



**Peter Franchot**  
Comptroller

October 10, 2008

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:

General fund revenues for the month of September totaled \$1.314 billion. For the fiscal year to date, general fund collections are \$2.476 billion (see attached table). Adjusted for tax law changes, revenues have grown under 1%. As you know, the Board of Revenue Estimates adopted an exceedingly weak revenue forecast for fiscal year 2009, and collections to date have fallen below those pessimistic expectations.

It is also important to note that the September figures do not take the extraordinary events of recent days into account. The global economic crisis that has frozen our nation's credit markets, driven the Dow Jones Industrial Average to its lowest levels in five years, and threatened the financial futures of America's working families and retirees will have a severe and far-reaching effect on the Maryland economy. However, it will take weeks and possibly months for the full magnitude of these events to manifest themselves in Maryland revenue collections.

#### *Individual Income Tax*

General fund individual income tax receipts for the month of August increased 8.6% to \$631.3 million. Collections have grown 3.3% for the year. Withholding increased 10.5% for the month (with two more deposit days which, all else equal, adds about 10 percentage points of growth). Year to date collections are up 2.8%. Estimated income tax payments, due in September for the third quarter of the calendar year, increased 9.7% to \$407.1 million. Some or all of that growth is due to the fact that taxpayers are supposed to reflect the income tax brackets enacted during the 2007 Special Session in their estimated payments. Final payments increased 9.7% for the month but are down 2.5% for the year, while refunds were up 52% for the month but are down 2.4% for the year. Final payments and refunds both are small dollar amounts until the income tax filing season, and few if any conclusions can be drawn from these figures. Altogether, however, the individual income tax is performing slightly behind expectations.

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### *Corporate Income Tax*

General fund corporate income tax receipts in September increased 18.8%, and for the full fiscal year growth is 39%. The strong growth does not reflect current economic circumstances. It is driven, rather, by extraordinarily high levels of corporate refunds last year. For the month, refunds declined over 70%, and they are down nearly 50% for the year. Corporate income tax receipts in September include quarterly estimated payments for most corporations. For the month, estimated payments increased 17.3%, and they have grown 16.1% for the year. Adjusting for the increase in the corporate income tax rate from 7% to 8.25%, however, growth is only 1.2% for the month and 0.5% for the year—a figure much more aligned with current performance. Final payments received in September declined 6.5%, and they are down 11% year to date. Gross receipts have increased 9.7% on the year. Corporate income tax collections are lagging expectations through this point in the year.

### *Sales Tax*

General fund sales tax receipts grew 14.4% in September (August sales), and are up 13.8% for the year (two months of collections). After adjusting for the rate increase and the new distribution of sales tax revenue to the Transportation Trust Fund, revenues for the two months combined declined less than one percent. While obviously very weak, this represents the best two-month performance since November and December of last year, and sales taxes are running slightly ahead of expectations. There is no reason to believe, however, that August and September results indicate a turning point in sales tax collections.

### *Lottery*

Lottery sales grew 1.1% in September and have declined 0.5% for the year (three months of sales). Mega Millions sales, which are dependent on large jackpots, are down 21%. There was no Countdown to Millions game, which generated over \$5 million in sales, as there was last year. The only strong performer is Multimatch, which is up over 10%, although it is the second smallest game. Instant tickets, which were a primary driver of growth last year, are up 4.3% for the year. Revenues are down 13% as a result of the drop in Mega Millions sales and due to an increase in prize payouts for Pick 3 and Pick 4—revenues for which are down 26% and 36%, respectively.

### *Other Revenues*

Other revenues are generally performing at or slightly behind expectations. Quarterly estimated payments for the franchise taxes and insurance premium tax are due in September. Both showed increases of several percentage points, as expected. Tobacco taxes, up 64% for the month and 50% for the year, are running slightly ahead of expectations. A Medicare cost recovery settlement with the federal government has resulted in an additional \$6.4 million of general fund revenues. There were no anomalous developments in remaining revenue sources.

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Also attached to this letter is a table showing fiscal year 2009 general fund revenue collections through August. I hope this information is helpful. If you have any questions or concerns, 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, appearing to read "Peter Franchot". The signature is fluid and cursive, with a prominent loop at the end of the last name.

Peter Franchot  
Comptroller

cc: Treasurer Nancy K. Kopp  
Secretary T. Eloise Foster  
Senator Ulysses Currie  
Senator David R. Brinkley  
Delegate Norman H. Conway  
Delegate Sheila E. Hixson  
Delegate Anthony J. O'Donnell  
Warren G. Deschenaux  
Linda L. Tanton  
David Weaver

**State of Maryland General Fund Source Revenue Collections**  
**Fiscal Year 2009 (September)**  
**Summary Report**  
(\$ in thousands)

