



**Peter Franchot**  
Comptroller

April 29, 2013

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 the month of March decreased 6.6% from last year to a total of \$1.110 billion. For the fiscal year to date, general fund receipts are \$9.530 billion, an increase of 4.7% over last year. The decline in revenues, specifically withholding (-6.0%), does cause concern, particularly the possible correlation between the extraordinary decrease and the March 1<sup>st</sup> commencement of federal sequester. For March, it is unlikely that any federal agencies had begun furloughs, though private federal contractors and indirectly related business may have been immediately impacted. The impacts of sequester on withholding will be felt not only through the direct and indirect loss of employment and work hours, but possibly more broadly throughout the labor market as there will generally be reduced incentive to increase wages.

#### *Individual Income Tax*

General fund individual income tax receipts for the month of March decreased 6.0% to \$529.7 million, primarily as a result of weak withholding collections. Income tax withholding decreased 6.0% for the month; year-to-date, remittances are up 2.5%. While some of the decline is attributable to timing issues and the number of deposit days this year compared to last, the underlying activity is worrisome as we round out the end of the fiscal year. In addition, while companies typically pay bonuses in March, it is assumed that in anticipation of the fiscal cliff and higher tax rates, many companies paid those bonuses in December. March is typically the second largest month for final payments. While final payments are down for the month (13.4%) and year (0.7%), it is not necessarily indicative of what may be forthcoming, as the final payments received in April account for approximately 70% of annual collections. In consideration of retroactive tax increases, April is expected to yield a larger percentage of final payments than past years. March is also historically the largest or second-largest month for refunds. Refunds paid out through March were down 5.8%, to the good of the State, also somewhat attributable to the retroactive nature of the tax increase.

#### *Corporate Income Tax*

March represents a significant month for corporate income tax collections as calendar year taxpayers' returns are due on March 15<sup>th</sup>. General fund revenues decreased 9.3% to \$125.8 million, largely the result of substantially lower gross receipts (final and estimated payments). Based on the progression of estimated

Letter to Honorable Martin O'Malley,  
Thomas V. "Mike" Miller, Jr., and  
Michael E. Busch  
April 29, 2013  
Page 2

payments, it appears that expectations for calendar year 2012 taxpayers diminished towards the end of the year. Refunds continued to decline, and are down 27.1% for the year (a positive for the general fund). Net receipts before distributions are up 10.1% for the year to date. For the year, general fund corporate income tax receipts are up 30.5%, aided by the increased share of the distribution relative to the prior year.

#### *Sales Tax*

General fund sales tax receipts fell 1.7% to \$289.0 million in March, despite a 27% increase in alcohol sales and use tax receipts. Adjusting for the lost day related to 2012 being a leap year, underlying receipts growth would have been approximately 2%. March receipts reflect February sales (historically one of the smallest months of the year for taxable sales), and therefore the tail-end impact of the Raven's Super Bowl run. Year to date, general fund sales tax revenues are up by only 0.8%.

#### *Lottery*

Despite March sales being down 13.9%, year-to-date sales have only decreased 2.3%. Revenues, down 22.9% for the month, are down 2.1% for the year. Much of the March decrease in sales and revenue is attributed to the historic \$640 million Mega Millions jackpot that occurred in March 2012. Instant ticket sales, which account for the largest component of sales, is concerning as sales are down 7.7% for the month. Despite lackluster performance for the lottery in March, year-to-date revenues are trending slightly above the estimate.

#### *Other Revenues*

Final payments of the insurance premium and business franchise taxes are both due in March. Franchise tax collections were up 4.9% for the month; however, year-to-date collections are down 3.2%. Premium tax collections decreased 17% for the month, to \$25.6 million, as estimated premium tax payments were relatively more accurate throughout calendar year. Estate and inheritance taxes increased \$2.3 million in March, with the increase attributable to the large estates (those making payments of more than \$500,000). Miscellaneous revenues continued to increase; up \$1.3 million for the month and \$33.5 million for the fiscal year (25.5%).

I hope this information is helpful. If you have any questions or concerns, please do not hesitate to contact me or Andrew Schaufele, 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. Pipkin  
Delegate Norman H. Conway

Delegate Sheila E. Hixson  
Delegate Anthony J. O'Donnell  
Warren G. Deschenaux  
David F. Roose  
Len N. Foxwell

**State of Maryland General Fund Source Revenue Collections**  
**Fiscal Year 2013 (March)**  
**Summary Report**  
(\$ in thousands)

	March			Year to Date		
	FY 2013	FY 2012	Growth	FY 2013	FY 2012	Growth
<b>General Fund Receipts</b>						
Individual Income Tax	529,709	563,685	-6.0%	4,943,979	4,596,253	7.6%
Corporate Income Tax	125,771	138,595	-9.3%	524,087	401,501	30.5%
Sales Tax	289,047	293,913	-1.7%	2,676,795	2,654,867	0.8%
Lottery	48,737	63,173	-22.9%	391,503	399,461	-2.0%
Franchise Tax	15,439	14,719	4.9%	92,706	95,769	-3.2%
Premium Tax	25,605	30,862	-17.0%	171,746	172,539	-0.5%
Estate and Inheritance Tax	14,001	11,718	19.5%	168,781	142,974	18.0%
Alcohol / Tobacco	38,019	33,295	14.2%	304,017	298,832	1.7%
Court Revenues	7,590	10,678	-28.9%	88,141	88,633	-0.6%
Interest	(662)	(943)	-29.8%	2,978	9,714	-69.3%
Highway User Revenues	-	13,736		-	109,334	
Miscellaneous	16,907	15,649	8.0%	165,232	131,656	25.5%
<b>Total</b>	<b>1,110,163</b>	<b>1,189,081</b>	<b>-6.6%</b>	<b>9,529,964</b>	<b>9,101,535</b>	<b>4.7%</b>
<b>Individual Income Tax Detail</b>						
Withholding	907,350	964,821	-6.0%	8,162,387	7,960,790	2.5%
Estimated	8,430	3,841	119.5%	1,130,140	911,176	24.0%
Final / Fiduciary	127,011	147,601	-13.9%	455,241	459,363	-0.9%
Gross Receipts	1,042,792	1,116,263	-6.6%	9,747,769	9,331,329	4.5%
Refunds	(542,794)	(520,779)	4.2%	(1,574,619)	(1,670,969)	-5.8%
Net Receipts	499,998	595,484	-16.0%	8,173,150	7,660,360	6.7%
<b>Corporate Income Tax Detail</b>						
Estimated	44,077	51,515	-14.4%	503,913	466,944	7.9%
Final	112,271	150,265	-25.3%	243,408	272,742	-10.8%
Gross Receipts	156,348	201,780	-22.5%	747,322	739,686	1.0%
Refunds	(4,005)	(11,209)	-64.3%	(131,493)	(180,305)	-27.1%
Net Receipts	152,343	190,571	-20.1%	615,829	559,381	10.1%
<b>Lottery Sales</b>	<b>162,230</b>	<b>188,373</b>	<b>-13.9%</b>	<b>1,310,562</b>	<b>1,341,783</b>	<b>-2.3%</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.