



Peter Franchot
Comptroller

February 23, 2011

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 for January were \$1.252 billion, an increase of 5.8% from January 2010 (see attached table), although growth would have been 3.1% without the new general fund distribution of highway user revenues. For the fiscal year to date, general fund receipts are \$6.610 billion, an increase of 6.1%; baseline growth, excluding the highway user revenues, is 3.4%. All told, revenues are tracking with expectations. Based strictly on revenue performance through January, there is no indication that the March meeting of the Board of Revenue Estimates will bring a substantial change to the outlook.

Individual Income Tax

General fund individual income tax receipts for the month of January increased 1.4% to \$700.3 million. Income tax withholding increased 8.3% in January, resolving timing issues responsible for last month's 0.4% decline. Year to date, withholding has grown 4.8%, above the full-year forecast of 4.0% growth. Estimated payments were down 1.9% for the month; combined with December receipts, fourth quarter estimated payments fell 0.3%. For the fiscal year, estimated payments are down 1.0%, the same growth called for by the full-year forecast. Income tax filing season has just gotten underway. Refunds were down 12.4% in January; refunds for tax year 2010 fell 38%. This decline is believed to be a result of the announcement from the Internal Revenue Service that returns with itemized deductions would not be processed until February 14, which has anecdotally caused taxpayers and tax preparers to delay filing State income tax returns. If so, refunds should return to normal levels next month.

Corporate Income Tax

January is generally not a significant month for the corporate income tax. Gross receipts fell by 1.3% to \$41.8 million. The decline was caused entirely by final payments, which fell by almost 50% to \$7.9 million. Estimated payments, reflecting current activity, increased almost 23% to \$33.8 million. Refunds, also typically small in January, fell almost 29% to \$11.2 million. As a result, net receipts increased 15.1%.

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Sales Tax

As January sales tax collections represent December sales, January receipts are the largest of the fiscal year. General fund revenues increased 5.4% to \$376.5 million, bringing year-to-date growth to 4.1%. Gross receipts grew 6.2%, the best performance in nine months and the fourth month in a row of accelerating growth. Consumer-related receipts increased at nearly the same rate—6.1%—and are now up 4.9% for the year. Revenues related to construction grew 14.0%, the second consecutive month of double-digit growth. Receipts from utilities and sales of capital goods were lagging, at 3.2% and 1.6%, respectively. For the full fiscal year, all major categories are growing except utilities, which are down 0.7% through January.

Lottery

Lottery sales increased 0.6% for the month, half a percentage point better than the year-to-date growth. Led by a large Mega Millions jackpot, Mega Millions/PowerBall sales increased over 50%, providing \$5.6 million of growth. All other games declined a combined \$4.8 million, with Keno sales falling \$2.7 million, Pick 3 sales down \$1.2 million, and instant ticket sales dropping \$1.0 million. Revenues increased 10.7%, or \$4.2 million, due to a four percentage point drop in aggregate prize payouts. Despite a 5.6% decline in sales, revenues from Pick 3 increased 20% as the prize payout fell from 50.6% to 38.5%. The payouts for every game save instant tickets declined in January relative to January 2010; instant ticket payouts were nearly flat, increasing only 0.2 percentage points. Despite the strong growth for the month, general fund revenues are down 0.6% for the fiscal year.

Other Revenues

January is not a significant collection month for either the insurance premium tax or the business franchise tax. In January 2010, premium tax collections were a negative \$8.7 million due to refunds; January 2011 collections represent more typical activity. Estate taxes increased 21% in January, while inheritance taxes increased almost 50%. The performance of the inheritance tax is attributable to anomalously low collections in January 2010. For the fiscal year, estate and inheritance taxes have increased almost 17%. Alcohol taxes increased an unusual 17.8% in January, while tobacco taxes declined an also unusual 15.0%; the year-to-date growth rates of 1.8% and 0.2%, respectively, are in line with expectations. General fund interest collections were negative in January due to special fund allocations. The general fund distribution of highway user revenues are now reflected in the monthly revenue reports.

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 Edward J. Kasemeyer
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 2011 (January)
Summary Report
(\$ in thousands)

	January			Year to Date		
	FY 2011	FY 2010	Growth	FY 2011	FY 2010	Growth
General Fund Receipts						
Individual Income Tax	700,329	690,516	1.4%	3,300,047	3,158,721	4.5%
Corporate Income Tax	25,638	20,575	24.6%	235,992	241,825	-2.4%
Sales Tax	376,473	357,303	5.4%	1,883,609	1,809,501	4.1%
Lottery	42,862	38,713	10.7%	279,497	281,095	-0.6%
Franchise Tax	895	135	561.7%	79,273	77,468	2.3%
Premium Tax	689	(8,730)	-107.9%	137,197	120,729	13.6%
Estate and Inheritance Tax	14,021	10,819	29.6%	124,323	106,455	16.8%
Alcohol / Tobacco	31,117	35,751	-13.0%	230,355	229,656	0.3%
Court Revenues	9,617	10,518	-8.6%	69,683	75,063	-7.2%
Interest	(2,806)	1,367	-305.2%	(7,861)	16,936	-146.4%
Highway User Revenues	32,580	N/A	--	168,720	N/A	--
Miscellaneous	20,697	27,735	-25.4%	108,751	109,554	-0.7%
Total	1,252,112	1,184,702	5.7%	6,609,586	6,227,004	6.1%
Individual Income Tax Detail						
Withholding	1,100,632	1,016,400	8.3%	5,971,332	5,698,520	4.8%
Estimated	351,563	358,217	-1.9%	851,970	860,627	-1.0%
Final / Fiduciary	31,094	26,321	18.1%	205,881	206,745	-0.4%
Gross Receipts	1,483,289	1,400,938	5.9%	7,029,183	6,765,892	3.9%
Refunds	(120,519)	(137,657)	-12.4%	(456,169)	(583,906)	-21.9%
Net Receipts	1,362,770	1,263,281	7.9%	6,573,014	6,181,986	6.3%
Corporate Income Tax Detail						
Estimated	33,816	27,505	22.9%	382,207	355,786	7.4%
Final	7,936	14,779	-46.3%	116,438	167,665	-30.6%
Gross Receipts	41,751	42,284	-1.3%	498,645	523,451	-4.7%
Refunds	(11,237)	(15,780)	-28.8%	(146,905)	(185,041)	-20.6%
Net Receipts	30,514	26,505	15.1%	351,740	338,410	3.9%
Lottery Sales	137,609	136,798	0.6%	980,280	979,109	0.1%

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.