



Peter Franchot
Comptroller

October 11, 2007

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 September totaled \$1.174 billion, an increase of 4.5% from September 2006. For the fiscal year to date, general fund collections are \$2.290 billion, 1.6% lower than last year (see attached table). It remains the case, as it was last month, that the general fund revenue decline should not be cause for great concern, as it is due to two one-time factors that have been known for some time and have been accounted for. Adjusting for these two factors, general fund revenues would have increased by about 1.3%. Revenue performance appears to be on track with the preliminary fiscal year 2008 staff estimates from the Bureau of Revenue Estimates.

Individual Income Tax

General fund individual income tax receipts for the month of August increased 7.6% to \$581.3 million, and receipts are now up 4.7% year to date. Withholding increased 3.6% for the month (with one less deposit day which, all else equal, would have added about five percentage points of growth), and year to date collections are up 6.6%. Estimated income tax payments, due in September for the third quarter of the calendar year, increased 10.0% to \$371.1 million. Final payments are down 6.5% year to date. The decline may be due to an expanding awareness amongst taxpayers of the automatic six month filing extension, which was first instituted last year, but in any case the performance of final payments outside of March and April is relatively unimportant (over 75% of final payments are received in those two months). Refunds have grown 34.2% year to date, but again no conclusions can be drawn from performance outside the income tax filing season.

Corporate Income Tax

Quarterly corporate income tax estimated payments are due in September for both calendar year and July 1 tax year taxpayers. Estimated payments increased 11.9% for the month, following the 8.5% growth of June estimated payments—perhaps indicating that a turnaround for the corporate income tax has arrived. Final payments, an increasingly smaller share of gross receipts as the year goes on, were down 13.2% in September and are down 14.8% for the year. All told, gross receipts are down 2.3%. Refunds are up substantially due to the extraordinary refund paid out in July, and net receipts are down 36.3%.

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Sales Tax

General fund sales tax receipts grew 7.6% in September (August sales), although baseline growth is roughly two percentage points lower as a result of last year's tax-free period. Nonetheless, this is the best performance for the sales tax since August 2006. Receipts from apparel and general merchandise stores grew strongly, partly as a result of the absence of a tax-free period this year, but food and beverage retailers also showed very strong growth. The construction sector, which was flat two months ago, declined again this past month. Sales tax receipts are up 5.1% for the year as a result of September's performance, and are somewhat ahead of expectations.

Lottery

Lottery sales increased 6.8% in September and are now up 13.6% year to date. While the large Mega Millions jackpot in August will have a lasting impact on the year to date figures, there are other areas of notable performance. Instant ticket sales increased 24.6% in September as the Lottery's new inventory management system is taking effect, and Keno/Racetrax (and now Maryland Hold 'em) sales were up 9.9%. General fund lottery revenues grew 7.5% for the month, and are now up 8.4% for the year.

Other Revenues

Other revenues are performing largely as expected. Quarterly estimated payments for the franchise taxes and insurance premium tax are due in September. Both performed well, showing increases of 7.8% and 6.9% respectively. Year to date, franchise taxes are up 8.0% while premium taxes are down 1.2%, but both are running slightly ahead of expectations. Death taxes were up 30.7% for the month but remain down for the year as a result of the extraordinary payments at the beginning of last year. Interest income shows negative \$25.6 million, which is a result of State accounting procedures coupled with a shift in the State's portfolio to longer-term investments. Including earned and accrued interest, year to date interest totals \$20.6 million.

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
Linda L. Tanton
David Weaver

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

	September			Year to Date		
	FY 2008	FY 2007	Growth	FY 2008	FY 2007	Growth
General Fund Receipts						
Individual Income Tax	581,331	540,286	7.6%	1,238,481	1,182,390	4.7%
Corporate Income Tax	106,346	111,881	-4.9%	96,484	150,109	-35.7%
Sales Tax	283,498	263,504	7.6%	567,178	539,714	5.1%
Lottery	38,570	35,894	7.5%	113,953	105,113	8.4%
Franchise Tax	36,123	33,496	7.8%	40,744	37,738	8.0%
Premium Tax	65,359	61,168	6.9%	69,862	70,717	-1.2%
Death Taxes	15,244	11,668	30.7%	50,417	78,206	-35.5%
Alcohol / Tobacco	24,593	27,920	-11.9%	60,146	62,796	-4.2%
Court Revenues	10,092	16,474	-38.7%	38,668	46,466	-16.8%
Interest	3,178	12,315	-74.2%	(25,623)	17,183	-249.1%
Miscellaneous	9,652	9,139	5.6%	39,552	36,640	7.9%
Total	<u>1,173,986</u>	<u>1,123,745</u>	<u>4.5%</u>	<u>2,289,860</u>	<u>2,327,071</u>	<u>-1.6%</u>
Individual Income Tax Detail						
Withholding	719,066	694,311	3.6%	2,036,264	1,910,789	6.6%
Estimated	371,094	337,331	10.0%	421,045	418,729	0.6%
Final / Fiduciary	32,738	28,368	15.4%	83,686	88,915	-5.9%
Gross Receipts	1,122,899	1,060,010	5.9%	2,540,995	2,418,433	5.1%
Refunds	(23,628)	(23,705)	-0.3%	(124,187)	(92,572)	34.2%
Net Receipts	<u>1,099,271</u>	<u>1,036,304</u>	<u>6.1%</u>	<u>2,416,808</u>	<u>2,325,862</u>	<u>3.9%</u>
Corporate Income Tax Detail						
Estimated	135,651	121,274	11.9%	165,133	161,450	2.3%
Final	32,662	37,646	-13.2%	51,341	60,233	-14.8%
Gross Receipts	168,313	158,919	5.9%	216,474	221,683	-2.3%
Refunds	(28,384)	(10,550)	169.0%	(89,521)	(22,496)	297.9%
Net Receipts	<u>139,929</u>	<u>148,369</u>	<u>-5.7%</u>	<u>126,952</u>	<u>199,186</u>	<u>-36.3%</u>
Lottery Sales	129,006	120,747	6.8%	409,605	360,456	13.6%

The year to date figure for interest does not include accrued FY 07 interest yet to be collected of \$32.4 million or \$13.9 million of accrued FY 08 interest.

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.