



**Peter Franchot**  
Comptroller

March 13, 2008

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 February totaled \$850.7 million, an increase of 15.6% over February 2007. For the fiscal year to date, general fund collections are \$7.402 billion, 4.5% higher than last year at this time (see attached table). February is the first month reflecting the impact of the increase in the sales tax rate (some effect of the tobacco tax rate increase appeared last month). February's revenues were accounted for when the Board of Revenue Estimates released the revised general fund revenue forecast last week.

#### *Individual Income Tax*

General fund individual income tax receipts for the month of February increased 5.5% over a year ago. Year to date growth is now 5.8%. Individual income tax withholding increased 6.1% for the month. Up 6.6% for the year, withholding continues to run slightly ahead of expectations. February is a minor month for remaining components of the income tax. Estimated payments declined 8.7% and are now up 5.3% for the year, while final/fiduciary payments increased 26.0% in February and are now down 1.0% for the year. Income tax refunds were down 2.1% for the month, and are now only 3.3% above last year's levels.

#### *Corporate Income Tax*

Net corporate income tax receipts are typically smaller in February than any other month. Gross receipts increased 44.8% for the month, while refunds declined 10.0%. For the year, gross receipts are flat while refunds are up 71.0%. Net receipts are 22.7% under last year's levels, but are close to expectations.

#### *Sales Tax*

General fund sales tax receipts increased 16.6% in February (January sales), but this reflects a 20% increase in the tax rate (5% to 6%). After adjusting for the rate increase, receipts declined about 1.8% for the month, the second consecutive month of decline. Revenues from consumers (two-thirds of total sales tax collections), construction activity and capital goods all dropped for the month. Year-to-date collections have grown 3.6%, but after adjusting for the rate increase growth is only about 1.4%.

Letter to Honorable Martin O'Malley,  
Thomas V. "Mike" Miller, Jr., and  
Michael E. Busch  
March 13, 2008  
Page 2

*Lottery*

The Lottery showed very strong performance in February, with sales up 14.5% over last year. Year-to-date growth is 9.5%. Instant ticket sales continued their very strong growth, at 31.7%, while Mega Millions posted 69.4% growth thanks to a \$270 million jackpot during the month. Pick 3 sales fell 3.9% and Pick 4 sales dropped 2.0%. General fund revenues increased 47.0% for the month, due primarily to a return to normal payout levels for Pick 4 from very high levels last year, and are now up 14.3% for the year.

*Other Revenues*

In February, tobacco tax revenues increased 40.6% over last year as a result of the doubling of the tobacco tax, while alcoholic beverage excise tax receipts declined 1.5%. Death taxes had a large jump for the month, due more to low receipts last year; year-to-date growth is now at 5.5%. Interest income, down 49.0% for the month on a cash basis, is now down 13.9% for the year, slightly below expectations. All other revenues are performing as expected.

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 David R. Brinkley  
Delegate Norman H. Conway  
Delegate Sheila E. Hixson  
Delegate Anthony J. O'Donnell  
Warren G. Deschenaux  
Len Foxwell  
Linda L. Tanton  
David Weaver

**State of Maryland General Fund Source Revenue Collections**  
**Fiscal Year 2008 (February)**  
**Summary Report**  
(\$ in thousands)

	February			Year to Date		
	FY 2008	FY 2007	Growth	FY 2008	FY 2007	Growth
<b>General Fund Receipts</b>						
Individual Income Tax	384,958	365,037	5.5%	3,844,296	3,634,657	5.8%
Corporate Income Tax	(325)	(366)	-11.4%	201,927	264,005	-23.5%
Sales Tax	281,509	241,443	16.6%	2,073,347	2,000,598	3.6%
Lottery	51,402	34,958	47.0%	334,440	292,662	14.3%
Franchise Tax	3,568	2,008	77.7%	85,887	77,480	10.8%
Premium Tax	16,391	569	2779.1%	149,485	136,947	9.2%
Death Taxes	18,812	6,518	188.6%	168,710	159,847	5.5%
Alcohol / Tobacco	28,646	20,933	36.8%	202,898	185,484	9.4%
Court Revenues	9,471	10,492	-9.7%	92,896	99,031	-6.2%
Interest	5,575	10,927	-49.0%	61,457	71,362	-13.9%
Miscellaneous	50,650	43,187	17.3%	187,855	162,528	15.6%
<b>Total</b>	<u>850,658</u>	<u>735,706</u>	<u>15.6%</u>	<u>7,403,198</u>	<u>7,084,602</u>	<u>4.5%</u>
<b>Individual Income Tax Detail</b>						
Withholding	792,349	746,895	6.1%	6,494,759	6,093,655	6.6%
Estimated	15,143	16,594	-8.7%	1,178,258	1,118,452	5.3%
Final / Fiduciary	25,576	20,300	26.0%	266,692	269,479	-1.0%
Gross Receipts	<u>833,068</u>	<u>783,789</u>	<u>6.3%</u>	<u>7,939,709</u>	<u>7,481,586</u>	<u>6.1%</u>
Refunds	<u>(520,913)</u>	<u>(532,137)</u>	<u>-2.1%</u>	<u>(940,168)</u>	<u>(910,221)</u>	<u>3.3%</u>
Net Receipts	<u>312,155</u>	<u>251,652</u>	<u>24.0%</u>	<u>6,999,541</u>	<u>6,571,365</u>	<u>6.5%</u>
<b>Corporate Income Tax Detail</b>						
Estimated	4,312	7,428	-41.9%	352,342	344,358	2.3%
Final	6,453	7	87437.1%	126,305	128,262	-1.5%
Gross Receipts	<u>10,766</u>	<u>7,435</u>	<u>44.8%</u>	<u>478,647</u>	<u>472,619</u>	<u>1.3%</u>
Refunds	<u>(6,676)</u>	<u>(7,417)</u>	<u>-10.0%</u>	<u>(206,666)</u>	<u>(120,887)</u>	<u>71.0%</u>
Net Receipts	<u>4,090</u>	<u>18</u>	<u>22782.2%</u>	<u>271,981</u>	<u>351,732</u>	<u>-22.7%</u>
<b>Lottery Sales</b>	148,050	129,291	14.5%	1,116,341	1,019,173	9.5%

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 and to/from the refund reserve fund for the corporate income tax.