



Peter Franchot
Comptroller

April 16, 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:

General fund revenue collections were down 4.2% in March, at \$987.6 million. Year to date collections are down 5.5% (see attached table). Despite the decline in revenues, there is no indication of sizable deviations from the recently-revised general fund revenue estimates. This month's revenues do include sales tax collections from February sales, the month of record snow; general fund sales tax receipts were down 8.0%.

Individual Income Tax

General fund individual income tax receipts for the month of March grew 2.0% over last year to \$484.2 million, the first growth since March of last year. On the year, however, revenues are down 5.6%, slightly ahead of the 6.3% decline expected for the full year. Income tax withholding was up a strong 7.1%, although much or all of that growth is attributable to timing issues and likely does not indicate substantial strength in withholding. For example, the State of Maryland had three paydays in March, resulting in about \$7.5 million more withholding than a regular month with only two paydays. That fact alone accounts for nearly one percentage point of the withholding growth. Over the past three months, withholding has increased 1.7%, likely a more accurate measure of the relative performance of withholding. This otherwise unremarkable rate of growth is the strongest three-month period in more than a year. For the fiscal year, withholding is up 0.5%, on track with expectations. March is an off-month for estimated payments and, still, for final payments. At \$638.7 million, last month was the largest ever for individual income tax refunds, eclipsing the prior record of \$605.9 million in February of last year, but it appears that this is largely a function of more returns being processed, and not yet a cause for concern.

Corporate Income Tax

With corporate income tax returns due on March 15 for calendar year taxpayers, March is a significant month for corporate income tax collections. Final payments declined 10.6% for the month, indicating that despite the 31% growth in corporate profits nationally in the fourth quarter of 2009, calendar year 2009 was not as strong as corporate tax officers had anticipated. Estimated payments, however, increased 29%, reflecting expectations that the surge in fourth quarter profits will continue. Refunds were nearly double last year's, resulting in a decline in net receipts of 11.1%. March is typically a small month for refunds; the strong growth again reflects, among other issues, that 2009 was not as good as had been expected throughout the year. For the year, general fund corporate income tax receipts are down 3.2%.

Letter to Honorable Martin O'Malley,
Thomas V. "Mike" Miller, Jr., and
Michael E. Busch
April 16, 2010
Page 2

Sales Tax

General fund sales tax receipts fell 8.0% to \$236.1 million in March. March receipts reflect February sales, and they therefore show the impact of the back-to-back blizzards. In fact, the impact of the storms on collections was apparently not as strong as had been expected, as the month was only slightly worse than the year-to-date performance of a 6.1% decline. The fact that February is one of the smallest months of the year for taxable sales implies that necessities make up a greater percentage of taxable sales, so a lesser amount of sales that otherwise would have been lost in another month were likely just delayed.

Lottery

Lottery sales increased 6.1% last month, and they are now essentially flat for the year. Instant ticket sales declined 2.0%, although that decline was more than offset by strong growth in Mega Millions and Powerball (25%), Keno and Racetrax (18%), and Pick 4 (6.7%). Revenues, however, fell 11.9% as a result of a \$9.7 million decline in revenues from Pick 4, which cost the State over \$500,000 last month as several popular numbers such as 1212 hit. Revenues from all other games increased only \$4.2 million over last year, resulting in a net \$5.4 million decline. Only the multi-state (Mega Millions and Powerball) and terminal (Keno and Racetrax) games experienced revenue increases of over \$1 million.

Other Revenues

Final payments of the insurance premium and business franchise taxes are both due in March. Franchise tax collections were up 9.4% for the month, and are now down 2.7% for the year. Premium tax collections increased 45% for the month, to \$39.7 million, as estimated premium taxes were underpaid throughout calendar year 2009. Estate and Inheritance taxes declined almost \$15 million in March, with most of the drop attributable to the very largest estates, those making payments of more than \$500,000. Reported general fund interest earnings were negative for the month and miscellaneous revenues were very low as a result of distributions to special funds exceeding the general fund collections for the month.

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,



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 (March)
Summary Report
(\$ in thousands)

	March			Year to Date		
	FY 2010	FY 2009	Growth	FY 2010	FY 2009	Growth
General Fund Receipts						
Individual Income Tax	484,247	474,901	2.0%	4,008,302	4,244,671	-5.6%
Corporate Income Tax	118,456	121,277	-2.3%	359,651	371,350	-3.2%
Sales Tax	236,093	256,722	-8.0%	2,288,264	2,436,727	-6.1%
Lottery	40,169	45,579	-11.9%	360,201	344,776	4.5%
Franchise Tax	13,673	12,501	9.4%	94,096	96,701	-2.7%
Premium Tax	39,697	27,366	45.1%	162,730	161,585	0.7%
Death Taxes	12,201	27,040	-54.9%	128,671	167,696	-23.3%
Alcohol / Tobacco	33,036	33,884	-2.5%	294,254	299,136	-1.6%
Court Revenues	12,371	11,932	3.7%	93,841	94,112	-0.3%
Interest	(2,412)	3,432	-170.3%	17,931	52,718	-66.0%
Miscellaneous	74	16,025	-99.5%	133,519	138,028	-3.3%
Total	987,605	1,030,659	-4.2%	7,941,461	8,407,498	-5.5%
Individual Income Tax Detail						
Withholding	934,273	872,701	7.1%	7,404,416	7,371,204	0.5%
Estimated	16,004	12,622	26.8%	890,945	1,105,035	-19.4%
Final / Fiduciary	95,116	120,045	-20.8%	326,663	367,500	-11.1%
Gross Receipts	1,045,393	1,005,368	4.0%	8,622,024	8,843,739	-2.5%
Refunds	(638,740)	(496,112)	28.7%	(1,813,588)	(1,551,465)	16.9%
Net Receipts	406,653	509,256	-20.1%	6,808,436	7,292,274	-6.6%
Corporate Income Tax Detail						
Estimated	51,659	40,200	28.5%	417,664	441,231	-5.3%
Final	119,554	133,759	-10.6%	294,044	253,513	16.0%
Gross Receipts	171,213	173,959	-1.6%	711,708	694,744	2.4%
Refunds	(30,296)	(15,501)	95.4%	(223,105)	(189,486)	17.7%
Net Receipts	140,917	158,458	-11.1%	488,604	505,258	-3.3%
Lottery Sales	159,654	150,518	6.1%	1,263,686	1,259,050	0.4%

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.