Peter Franchot
Comptroller

October 22, 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 revenues for the month of September totaled $1.162 billion, a increase of 2.3% from September 2009 collections. For the fiscal year to date, general fund collections are $2.383 billion, growth of 5.0% (see attached table). Collections are generally in line with expectations based on last month's revised revenue estimates.

Individual Income Tax

Individual income tax withholding grew 7.0% for the month of September, after a 6.1% increase in August. For the fiscal year to date, withholding has grown 4.7%, an improvement over the 1.3% growth in withholding for fiscal year 2010. Quarterly estimated payments were due in September; receipts declined 8.3% for the month and are now down 7.3% for the fiscal year. This decline is not overly concerning in and of itself, as estimated payments are expected to decline slightly for the full fiscal year, but it does bring to an end the four-quarter trend of improvement in estimated payments, which had increased 4.3% for the second calendar quarter of 2011. Activity for fiduciaries as well as final payments and refunds is relatively insignificant at this point of the year. General fund receipts for the individual income tax were up 4.2% for September, and have grown 6.0% for the year.

Corporate Income Tax

General fund corporate income tax receipts declined 4.3% in September, and they are now up 23% for the fiscal year. Quarterly estimated payments, due this past month for most taxpayers, fell 8.0%. Final payments, a much smaller share of gross receipts in September, increased 41%, reflecting the very strong recent periods for corporate profits. In total, gross receipts fell 2.4% for the month but are up 8.5% for the fiscal year. Refunds grew 54% in September, although they are down 18.8% for the year, resulting in an 8.0% decline in net receipts for the month, and a 21.5% increase for the fiscal year to date.

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Sales Tax

General fund sales tax receipts (August sales) grew 2.6% and, after two months of collections, are up 3.4% for the year. Receipts have increased on a year over year basis each of the last six months, after 22 consecutive months of declines. All major components of the sales tax except for utilities have seen growth over the each of the past six months; receipts from utilities were declining at much slower rates over that period than was experienced throughout most of calendar year 2009, and they were flat last month. Of some concern, however, is that receipts from sales of consumer goods increased only 2.5% in September, the lowest growth over that period.

Lottery

Lottery sales increased 1.3% in September, the first growth since May. Racetrax, Mega Millions/Powerball, Keno and Pick 4 were the only games showing growth for the month. Sales are down 2.2% for the year, with only Racetrax, Pick 4, and Keno (just barely) up for the year. General fund revenues were down 8.8% for the month, entirely as a result of Pick 3—000, 111, and 222 all hit during the month. For the fiscal year, general fund revenues are up 0.8%, although the distribution of Stadium Authority revenues is $8.3 million behind last year. Gross receipts have fallen 5.5% for the first three months of the fiscal year. Racetrax and Pick 4 revenues have grown by double digits, while MultiMatch, Match 5, Pick 3 and Mega Millions/Powerball revenues have all fallen at double-digit rates, although MultiMatch and Match 5 may have been affected by the introduction of Powerball.

Other Revenues

Quarterly estimated payments are due in September for both the business franchise tax and insurance premium tax. Both showed reasonably strong growth for the month, up 7.4% and 9.2%, respectively. While inheritance tax revenues were up 11.3% for the month, estate tax revenues declined 32%, causing a 23% drop in death tax revenues for September. For the year, death tax receipts have declined 7.5%. Both alcohol and tobacco revenues showed strong growth for the month, up 6.1% and 12.0%, respectively; the excise taxes have increased 5.5% for the year.

Also attached to this letter is a table showing fiscal year 2010 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,

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
Len Foxwell
Linda L. Tanton

State of Maryland General Fund Source Revenue Collections
Fiscal Year 2011 (September)
Summary Report
($ in thousands)

	September			Year to Date		
	FY 2011	FY 2010	Growth	FY 2011	FY 2010	Growth
General Fund Receipts						
Individual Income Tax	556,859	534,556	4.2%	1,242,347	1,171,936	6.0%
Corporate Income Tax	94,623	98,848	-4.3%	117,017	95,539	22.5%
Sales Tax	299,780	292,229	2.6%	605,666	585,555	3.4%
Lottery	36,258	38,134	-4.9%	117,957	117,007	0.8%
Franchise Tax	38,144	35,524	7.4%	42,164	40,653	3.7%
Premium Tax	67,972	62,264	9.2%	69,514	63,715	9.1%
Death Taxes	13,868	17,936	-22.7%	39,081	42,253	-7.5%
Alcohol / Tobacco	39,451	35,343	11.6%	88,600	83,998	5.5%
Court Revenues	8,351	9,462	-11.7%	32,212	35,515	-9.3%
Interest	2,960	3,579	-17.3%	(446)	4,208	--
Miscellaneous	4,077	8,034	-49.3%	28,929	28,600	1.2%
Total	1,162,342	1,135,909	2.3%	2,383,041	2,268,978	5.0%
Individual Income Tax Detail						
Withholding	823,137	769,347	7.0%	2,186,189	2,087,456	4.7%
Estimated	266,111	290,063	-8.3%	315,996	340,943	-7.3%
Final / Fiduciary	24,882	24,844	0.2%	78,310	74,102	5.7%
Gross Receipts	1,114,131	1,084,255	2.8%	2,580,494	2,502,501	3.1%
Refunds	(34,878)	(34,869)	0.0%	(79,681)	(155,960)	-48.9%
Net Receipts	1,079,252	1,049,386	2.8%	2,500,813	2,346,541	6.6%
Corporate Income Tax Detail						
Estimated	122,580	133,268	-8.0%	153,723	157,223	-2.2%
Final	24,522	17,442	40.6%	58,637	38,460	52.5%
Gross Receipts	147,103	150,710	-2.4%	212,361	195,683	8.5%
Refunds	(21,023)	(13,646)	54.1%	(51,273)	(63,113)	-18.8%
Net Receipts	126,080	137,064	-8.0%	161,087	132,571	21.5%
Lottery Sales	129,857	121,794	6.6%	397,759	386,513	2.9%

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.

Comptroller of Maryland, Bureau of Revenue Estimates October 21, 2010