



Peter Franchot
Comptroller

May 18, 2010

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 \$1.491 billion were 5.1% below last year's collections. For the fiscal year to date, general fund collections total \$9.433 billion, a decline of 5.5% from this time last year. While revenues continue to decline, some positive trends appear to be developing. And, as was the case last month, there are no signs that collections for the full fiscal year will fall short of the estimates.

Individual Income Tax

Individual income tax receipts declined 10.6% from last year, and are now down 6.5% for the fiscal year to date. Generally, about two-thirds of the full year's final payments are received in April. These payments were down 20.7% for the month at \$584.4 million but, at \$891.2 million for the fiscal year, they are already \$18.3 million above the full-year estimate with two typically small months of collections to go. Income tax refunds increased 3.2% for the month and have grown 13.3% for the year, well ahead of the 3.9% forecast for refunds. It appears, however, that the strong growth to date of refunds is attributable to the decline in final payments, allowing the Comptroller's Office to process refund returns earlier in the filing season than usual, and to a very smooth income tax filing season. Accordingly, refunds are not expected to finish the fiscal year as far ahead of the estimates as they currently appear to be.

First quarter estimated payments were down only 1.3%, the smallest decline in the past six quarters and the third consecutive quarter of improvement. For the fiscal year to date, estimated payments are down 17.0%, a slightly larger decline than the full-year forecast of a 13.6% drop. If recent trends continue, however, estimated payments should finish the fiscal year right around the forecast. Withholding increased 1.7% for the month and is now up 0.6% for the year, slightly ahead of the 0.3% growth called for by the forecast. For the fifth month in a row, growth of the three-month moving average (used to eliminate the effect of meaningless month-to-month fluctuations) accelerated; at 2.7% in April, it is the best performance by this measure since November of 2008. With job losses in Maryland generally moderating over the past six months, withholding growth may continue to improve slowly.

Letter to Honorable Martin O'Malley,
Thomas V. "Mike" Miller, Jr., and
Michael E. Busch
May 18, 2010
Page 2

Corporate Income Tax

General fund corporate income tax receipts increased 27% for the month, and have now grown 1.1% for the year. Quarterly estimated payments for calendar year taxpayers are due in April, and a sizable amount of final payments are also typically collected in April. After 11 consecutive quarterly declines in corporate profits nationwide, profits increased 31% in the fourth quarter of last year. Judged by April estimated payments, up 15.8%, that strong growth appears to be continuing. For the fiscal year to date, however, estimated payments are 2.4% lower than last year. Final payments increased 79% for the month, although it is likely that rather than reflecting robust underlying activity, the healthy performance of final payments indicates that the tax year was not as bad as had appeared through the year or taxpayers took advantage of the prior year's safe harbor. Supporting the conclusion that there was not strong underlying activity is the fact that refunds increased over 275% last month, although refunds are typically not large in April.

Sales Tax

General fund sales tax collections increased 7.0% in April (March sales). It is possible that a portion of last month's collections may reflect activity deferred from February due to the snow storms, although national retail sales in March also experienced their strongest growth since the first half of 2006. A part of that surge, however, may be attributable to an early Easter. Year to date, general fund receipts have declined 4.7%, slightly behind the estimate for the full year of a 4.0% decline. Modest declines in revenue are required for the remainder of the fiscal year in order for the forecast to be met. Along with the fact that final payments for the individual income tax are ahead of expectations and withholding growth appears to be accelerating, recent performance of the sales tax has been encouraging.

Lottery

Lottery sales increased 4.3% for the month, and they now show a marginal increase for the year. Instant tickets were the only major game to show fewer sales (a 2.3% drop), but that decline was more than made up for by strong performances from Mega Millions/Powerball (22% increase), Keno/Racetrax, and Pick 4. Revenues were up 5.4% on the month, with an exceptional month from Mega Millions/Powerball and Keno/Racetrax (26% and 10% increases, respectively) more than offsetting modest declines in Pick 3, Multimatch and Bonus Match 5 revenues. General fund revenues are up 4.6% on the year, though due to adverse prize payouts earlier in the year, the lottery is on course to fall short of the estimated 7.0% growth in general fund revenues for the full year.

Other Revenues

Quarterly payments for both the business franchise and the insurance premium taxes are due in April. The business franchise tax fell 5.7%, due largely to a decline in gross receipts tax collections from public service companies, although filing fees fell 1.7%. Insurance premium tax collections were down 18% for the month, although that includes a transfer made to the Rate Stabilization Fund which typically occurs in May (and did last year). Without that transfer, general fund revenues would have fallen only 3.3%. Estate and inheritance taxes fell only 6.7%, well below the 22.3% year to date decline. Alcohol and tobacco revenues increased modestly, while general fund interest earnings (on a cash basis) were negative as a result of special fund distributions.

Letter to Honorable Martin O'Malley,
Thomas V. "Mike" Miller, Jr., and
Michael E. Busch
May 18, 2010
Page 3

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 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 2010 (April)
Summary Report
(\$ in thousands)

	April			Year to Date		
	FY 2010	FY 2009	Growth	FY 2010	FY 2009	Growth
General Fund Receipts						
Individual Income Tax	880,211	984,942	-10.6%	4,888,513	5,229,613	-6.5%
Corporate Income Tax	76,928	60,537	27.1%	436,578	431,887	1.1%
Sales Tax	315,712	294,970	7.0%	2,603,976	2,731,697	-4.7%
Lottery	43,266	41,063	5.4%	403,470	385,839	4.6%
Franchise Tax	46,960	49,806	-5.7%	141,056	146,507	-3.7%
Premium Tax	51,673	63,126	-18.1%	214,403	224,711	-4.6%
Death Taxes	10,180	10,914	-6.7%	138,851	178,610	-22.3%
Alcohol / Tobacco	35,979	35,756	0.6%	330,233	334,893	-1.4%
Court Revenues	10,411	11,328	-8.1%	104,252	105,439	-1.1%
Interest	(3,353)	(3,439)	-2.5%	14,578	49,278	-70.4%
Miscellaneous	22,642	21,931	3.2%	156,161	159,959	-2.4%
Total	1,490,609	1,570,935	-5.1%	9,432,072	9,978,433	-5.5%
Individual Income Tax Detail						
Withholding	897,836	882,952	1.7%	8,302,252	8,254,156	0.6%
Estimated	165,719	167,853	-1.3%	1,056,664	1,272,888	-17.0%
Final / Fiduciary	603,553	759,537	-20.5%	930,216	1,127,038	-17.5%
Gross Receipts	1,667,108	1,810,342	-7.9%	10,289,132	10,654,081	-3.4%
Refunds	(558,443)	(541,205)	3.2%	(2,372,031)	(2,092,670)	13.3%
Net Receipts	1,108,665	1,269,137	-12.6%	7,917,101	8,561,412	-7.5%
Corporate Income Tax Detail						
Estimated	82,577	71,322	15.8%	500,241	512,553	-2.4%
Final	40,669	22,784	78.5%	334,713	276,297	21.1%
Gross Receipts	123,246	94,106	31.0%	834,954	788,850	5.8%
Refunds	(18,962)	(5,025)	277.3%	(242,067)	(194,511)	24.4%
Net Receipts	104,284	89,081	17.1%	592,888	594,339	-0.2%
Lottery Sales	157,534	151,008	4.3%	1,421,220	1,410,059	0.8%

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.