



Peter Franchot
Comptroller

November 17, 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 revenues for the month of October totaled \$1.056 billion, an increase of 12.4% from October of last year. For the fiscal year to date, general fund collections are \$3.576 billion, 5.6% above collections through October 2010. Sales tax collections are up 9.4% on the year, but that relatively strong growth is attributable to a change in the distribution of revenues; last year, 5.3% of sales tax collections were distributed to the Transportation Trust Fund, but this year virtually all sales tax collections are distributed to the general fund.

Individual Income Tax

Individual income tax withholding grew 12.7% for the month of October, after a 0.3% decline in September. This swing largely reflects timing issues for several large taxpayers. For the fiscal year to date, withholding has grown 4.4%, essentially the same rate as for all of fiscal year 2011. The extension due date for tax year 2010 returns was October 15, so October is an off-month of somewhat greater importance than other months outside the filing season. Final payments increased 32.6% for the month of October to \$68.4 million, although they remain below fiscal year 2008 levels. Refunds fell 17.4% for the month. October results for both final payments and refunds indicate that taxpayers taking advantage of the filing extension—typically higher income taxpayers—had a very good year in 2010. General fund receipts for the individual income tax were up 17.5% for October, and have now grown 7.6% for the year.

Corporate Income Tax

While October is not usually a significant month for corporate income tax collections, extension returns for calendar year corporate taxpayers were due. General fund collections for the month more than doubled, although the growth is primarily a result of large refunds and distributions to a reserve account for refunds last year. Reflecting underlying activity, gross receipts declined 4.6% for the month, while refunds fell by 3.9%. Net receipts before distributions declined 5.1%. While general fund receipts have increased 9.4% for the year to date, net receipts are down 5.7%.

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Sales Tax

General fund sales tax collections increased 10.4% in October (September sales) and, after three months of collections, are up 8.9% for the year. Legislative changes are driving this growth; after adjusting for the new 9% sales tax rate on sales of alcohol (\$6.4 million for the month and \$18.3 million for the fiscal year) and the end of a distribution of 5.3% of sales tax revenues to the Transportation Trust Fund, baseline sales tax growth is a weak 1.3%. For the month, receipts from consumer-related activities are up 7.1% (including alcohol sales), while construction and capital goods-related receipts are down 1.9% and 3.5%, respectively. Utility-related receipts remained relatively flat for the month at 0.4% growth over October 2010, although they have declined 4.4% year to date.

Lottery

Lottery sales were up 1.4% for the month, but an increase in prize payouts from 58.4% to 61.4% resulted in a decline in general fund revenue of 2.0%. Mega Millions saw a 31% drop in sales in part to Powerball's large jackpot, which increased from \$47 million at the beginning of the month to \$245 million when a Maryland resident won it on November 2, 2011. Due to the large jackpot, Powerball had an increase in sales of 63.7% for the month. For the year, general fund lottery revenues have increased 2.7%.

Other Revenues

October is an insignificant month for business taxes; therefore, the 9.9% increase in business franchise taxes for the month and 32.9% in insurance premium taxes are not particularly noteworthy. Estate and inheritance taxes fell 38.2% for the month. Five estates making payments over \$500,000 paid \$18.7 million last year. While there were five such estates this October, the amount received was only \$4.9 million. Despite the large drop in October collections, year to date revenues from estate and inheritance taxes are up 15.2%. Tobacco tax collections, which can be volatile as they are collected at the wholesale rather than retail level, are up 11.0% for the month and 4.1% for the year, a rate of growth which is not expected to continue through the end of the year.

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 Edward J. Pipken
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 2012 (October)
Summary Report
(\$ in thousands)

	October			Year to Date		
	FY 2012	FY 2011	Growth	FY 2012	FY 2011	Growth
General Fund Receipts						
Individual Income Tax	533,126	453,638	17.5%	1,824,274	1,695,986	7.6%
Corporate Income Tax	30,581	14,255	114.5%	143,637	131,272	9.4%
Sales Tax	341,783	309,607	10.4%	997,072	915,273	8.9%
Lottery	40,116	40,938	-2.0%	163,256	158,895	2.7%
Franchise Tax	2,351	2,138	9.9%	38,367	44,302	-13.4%
Premium Tax	518	390	32.9%	74,321	69,904	6.3%
Estate and Inheritance Tax	17,727	28,695	-38.2%	76,696	66,489	15.4%
Alcohol / Tobacco	39,722	35,955	10.5%	129,472	124,555	3.9%
Court Revenues	10,170	10,292	-1.2%	41,336	42,504	-2.7%
Interest	2,046	370	452.2%	3,805	3,879	-1.9%
Highway User Revenues	17,099	21,569	-20.7%	37,911	82,957	-54.3%
Miscellaneous	20,820	21,551	-3.4%	45,593	50,715	-10.1%
Total	1,056,060	939,399	12.4%	3,575,740	3,386,731	5.6%
Individual Income Tax Detail						
Withholding	972,099	862,377	12.7%	3,183,318	3,048,565	4.4%
Estimated	59,805	62,863	-4.9%	405,533	378,858	7.0%
Final / Fiduciary	71,755	52,617	36.4%	165,725	130,926	26.6%
Gross Receipts	1,103,659	977,856	12.9%	3,754,577	3,558,350	5.5%
Refunds	(85,790)	(103,850)	-17.4%	(198,323)	(227,776)	-12.9%
Net Receipts	1,017,869	874,006	16.5%	3,556,254	3,330,574	6.8%
Corporate Income Tax Detail						
Estimated	38,242	40,866	-6.4%	193,361	194,589	-0.6%
Final	32,526	33,321	-2.4%	78,510	91,958	-14.6%
Gross Receipts	70,768	74,186	-4.6%	271,872	286,547	-5.1%
Refunds	(28,865)	(30,028)	-3.9%	(76,436)	(79,216)	-3.5%
Net Receipts	41,902	44,158	-5.1%	195,436	207,331	-5.7%
Lottery Sales	140,793	138,874	1.4%	556,395	550,211	1.1%

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