	September			Year to Date		
	FY 2009	FY 2008	Growth	FY 2009	FY 2008	Growth
<b>General Fund Receipts</b>						
Individual Income Tax	631,339	581,331	8.6%	1,279,340	1,238,481	3.3%
Corporate Income Tax	126,330	106,346	18.8%	133,896	96,484	38.8%
Sales Tax	324,347	283,498	14.4%	645,609	567,178	13.8%
Lottery	35,699	38,570	-7.4%	99,220	113,951	-12.9%
Franchise Tax	37,528	36,123	3.9%	42,306	40,744	3.8%
Premium Tax	66,860	65,359	2.3%	71,731	69,862	2.7%
Death Taxes	14,726	15,244	-3.4%	54,387	50,417	7.9%
Alcohol / Tobacco	38,496	24,593	56.5%	87,400	60,146	45.3%
Court Revenues	16,060	10,092	59.1%	36,375	38,668	-5.9%
Interest	5,295	3,178	66.6%	(11,807)	(25,623)	-53.9%
Miscellaneous	17,460	9,652	80.9%	37,580	39,552	-5.0%
<b>Total</b>	<u>1,314,141</u>	<u>1,173,986</u>	<u>11.9%</u>	<u>2,476,037</u>	<u>2,289,858</u>	<u>8.1%</u>
<b>Individual Income Tax Detail</b>						
Withholding	794,244	719,066	10.5%	2,093,261	2,036,264	2.8%
Estimated	407,099	371,094	9.7%	475,747	421,045	13.0%
Final / Fiduciary	36,726	32,738	12.2%	84,189	83,686	0.6%
Gross Receipts	1,238,070	1,122,899	10.3%	2,653,197	2,540,995	4.4%
Refunds	(35,990)	(23,628)	52.3%	(121,159)	(124,187)	-2.4%
Net Receipts	<u>1,202,080</u>	<u>1,099,271</u>	<u>9.4%</u>	<u>2,532,038</u>	<u>2,416,808</u>	<u>4.8%</u>
<b>Corporate Income Tax Detail</b>						
Estimated	159,152	135,651	17.3%	191,755	165,133	16.1%
Final	30,533	32,662	-6.5%	45,815	51,341	-10.8%
Gross Receipts	189,684	168,313	12.7%	237,570	216,474	9.7%
Refunds	(8,147)	(28,384)	-71.3%	(45,757)	(89,521)	-48.9%
Net Receipts	<u>181,538</u>	<u>139,929</u>	<u>29.7%</u>	<u>191,813</u>	<u>126,952</u>	<u>51.1%</u>
<b>Lottery Sales</b>	130,462	129,006	1.1%	407,674	409,605	-0.5%

The year to date figure for interest does not include accrued FY 08 interest yet to be collected of \$13.9 million or \$15.0 million of accrued FY 09 interest.

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.

**State of Maryland General Fund Source Revenue Collections**  
**Fiscal Year 2009 (August)**  
**Summary Report**  
(\$ in thousands)

	August			Year to Date		
	FY 2009	FY 2008	Growth	FY 2009	FY 2008	Growth
<b>General Fund Receipts</b>						
Individual Income Tax	648,001	657,150	-1.4%	648,001	657,150	-1.4%
Corporate Income Tax	7,566	(9,862)	-176.7%	7,566	(9,862)	-176.7%
Sales Tax	321,262	283,680	13.2%	321,262	283,680	13.2%
Lottery	24,760	36,077	-31.4%	63,521	75,381	-15.7%
Franchise Tax	4,777	4,620	3.4%	4,777	4,620	3.4%
Premium Tax	4,871	4,503	8.2%	4,871	4,503	8.2%
Death Taxes	19,410	18,892	2.7%	39,662	35,173	12.8%
Alcohol / Tobacco	48,904	35,552	37.6%	48,904	35,552	37.6%
Court Revenues	20,315	28,577	-28.9%	20,315	28,577	-28.9%
Interest	(17,102)	(28,801)	-40.6%	(17,102)	(28,801)	-40.6%
Miscellaneous	20,121	29,899	-32.7%	20,121	29,899	-32.7%
<b>Total</b>	<u>1,102,884</u>	<u>1,060,287</u>	<u>4.0%</u>	<u>1,161,896</u>	<u>1,115,872</u>	<u>4.1%</u>
<b>Individual Income Tax Detail</b>						
Withholding	745,859	804,680	-7.3%	1,299,016	1,317,198	-1.4%
Estimated	22,743	18,906	20.3%	68,648	49,950	37.4%
Final / Fiduciary	26,471	27,308	-3.1%	47,463	50,948	-6.8%
Gross Receipts	795,072	850,894	-6.6%	1,415,126	1,418,096	-0.2%
Refunds	(85,168)	(100,559)	-15.3%	(85,168)	(100,559)	-15.3%
Net Receipts	<u>709,904</u>	<u>750,335</u>	<u>-5.4%</u>	<u>1,329,958</u>	<u>1,317,537</u>	<u>0.9%</u>
<b>Corporate Income Tax Detail</b>						
Estimated	7,312	8,790	-16.8%	32,603	29,481	10.6%
Final	8,370	10,647	-21.4%	15,282	18,679	-18.2%
Gross Receipts	15,682	19,437	-19.3%	47,886	48,161	-0.6%
Refunds	(37,611)	(61,137)	-38.5%	(37,611)	(61,137)	-38.5%
Net Receipts	<u>(21,929)</u>	<u>(41,700)</u>	<u>-47.4%</u>	<u>10,275</u>	<u>(12,976)</u>	<u>-179.2%</u>
<b>Lottery Sales</b>	141,088	144,780	-2.5%	277,212	280,599	-1.2%

The year to date figure for interest does not include accrued FY 08 interest yet to be collected of \$7.6 million or \$9.3 million of accrued FY 09 interest.

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.