



Peter Franchot
Comptroller

June 15, 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:

May's general fund revenue collections of \$1,006.1 million increased 9.2% over last year's \$921.5 million (see attached table). For the fiscal year-to-date, collections have increased 6.7% to \$11.8 billion. Adjusting for several law changes, general fund growth for the year is about 5.9%. While collections appear strong relative to the estimate at this point, the general fund's two largest sources – withholding and sales tax – engender concern. Withholding growth for the year is up 3.8%, well below the level expected with reported employment growth of 1.4% for the fiscal year; indicating that either a downward revision to the employment statistics is to be expected, or that the net jobs created have been at wage levels well below the average wage that Maryland is accustomed to. Sales tax collections, after adjusting for law changes, are up only 3.0% for the year, nearly the rate of inflation as reported in the consumer price index and demonstrative of weak underlying economic activity that impacts the State's broader economy.

Individual Income Tax

General fund personal income tax collections increased 18.1% in May and are now up 9.5% for the year. Withholding represents the largest source of collections in May and was up 8.2%, though year to date growth remains weak relative to employment growth, at 3.8%. Several large employers, mostly public agencies, had three pay periods this month and only two last year. A full month of withholding collections and an accrual remain before the fiscal year ends. May is an insignificant month for estimated payments, which are up 2.9% for the fiscal year, but second quarter estimated payments for tax year 2012 are due in June. Final payments were down 15.6% for the month, largely because the significant volume of electronic filers and a smooth processing season resulted in little spillover from April.

In the aggregate, the four sources of individual income tax receipts are running slightly ahead of the estimate at this point and refunds look to finish below the estimate (which is good). Refunds are down 2.8% for the year while the forecast called for modest growth.

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Corporate Income Tax

Gross receipts from the corporate income tax finished down 9.6% for the month, though net receipts finished up 37.1% as refunds were down by more than half. For the year, net receipts are up almost 10%. Based on prior years, even if second quarter estimated payments, which are due in June, fall short, it seems likely that the corporate income tax will exceed the full year estimate.

Sales Tax

Sales tax collections increased 8.4% for the month and are up 10.8% for the fiscal year, though law changes are responsible for the majority of that growth. Year to date, the increased rate on alcohol has added \$61.7 million in collections and the elimination of the distribution to the transportation trust fund has generated \$172.5 million. Adjusting for those two changes, year to date collections are up only 3.0%. Collections are running slightly ahead of the estimate with two full months remaining.

Lottery

The lottery posted another strong month of sales growth, up 5.2%, and revenues increased 9.2% as payout ratios finished the month in the State's favor (relative to last year). General fund lottery revenues are up 7.2% for the year on a 4.7% sales increase. The success of the large jackpot games, MegaMillions and Powerball, continued into May with a combined 21.6% increase in sales and 21.0% increase in revenues. Instant ticket sales growth, which had been flat or declining for three and a half years, has continued to improve since December, up 6.7% in May and is now up 2.7% for the year.

Other Revenues

May is not a significant collection month for the gross receipts tax and insurance premium tax, though second quarter estimated payments are due in June. The number of payments from large estates (those making payments of \$500,000 or more) decreased dramatically, as did the payment amounts. The 51% drop in highway user revenues reflects the reduced distribution to the general fund in fiscal year 2012.

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
Linda L. Tanton
Len N. Foxwell

State of Maryland General Fund Source Revenue Collections
Fiscal Year 2012 (May)
Summary Report
(\$ in thousands)

	May			Year to Date		
	FY 2012	FY 2011	Growth	FY 2012	FY 2011	Growth
General Fund Receipts						
Individual Income Tax	494,076	418,497	18.1%	6,093,648	5,567,513	9.5%
Corporate Income Tax	14,511	18,968	-23.5%	494,938	460,154	7.6%
Sales Tax	326,612	301,401	8.4%	3,332,444	3,008,476	10.8%
Lottery	45,739	41,868	9.2%	493,092	459,791	7.2%
Franchise Tax	6,472	6,280	3.1%	155,915	157,053	-0.7%
Premium Tax	6,212	3,437	80.8%	242,862	215,996	12.4%
Estate and Inheritance Tax	17,949	19,739	-9.1%	175,110	190,332	-8.0%
Alcohol / Tobacco	36,471	36,568	-0.3%	372,925	368,546	1.2%
Court Revenues	10,366	9,993	3.7%	109,242	110,166	-0.8%
Interest	506	2,344	-78.4%	12,277	42,156	-70.9%
Highway User Revenues	17,693	35,828		144,887	294,661	
Miscellaneous	29,482	26,532	11.1%	194,938	205,415	-5.1%
Total	1,006,089	921,456	9.2%	11,822,277	11,080,259	6.7%
Individual Income Tax Detail						
Withholding	904,843	836,498	8.2%	9,836,211	9,472,768	3.8%
Estimated	19,065	22,996	-17.1%	1,163,116	1,130,716	2.9%
Final / Fiduciary	68,634	85,275	-19.5%	1,324,201	1,213,664	9.1%
Gross Receipts	992,542	944,769	5.1%	12,323,529	11,817,148	4.3%
Refunds	(157,619)	(178,126)	-11.5%	(2,381,148)	(2,450,653)	-2.8%
Net Receipts	834,923	766,643	8.9%	9,942,381	9,366,495	6.1%
Corporate Income Tax Detail						
Estimated	17,336	18,196	-4.7%	580,139	532,997	8.8%
Final	7,936	9,766	-18.7%	302,027	297,865	1.4%
Gross Receipts	25,272	27,962	-9.6%	882,166	830,862	6.2%
Refunds	(6,192)	(14,046)	-55.9%	(195,743)	(205,848)	-4.9%
Net Receipts	19,079	13,915	37.1%	686,424	625,014	9.8%
Lottery Sales	152,742	145,257	5.2%	1,651,238	1,576,830	4.7%

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.