



Peter Franchot
Comptroller

January 13, 2009

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 December totaled \$1.183 billion, an increase of 6.7% over December 2007. Fiscal year to date, general fund receipts are \$5.344 billion, growth of 2.8% (see attached table). Baseline sales tax collections continued to decline, although corporate income taxes showed surprising strength. Other than the corporate income tax, there were no significant surprises in December collections, although the performance of individual income tax withholding is a concern.

Individual Income Tax

General fund individual income tax receipts for the month of December increased 5.7% to \$513.9 million, pushing year to date collections to a 1.0% increase. Individual income tax withholding increased 1.6% to \$902.7 million. While this growth is in line with recent performance and nearly matches year to date growth of 1.8%, growth for the month is overstated by several percentage points due to two extra deposit days in December. Individual estimated taxes increased 17.0% to \$134.5 million, although December estimated payments typically represent less than 20% of fourth calendar quarter payments, with the remainder coming in in January. Separately, refunds continue to accelerate more quickly than revenues, 11.0% year to date.

Corporate Income Tax

December corporate income tax general fund receipts grew 35.9% to \$118.8 million. Quarterly estimated payments are due from most taxpayers in December—growth of 36.2% was actually 15.7% after adjusting for the increase in the rate from 7.0% to 8.25%. Final payments increased almost 60% for the month. This strong growth is surprising given recent events. Quarterly estimated payments received in calendar year 2008, adjusted for the rate increase, have grown approximately 5% while national corporate profits fell about 6% in the first three quarters of the fiscal year. Analysis of corporate receipts is ongoing.

Sales Tax

Representing November retail sales, general fund sales tax receipts for December increased 5.8% to \$296.4 million. Year to date revenues are up 7.8%. Adjusted for the sales tax rate increase, baseline receipts

Letter to Honorable Martin O'Malley,
Thomas V. "Mike" Miller, Jr., and
Michael E. Busch
January 13, 2009
Page 2

declined approximately 4% for the month, the eighth month in calendar year 2008 showing a decline. The distribution to the Transportation Trust Fund from sales tax on rental vehicles has declined almost 20% for the year, reflecting the slowing economy, particularly its impact on business travel.

Lottery

Due to timing issues with respect to distributions to the Stadium Authority, lottery proceeds to the general fund fell 1.1% to \$47.3 million despite a 5.4% increase in sales. The Stadium Authority received \$1.4 million in December, fulfilling its \$20.0 million allocation; last year there was no distribution to the Stadium Authority in December as it had received its full distribution by November. Revenues including the \$1.4 million increased 1.9%. Mega Million sales and revenues grew 39% and 45% respectively due to a jackpot that reached \$207 million while Racetrax continued a strong growth trend, posting a 36.3% increase in sales and 64.0% increase in revenues (although much of that increase comes at Keno's expense). Demonstrating the effects of an unfavorable prize allocation from the State's perspective, sales of Pick 3 increased 3.2% while revenues fell 20.4% or \$2.3 million.

Other Revenues

Quarterly estimated payments are due in December for insurance premium and business franchise taxes. Signifying weakness in both the price and volume of sales in the home and automobile market, premium tax revenues fell 4.2%. Franchise tax receipts increased 5.1% for the month, and are now up 1.7% on the year. Death tax collections declined \$9.0 million for the month, due entirely to estate tax receipts from estates with liabilities over \$500,000—there were five such estates in December 2007 paying \$12.7 million, while three such estates paid only \$3.5 million this past December.

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,



Peter Franchot
Comptroller

cc: Treasurer Nancy K. Kopp
Secretary T. Eloise Foster
Senator Ulysses Currie
Senator Allan H. Kittleman
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 2009 (December)
Summary Report
(\$ in thousands)

	December			Year to Date		
	FY 2009	FY 2008	Growth	FY 2009	FY 2008	Growth
General Fund Receipts						
Individual Income Tax	513,864	486,381	5.7%	2,644,018	2,618,397	1.0%
Corporate Income Tax	118,849	87,462	35.9%	234,901	170,646	37.7%
Sales Tax	296,417	280,127	5.8%	1,545,570	1,433,763	7.8%
Lottery	47,325	47,849	-1.1%	215,367	240,007	-10.3%
Franchise Tax	33,262	31,637	5.1%	79,330	78,007	1.7%
Premium Tax	63,835	66,646	-4.2%	131,742	141,495	-6.9%
Death Taxes	15,226	25,546	-40.4%	110,343	134,259	-17.8%
Alcohol / Tobacco	36,729	34,648	6.0%	198,170	146,695	35.1%
Court Revenues	10,408	11,977	-13.1%	62,530	72,016	-13.2%
Interest	10,793	9,125	18.3%	13,915	46,764	-70.2%
Miscellaneous	35,916	27,083	32.6%	108,443	114,944	-5.7%
Total	1,182,625	1,108,480	6.7%	5,344,329	5,196,992	2.8%
Individual Income Tax Detail						
Withholding	902,667	888,406	1.6%	4,697,585	4,613,121	1.8%
Estimated	134,457	114,935	17.0%	673,213	630,411	6.8%
Final / Fiduciary	22,766	24,064	-5.4%	196,021	202,893	-3.4%
Gross Receipts	1,059,890	1,027,405	3.2%	5,566,819	5,446,425	2.2%
Refunds	(19,705)	(12,728)	54.8%	(320,815)	(289,075)	11.0%
Net Receipts	1,040,185	1,014,678	2.5%	5,246,004	5,157,350	1.7%
Corporate Income Tax Detail						
Estimated	152,283	111,808	36.2%	373,859	305,346	22.4%
Final	25,753	16,305	57.9%	104,140	105,875	-1.6%
Gross Receipts	178,036	128,114	39.0%	477,999	411,222	16.2%
Refunds	(10,772)	(12,642)	-14.8%	(152,031)	(186,298)	-18.4%
Net Receipts	167,264	115,471	44.9%	325,967	224,923	44.9%
Lottery Sales	154,673	146,760	5.4%	831,434	829,227	0.3%

The year to date figure for interest does not include accrued fiscal year 2009 interest of \$24.1 million.

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.