



Peter Franchot
Comptroller

November 13, 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 October totaled \$900.4 million, a decline of 8.7% from October 2007. Fiscal year to date, general fund collections are \$3.376 billion, growth of 3.1% (see attached table). There is little if any positive news that can be found in October revenue collections. Indeed, the worst news may also not be readily apparent—the strong likelihood that the poor to abysmal October results do not reflect the full effect of the marked deterioration in the nation's economy over the past two months.

Individual Income Tax

General fund individual income tax receipts for the month of October declined 6.8% relative to last year. Year to date growth is now 0.3%. Individual income tax withholding was flat for the month at \$901.5 million. On balance, the increased personal exemption and higher tax brackets should result in slower growth than otherwise would have occurred, but after adjusting for those changes, growth remains very weak. October is a relatively large month for final payments as returns under extensions are due and any difference between estimated and extension payments made and actual liability must be reconciled. For the month, final payments were down 12% at \$64.6 million. Refunds increased 5.4%, to \$97.6 million. As these final payments and refunds reflect tax year 2007 activity, no conclusions as to performance in the upcoming filing season can be drawn, although the fact that taxpayers appear to have overestimated their income throughout tax year 2007 probably does not bode well for tax year 2008 liability.

Corporate Income Tax

October is generally a small month for corporate income tax collections, although refunds can be large. Gross receipts increased 19.7%, but all of the growth resulted from final payments. Estimated payments, reflecting current activity, declined by 7.8%. After adjusting for the recent rate increase, baseline estimated payments declined 22%. Corporate income tax refunds declined 22%. The growth in final payments along with the smaller amount of refunds paid out resulted in growth of net receipts of \$17.7 million. General fund receipts were negative \$8.8 million, however, largely because of receipts set aside in the refund reserve to account for anticipated refunds over the next few months.

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Sales Tax

General fund sales tax receipts increased 0.5% in October (September sales) to \$301.9 million. Collections with returns increased 9.9% for the month. Adjusted for several complicating factors including the sales tax rate increase and the new distribution to the Transportation Trust Fund, baseline performance remains depressingly low, with a decline of about 7.5% for the month and 2.5% for the year. Not only is October performance the worst on record except for February 1991, it reflects sales made prior to the financial market meltdown in early October and the record low of consumer confidence reached in October. It is exceedingly likely that the worst is yet to come.

Lottery

Lottery sales continue to struggle, declining 3.4% for the month. Sales are now down 1.2% for the year. Keno/Racetrax sales are down 10.7% for the month, and instant games are down 6.8%. MultiMatch sales increased 32% for the month, but the \$800,000 increase in sales from the second-smallest game has little effect on the bottom line. Revenues for Pick 3 dropped 40% with several unfortunate hits (from the State's perspective), while Keno/Racetrax revenues were off 4.1% and instant revenues were down 9.1%. All told, general fund revenues declined 7.7% for the month, and are now down 11.6% for the year.

Other Revenues

October is an off-month for business taxes, with relatively small amounts collected. Death taxes dropped 27% for the month, as payments from estates of all sizes fell off. Court revenues have been following recent trends.

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 Allan H. Kittleman
Delegate Norman H. Conway
Delegate Sheila E. Hixson
Delegate Anthony J. O'Donnell
Warren G. Deschenaux
Len N. Foxwell
Linda L. Tanton
David S. Weaver

State of Maryland General Fund Source Revenue Collections
Fiscal Year 2009 (October)
Summary Report
(\$ in thousands)

	October			Year to Date		
	FY 2009	FY 2008	Growth	FY 2009	FY 2008	Growth
General Fund Receipts						
Individual Income Tax	478,832	513,820	-6.8%	1,758,172	1,752,302	0.3%
Corporate Income Tax	(8,799)	(5,429)	62.1%	125,097	91,055	37.4%
Sales Tax	301,934	300,448	0.5%	947,543	867,626	9.2%
Lottery	35,770	38,772	-7.7%	134,990	152,723	-11.6%
Franchise Tax	2,206	3,221	-31.5%	44,511	43,964	1.2%
Premium Tax	(4,430)	(384)	1053.7%	67,301	69,478	-3.1%
Death Taxes	24,041	33,075	-27.3%	78,428	83,492	-6.1%
Alcohol / Tobacco	36,082	26,702	35.1%	123,482	86,848	42.2%
Court Revenues	8,741	12,374	-29.4%	45,116	51,042	-11.6%
Interest	9,132	39,950	-77.1%	(2,676)	14,327	-118.7%
Miscellaneous	16,925	23,736	-28.7%	54,505	63,288	-13.9%
Total	900,435	986,287	-8.7%	3,376,471	3,276,145	3.1%
Individual Income Tax Detail						
Withholding	901,491	902,633	-0.1%	2,994,751	2,938,898	1.9%
Estimated	49,284	78,041	-36.8%	525,031	499,086	5.2%
Final / Fiduciary	69,580	80,534	-13.6%	153,769	164,220	-6.4%
Gross Receipts	1,020,355	1,061,209	-3.8%	3,673,551	3,602,203	2.0%
Refunds	(97,626)	(92,613)	5.4%	(218,784)	(216,800)	0.9%
Net Receipts	922,729	968,596	-4.7%	3,454,767	3,385,403	2.0%
Corporate Income Tax Detail						
Estimated	20,053	21,758	-7.8%	211,808	186,891	13.3%
Final	26,342	16,991	55.0%	72,157	68,332	5.6%
Gross Receipts	46,395	38,749	19.7%	283,965	255,223	11.3%
Refunds	(35,878)	(45,892)	-21.8%	(81,635)	(135,414)	-39.7%
Net Receipts	10,517	(7,143)	-247.2%	202,330	119,809	68.9%
Lottery Sales	135,872	140,626	-3.4%	543,546	550,231	-1.2%

The year to date figure for interest does not include accrued FY 08 interest yet to be collected of \$25.6 million or \$26.6 million of accrued FY 09 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, Higher Education Investment Fund, and to/from the refund reserve fund for the Corporate Income Tax.