



**Peter Franchot**  
Comptroller

January 26, 2012

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 increased 5.4% to \$1,200.8 million for December, a \$60.9 million increase from December 2010. For the fiscal year to date, general fund revenues have increased 4.9%. The individual income tax, corporate income tax and sales tax—over three quarters of general fund revenue—have increased 8.0% for the fiscal year to date, although roughly two percentage points of that increase is attributable to statutory changes.

#### *Individual Income Tax*

Individual income tax collections increased \$45.4 million to \$522.6 million, an increase of 9.5%. Individual income tax withholding decreased 1.0% from the prior year; this is mainly due to timing differences. Analysis of large withholding accounts indicates that many likely had fewer pay periods this December compared to last. December is historically the largest off-month for estimated payments, as some taxpayers try to get their payments in before the calendar year end, although fourth quarter payments aren't actually due until January. December collections were down 8.7% compared to same period last year, but this does not necessarily indicate that fourth quarter payments altogether will drop. After 5 consecutive months of decline, December refunds increased over the same period last year, though they are still down 11.5% year to date. Final payments increased 20.7%, for the month, and are up 32.5% year to date. In both cases, however, activity before the income tax filing season is relatively inconsequential.

#### *Corporate Income Tax*

General fund corporate income tax collections grew 9.5% to \$112.4 million. December is an important month for corporate collections, encompassing fourth quarter estimated payments for calendar year taxpayers. Gross receipts grew 13.9% over the same period last year, an increase of 2.4% for the year to date. Estimated payments, the majority of gross receipts, increased a strong 10.4%. Corporate refunds fell over 25% for the month, and are now up only 5.2% for the year.

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*Sales Tax*

December sales tax results, reflecting November sales, demonstrate ongoing weakness in consumer spending and sluggish business investment. General fund revenues from the sales and use tax increased 9.7% for the month to \$324.5 million. Year to date revenues are up 9.5%. Adjusted for the repeal of the 5.3% distribution to the Transportation Trust Fund and the additional tax on the sale of alcoholic beverages (\$6.1 million for the month), year to date general fund receipts are up 1.8%, a rate that does not keep pace with inflation.

*Lottery*

Lottery sales increased 4.6% in December, stronger than the year to date performance of 2.0% growth. General fund revenues increased 5.4% and are now up 3.4% for the year. Sales were led by Racetrax, which increased over 20%; Keno, Pick 4 and Instant ticket sales all grew more than 6%. Revenue growth was strong from all of those games except Instant tickets, which increased only 3.6%. Pick 3 sales were flat while revenues declined 14.3% as a result of a six percentage point swing in the prize payout. Combined sales of Mega Millions and Powerball declined almost 10%, although revenues were down only 1.3%.

*Other Revenues*

Quarterly estimated payments are due in December for the business franchise taxes and insurance premium tax. While the business franchise taxes saw strong growth of 6.2% to \$33.7 million, the tax on insurance premiums declined 1.3% to \$64.6 million. Estate and inheritance taxes, which are extremely volatile, fell for the third month in a row. Miscellaneous revenues increased 15.0% for the month, with much of the growth attributable to uninsured motorist penalty fees.

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 (December)**  
**Summary Report**  
(\$ in thousands)

	December			Year to Date		
	FY 2012	FY 2011	Growth	FY 2012	FY 2011	Growth
<b>General Fund Receipts</b>						
Individual Income Tax	522,632	477,230	9.5%	2,781,601	2,599,719	7.0%
Corporate Income Tax	112,740	102,918	9.5%	229,720	210,354	9.2%
Sales Tax	324,475	295,900	9.7%	1,649,875	1,507,136	9.5%
Lottery	45,087	42,761	5.4%	244,594	236,635	3.4%
Franchise Tax	33,728	31,757	6.2%	76,929	78,378	-1.8%
Premium Tax	64,588	65,413	-1.3%	140,038	136,508	2.6%
Estate and Inheritance Tax	14,060	27,199	-48.3%	100,819	111,052	-9.2%
Alcohol / Tobacco	37,382	36,664	2.0%	201,733	199,238	1.3%
Court Revenues	8,238	9,963	-17.3%	58,407	60,066	-2.8%
Interest	406	1,356	-70.0%	6,440	4,135	55.7%
Highway User Revenues	11,728	26,350	-55.5%	63,432	136,140	-53.4%
Miscellaneous	25,730	22,380	15.0%	78,903	88,054	-10.4%
<b>Total</b>	<b>1,200,796</b>	<b>1,139,891</b>	<b>5.3%</b>	<b>5,632,491</b>	<b>5,367,413</b>	<b>4.9%</b>
		(60,905)				
<b>Individual Income Tax Detail</b>						
Withholding	934,421	943,507	-1.0%	4,993,362	4,870,701	2.5%
Estimated	96,437	105,616	-8.7%	513,091	500,407	2.5%
Final / Fiduciary	27,263	21,930	24.3%	231,844	174,787	32.6%
Gross Receipts	1,058,121	1,071,052	-1.2%	5,738,297	5,545,894	3.5%
Refunds	(22,779)	(20,334)	12.0%	(297,043)	(335,650)	-11.5%
Net Receipts	1,035,343	1,050,718	-1.5%	5,441,254	5,210,244	4.4%
<b>Corporate Income Tax Detail</b>						
Estimated	160,306	145,222	10.4%	361,915	348,391	3.9%
Final	13,509	7,405	82.4%	105,792	108,503	-2.5%
Gross Receipts	173,815	152,627	13.9%	467,707	456,894	2.4%
Refunds	(7,685)	(10,363)	-25.8%	(142,714)	(135,668)	5.2%
Net Receipts	166,130	142,264	16.8%	324,992	321,226	1.2%
<b>Lottery Sales</b>	<b>163,246</b>	<b>156,126</b>	<b>4.6%</b>	<b>859,773</b>	<b>842,671</b>	<b>2.0%</b>

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.