User Revenues	36,795			258,832		
Miscellaneous	34,939	22,642	54.3%	185,295	156,161	18.7%
Total	1,638,342	1,494,666	9.6%	10,179,235	9,463,753	7.6%
Individual Income Tax Detail						
Withholding	877,168	897,836	-2.3%	8,636,269	8,300,327	4.0%
Estimated	178,695	165,719	7.8%	1,107,720	1,054,968	5.0%
Final / Fiduciary	775,545	603,553	28.5%	1,128,390	930,246	21.3%
Gross Receipts	1,831,407	1,667,108	9.9%	10,872,379	10,285,541	5.7%
Refunds	(549,103)	(558,443)	-1.7%	(2,271,539)	(2,372,031)	-4.2%
Net Receipts	1,282,305	1,108,665	15.7%	8,600,841	7,913,510	8.7%
Corporate Income Tax Detail						
Estimated	84,250	82,577	2.0%	514,801	500,241	2.9%
Final	39,584	40,669	-2.7%	288,099	334,713	-13.9%
Gross Receipts	123,833	123,246	0.5%	802,901	834,954	-3.8%
Refunds	(8,719)	(18,962)	-54.0%	(191,802)	(242,067)	-20.8%
Net Receipts	115,114	104,284	10.4%	611,099	592,888	3.1%
Lottery Sales	152,092	157,534	-3.5%	1,431,573	1,421,220	0.7%

Income tax receipts are shown before distributions to the local reserve fund and to/from the refund reserve fund for the individual income tax, and before distributions to the Transportation Trust Fund, Higher Education Investment Fund, and to/from the refund reserve fund for the Corporate Income Tax.