



Peter Franchot
Comptroller

April 10, 2009

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 were down 3.2% in March, at \$1.031 billion. Year to date collections are off by \$54.1 million or 0.6% (see attached table). Collections remain depressed relative to last year, consistent with current economic conditions and on par with expectations. I remain concerned, however, about the risks of a more rapid deterioration in revenues than currently expected.

Individual Income Tax

General fund individual income tax receipts for the month of March increased 2.2% over last year to \$474.9 million. Despite this month's growth, year to date growth remains negative at -1.5%. Income tax withholding grew 1.1% to \$872.7 million, increasing year to date growth by 10 basis points to 0.2%. Withholding results may be optimistically skewed as there was one more deposit day. As a month when quarterly payments are not due, March is insignificant for estimated payments. Since small dollar amounts are typically collected, growth rates can be volatile, as demonstrated by the 176% growth in March to \$41.6 million. March is typically the second-largest month for final payments. Given, however, that payments received in April account for about 70% of annual collections, the 13.9% decline in March receipts is not necessarily indicative of what may be forthcoming. March is also the first- or second-largest month for refunds. Refunds paid out in March were down \$24.2 million, although this decline is due to a reduction in temporary employees in the processing of tax returns due to the State's budget difficulties.

Corporate Income Tax

March represents a significant month for corporate income tax collections as calendar year taxpayer returns are due on March 15th. Collections fell 2.2% to \$121.3 million, largely the result of reduced estimated payments and increased refunds. While final payments declined 1.6%, estimated payments fell 20.8% or \$10.5 million. After accounting for the rate increase, final payments dropped 15.4% for the month, and estimated payments declined 27.9%. Year to date adjusted final and estimated payments are down 10.7% and 5.2%, respectively. Refunds more than doubled to \$15.5 million, pushing net corporate receipts down 12.2% to \$158.5 million. Although growth has decelerated the past three months, corporate income tax performance remains strong year to date at 13.9%. The growth is, however, attributable to the rate change.

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Sales Tax

General fund sales tax collections fell 9.6% to \$256.7 million in March (February sales), although gross receipts were down only 4.8% (with the difference largely attributable to this year's new distribution of 5.3% of revenues to the Transportation Trust Fund). Consumer confidence hit an all time low in February, Maryland unemployment rose to 6.7% (from only 4.6% in September), and median home values in Maryland fell by double digits in both January and February—all of these factors are likely contributing to the ongoing drops in sales tax revenue.

Lottery

Lottery sales grew 3.8% in March; however, revenues were down 2.6%. March revenues continued this year's unfavorable payout trend (from the State's perspective), with all games posting payout ratios larger than expected. While year to date sales remain virtually flat (-0.2%), revenues are down 9.6%. Pick 4 continued to display strong sales growth, 7.7%, but revenue fell 13.8%. Instant ticket sales were off 1.8% while revenues slid 5.3%. Although Keno and Racetrax did pay out larger than expectations, both posted sales and revenue increases.

Other Revenues

Final payments of the insurance premium and business franchise taxes, both due in March, were down 9.5% and 17.9% respectively, demonstrative of the weak economy in 2008. Primarily due to a small number of very large estate tax payments, the death taxes increased 37.6% in March, bringing year to date growth to -11.0%. Tobacco tax revenues increased 1.2%, with stamp sales up 12.2% for the month, possibly a result of increased sales in advance of the 62 cent increase in the federal cigarette tax effective April 1st.

I hope this information is helpful. If you have any questions, 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 Allan H. Kittleman
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 2009 (March)
Summary Report
(\$ in thousands)

	March			Year to Date		
	FY 2009	FY 2008	Growth	FY 2009	FY 2008	Growth
General Fund Receipts						
Individual Income Tax	474,901	464,789	2.2%	4,244,671	4,309,085	-1.5%
Corporate Income Tax	121,277	124,013	-2.2%	371,350	325,940	13.9%
Sales Tax	256,722	284,072	-9.6%	2,436,727	2,357,419	3.4%
Lottery	45,579	46,812	-2.6%	344,776	381,212	-9.6%
Franchise Tax	12,501	15,221	-17.9%	96,701	101,107	-4.4%
Premium Tax	27,366	30,231	-9.5%	161,585	179,716	-10.1%
Death Taxes	27,040	19,646	37.6%	167,696	188,356	-11.0%
Alcohol / Tobacco	33,884	33,527	1.1%	299,136	236,424	26.5%
Court Revenues	11,932	13,551	-11.9%	94,112	106,447	-11.6%
Interest	3,432	14,647	-76.6%	52,718	76,105	-30.7%
Miscellaneous	16,025	18,367	-12.8%	144,489	206,222	-29.9%
Total	1,030,659	1,064,875	-3.2%	8,413,959	8,468,034	-0.6%
Individual Income Tax Detail						
Withholding	872,701	863,074	1.1%	7,371,204	7,357,833	0.2%
Estimated	41,634	15,083	176.0%	1,134,047	1,193,341	-5.0%
Final / Fiduciary	91,033	106,971	-14.9%	338,488	373,663	-9.4%
Gross Receipts	1,005,368	985,129	2.1%	8,843,739	8,924,837	-0.9%
Refunds	(496,112)	(520,341)	-4.7%	(1,551,465)	(1,460,509)	6.2%
Net Receipts	509,256	464,787	9.6%	7,292,274	7,464,328	-2.3%
Corporate Income Tax Detail						
Estimated	40,200	50,742	-20.8%	441,231	403,083	9.5%
Final	133,759	135,937	-1.6%	253,513	262,243	-3.3%
Gross Receipts	173,959	186,679	-6.8%	694,744	665,326	4.4%
Refunds	(15,501)	(6,288)	146.5%	(189,486)	(212,954)	-11.0%
Net Receipts	158,458	180,391	-12.2%	505,258	452,372	11.7%
Lottery Sales	150,518	144,998	3.8%	1,259,050	1,261,338	-0.2%

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.