



Peter Franchot
Comptroller

April 9, 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 March totaled \$1.065 billion, an increase of 5.9% over March 2007. For the fiscal year to date, general fund collections are \$8.468 billion, 4.7% higher than last year at this time (see attached table). March is the second month reflecting the impact of the sales tax rate increase. Revenues performed largely as expected in March.

Individual Income Tax

General fund individual income tax receipts for the month of March increased 0.8% over a year ago, but March collections are relatively minor compared with April. Year to date growth is now 5.2%. Individual income tax withholding was essentially flat, decreasing 0.1% for the month, and is up 5.8% for the year. The calendar again has affected collections (one fewer deposit day and four Fridays instead of five last March). An example of this impact can be seen through a small number of local government accounts, which showed in the aggregate \$15 million less than last March, but there was only one remittance instead of two. It is probable that growth is fundamentally unchanged from the year to date figure. Estimated payments decreased 4.7% from last year, though March collections are small, while final/fiduciary payments increased 8.0% in March. Income tax refunds increased almost 10% in March after two months of declines. Year to date, refunds are 5.5% above last year's level. The individual income tax is essentially on track with expectations.

Corporate Income Tax

March is the biggest month for net corporate income tax receipts, and they are up 7.0% over last March. Year to date, they are down 13.1%, but this is an improving position relative to earlier in the year. Gross receipts increased 7.4% for the month, while refunds increased 19.5%. For the year, gross receipts are up 2.9% while refunds are up 68.8%. Despite the strong growth in refunds, they are not as high as expected, and as a result, general fund corporate income tax collections are running above expectations.

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Sales Tax

General fund sales tax receipts increased 23.0% in March (February sales), but this is the second month of a 20% increase in the tax rate (5% to 6%). After adjusting for the rate increase, receipts increased about 3.4% for the month, good news in this economic climate after two months of declines. Of major categories of sales tax collections, only revenues from the furniture and appliance group increased by less than 20% (which indicates a decline after adjusting for the rate increase). Adjusting for the rate increase, sales since the sales tax increase went into effect (January and February combined) have been flat. Year-to-date collections have grown 5.6% (3.5% after adjusting for the rate increase).

Lottery

Lottery sales were up 7.6% over last year. Year-to-date growth is 9.6%. Instant ticket sales continued their very strong growth, at 22.5%, while Mega Millions posted 29.8% growth. Pick 3 sales fell 5.9% and Pick 4 sales dropped 1.8%. Keno/Racetrax, the Lottery's largest source of revenue, was down 1.0% in March. General fund revenues increased 10.1% for the month.

Other Revenues

In March, tobacco tax revenues increased by only 30.7% over last year. Since the new tobacco tax rate increased 100%, sales of tobacco stamps have obviously fallen. Part of this discrepancy can be explained by increased sales in December, before the new tax went into effect. Revenue from the floor (inventory) tax is due in April; after that point it may be clear whether or not sales have decreased more than expected as a result of the tax increase. Alcoholic beverage excise tax receipts declined 1.2%. Death taxes had another large jump for this month, largely due to low receipts last year; year-to-date growth is now 8.6%. Interest income, up 119% for the month on a cash basis, is now down 2.5% for the year. Overall, revenues are performing essentially 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 (March)
Summary Report
(\$ in thousands)

	March			Year to Date		
	FY 2008	FY 2007	Growth	FY 2008	FY 2007	Growth
General Fund Receipts						
Individual Income Tax	464,789	461,279	0.8%	4,309,085	4,095,936	5.2%
Corporate Income Tax	124,013	127,760	-2.9%	325,940	391,765	-16.8%
Sales Tax	284,072	231,003	23.0%	2,357,419	2,231,602	5.6%
Lottery	46,812	53,668	-12.8%	381,213	346,330	10.1%
Franchise Tax	15,221	16,354	-6.9%	101,107	93,834	7.8%
Premium Tax	30,231	34,900	-13.4%	179,716	171,847	4.6%
Death Taxes	19,646	13,617	44.3%	188,356	173,463	8.6%
Alcohol / Tobacco	33,527	26,133	28.3%	236,424	211,617	11.7%
Court Revenues	13,551	14,990	-9.6%	106,447	114,021	-6.6%
Interest	14,647	6,686	119.1%	76,105	78,048	-2.5%
Miscellaneous	18,367	18,930	-3.0%	206,222	181,458	13.6%
Total	<u>1,064,876</u>	<u>1,005,319</u>	<u>5.9%</u>	<u>8,468,034</u>	<u>8,089,921</u>	<u>4.7%</u>
Individual Income Tax Detail						
Withholding	863,074	863,846	-0.1%	7,357,833	6,957,501	5.8%
Estimated	15,083	15,834	-4.7%	1,193,341	1,134,287	5.2%
Final / Fiduciary	106,971	99,014	8.0%	373,663	368,493	1.4%
Gross Receipts	985,129	978,695	0.7%	8,924,837	8,460,281	5.5%
Refunds	<u>(520,341)</u>	<u>(474,280)</u>	<u>9.7%</u>	<u>(1,460,509)</u>	<u>(1,384,501)</u>	<u>5.5%</u>
Net Receipts	<u>464,787</u>	<u>504,414</u>	<u>-7.9%</u>	<u>7,464,328</u>	<u>7,075,780</u>	<u>5.5%</u>
Corporate Income Tax Detail						
Estimated	50,742	35,291	43.8%	403,083	379,648	6.2%
Final	135,937	138,588	-1.9%	262,243	266,850	-1.7%
Gross Receipts	186,679	173,879	7.4%	665,326	646,498	2.9%
Refunds	<u>(6,288)</u>	<u>(5,260)</u>	<u>19.5%</u>	<u>(212,954)</u>	<u>(126,147)</u>	<u>68.8%</u>
Net Receipts	<u>180,391</u>	<u>168,619</u>	<u>7.0%</u>	<u>452,372</u>	<u>520,351</u>	<u>-13.1%</u>
Lottery Sales	144,998	153,493	-5.5%	1,261,338	1,172,665	7.6%

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.