



Peter Franchot
Comptroller

June 11, 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 May totaled \$961.0 million, an increase of 15.1% over May 2007. For the fiscal year to date, general fund collections are \$11.312 billion, growth of 5.1%. After a steep decline in April (adjusted for the rate increase), the sales tax showed some growth in May. Year-to-date, revenues are slightly under expectations, with underperformance in the individual income tax, sales tax and tobacco tax offset by strong performance from most other revenue sources.

Individual Income Tax

General fund individual income tax receipts for the month of May increased 15.0%, bringing year-to-date growth to 4.5%. As the filing season comes to an end, final payments and refunds look likely to finish the year on track with the estimates. A higher than usual volume of mail was received by the Comptroller's Office at the end of April; processing of these payments and returns spilled over into May. As a result, final payments increased by 175% and are right on track with expectations. Up 8.3% for the year, refunds are slightly behind expectations (which is to the good).

May is typically a small month for estimated payments, growth of which can therefore be volatile. The 87% growth was largely a result of the aforementioned mail issue, although estimated payments remain well below expectations due to April's poor performance. Withholding declined 1.1% for the month to \$780.2 million, probably the result of one less deposit day in May as compared to last year. Year-to-date growth, which has been trending downward, is 5.0%, slightly lower than expected. All told, the individual income tax is slightly less than anticipated.

Corporate Income Tax

General fund corporate income tax receipts grew 17.4% to \$13.3 million—May is a minor month for both receipts and refunds. Estimated payments grew 24%, although after adjusting for the rate increase (7% to 8.25% for tax year 2008), growth was only 9.2%. Year-to-date, gross receipts have increased 5.1%. Refunds far exceeded those of May 2007, but are well under expectations for the year. Through May, general fund corporate income tax revenues are right in line with the estimates.

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Sales Tax

General fund sales tax receipts increased 22.7% in May (April sales). After adjusting for the rate increase, the sales tax increased just over 3%, rebounding from April's drop of about 6%. The largest part of the sales tax revenues, from consumer goods, increased by about 4.4% (again adjusted for the rate increase), but have increased only 0.9% for the year. Construction-related revenues declined by 2.8% and are now down about 3.4% for the year. Revenues from utilities and capital goods were up 6.2% and 3.0% for the month, and have increased 3.6% and 1.5% on the year. General fund collections have increased 7.9%; baseline growth is a modest 0.9%.

Lottery

Lottery sales increased 7.1% in May, leaving year-to-date growth at 7.2%. Instant ticket sales again increased substantially at 16.4% (\$8.3 million) and Mega Millions sales grew 68% (\$5.5 million). Declines in Pick 3, Pick 4 and Keno/Racetrax offset some of the increases from instant tickets and Mega Millions. General fund revenues increased 10.4% for the month, bringing year-to-date growth to 9.2%. The lottery remains well above expectations for the year, although under Chapter 589 of 2008, up to \$13.0 million of lottery revenues in excess of the general fund estimate will be credited to a special fund rather than the general fund.

Other Revenues

May is a small month for the gross receipts tax and insurance premium tax. Business franchise tax receipts are up 2.3% for the year and the insurance premium tax is up 6.3%; both are running slightly ahead of the estimates. Tobacco tax year-to-date growth is 30%, but collections since the January tax increase have been substantially lower than expected. Receipts in May increased 82%, but that included \$12.2 million of floor (inventory) tax associated with the January tobacco tax increase. Excluding the floor tax, cigarette tax revenues increased only 30%. Pack sales have declined 23% to 35% each month since the tax was enacted, well in excess of the estimated impact on sales of the \$1 per pack tax increase. As a result of an administrative issue with the clerks of court related to the withholding for real estate sales of nonresidents, court revenues dropped 57% for the month. Revenues from both the District Court and the clerks are lower than anticipated. All other revenues are performing as expected.

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,



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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
Len Foxwell
Linda L. Tanton
David Weaver

State of Maryland General Fund Source Revenue Collections
Fiscal Year 2008 (May)
Summary Report
(\$ in thousands)

	May			Year to Date		
	FY 2008	FY 2007	Growth	FY 2008	FY 2007	Growth
General Fund Receipts						
Individual Income Tax	469,830	408,566	15.0%	5,971,323	5,714,743	4.5%
Corporate Income Tax	13,289	11,318	17.4%	419,682	474,083	-11.5%
Sales Tax	322,360	262,721	22.7%	3,017,431	2,797,598	7.9%
Lottery	43,257	39,168	10.4%	468,486	429,091	9.2%
Franchise Tax	5,227	8,737	-40.2%	157,759	154,270	2.3%
Premium Tax	3,541	(5,276)	-167.1%	234,679	220,837	6.3%
Death Taxes	13,451	13,658	-1.5%	220,549	203,980	8.1%
Alcohol / Tobacco	44,402	25,309	75.4%	330,972	259,782	27.4%
Court Revenues	7,656	17,800	-57.0%	127,733	145,217	-12.0%
Interest	15,545	22,294	-30.3%	104,828	130,017	-19.4%
Miscellaneous	22,493	30,726	-26.8%	258,258	237,796	8.6%
Total	<u>961,051</u>	<u>835,021</u>	<u>15.1%</u>	<u>11,311,699</u>	<u>10,767,413</u>	<u>5.1%</u>
Individual Income Tax Detail						
Withholding	780,246	789,214	-1.1%	9,009,945	8,580,365	5.0%
Estimated	26,753	14,341	86.5%	1,462,436	1,392,443	5.0%
Final / Fiduciary	162,432	57,277	183.6%	1,620,298	1,545,338	4.9%
Gross Receipts	969,431	860,832	12.6%	12,092,678	11,518,146	5.0%
Refunds	(231,879)	(216,461)	7.1%	(2,153,558)	(1,988,227)	8.3%
Net Receipts	<u>737,553</u>	<u>644,371</u>	<u>14.5%</u>	<u>9,939,120</u>	<u>9,529,919</u>	<u>4.3%</u>
Corporate Income Tax Detail						
Estimated	15,673	12,652	23.9%	508,672	467,544	8.8%
Final	8,021	6,786	18.2%	300,186	302,049	-0.6%
Gross Receipts	23,694	19,438	21.9%	808,858	769,593	5.1%
Refunds	(5,711)	(1,136)	402.9%	(226,005)	(135,757)	66.5%
Net Receipts	<u>17,983</u>	<u>18,303</u>	<u>-1.7%</u>	<u>582,853</u>	<u>633,836</u>	<u>-8.0%</u>
Lottery Sales	145,910	136,213	7.1%	1,545,795	1,441,956	7.2%

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 and to/from the refund reserve fund for the corporate income tax.