



Peter Franchot
Comptroller

October 16, 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 revenues for the month of September totaled \$1.133 billion, a drop of 13.4% from September 2008 collections. For the fiscal year to date, general fund collections are \$2.266 billion, 8.3% lower than at this time last year (see attached table). Despite the declines, collections are in line with expectations based on last month's revised revenue estimates.

Individual Income Tax

Individual income tax withholding was down 3.1% for the month of September, after a 2.9% increase in August. For the fiscal year to date, withholding is down 0.3%, in line with the full-year forecast of a 0.4% drop. With employment having fallen more than 2% on a year-over-year basis each month from February through August, and little to no improvement expected in the near term, small declines in withholding may well be the new norm. Estimated income tax payments for the third calendar quarter were due in September; receipts were down 28.7%, only a marginal improvement over the 31% and 32% declines of the first two quarters. Little activity generally occurs in the first several months of the fiscal year for the other components of the individual income tax, although refunds for July/August were a record high at \$121.1 million, growth of 42%. But these refunds reflect tax year 2008 activity and don't necessarily have any implications for tax year 2009 liability or refunds. General fund collections for September were down 15.3% for the month, and are down 8.4% year to date.

Corporate Income Tax

General fund corporate income tax receipts fell 22% in September and are now down 29% for the full fiscal year. Quarterly estimated payments, due this past month for most taxpayers, were off 16.3%. Corporate profit data is not yet available, but these results may reflect in part the double-digit declines in profits the first two quarters of calendar year 2009. Final payments, a much smaller share of gross receipts in September, fell 43%. All told, gross receipts were down 20.5%. An increase in refunds of 68%, due in part to increasing net operating loss carrybacks, results in net receipts to a 24.5% decline for the month. Year to date, net receipts have fallen 31%, and general fund collections are down 29%.

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Sales Tax

General fund sales tax receipts (August sales) fell 8.2%, a difference of \$26.2 million. At this point, most of the distortions in general fund collections caused by the rate increase in January 2008 and distribution changes in July 2008 have washed through the system, so general fund collections are much more in line with gross receipts, which fell 8.0% in September. Year to date, gross receipts are down 8.2% with general fund receipts correspondingly down 8.5%. Receipts from consumer sales, which constitute between 65% and 70% of total collections, were down 5.7%, slightly more than the average 5.2% decline of the prior six months. Construction-related receipts fell 16.9%, the thirteenth consecutive double-digit decline (adjusted for the rate increase, while sales taxes from capital goods dropped by 5.0%, the best performance since mid-2008. Receipts from utility sales fell by 6.1%, an improvement over the 14.4% and 10.3% declines of the prior two months.

Lottery


Lottery sales grew 1.9% in September, pulling growth back to 3.1% for the year (three months of sales). General fund revenues grew 6.8% for the month and are up 17.9% year to date as prize payouts have settled back to expected levels, well below last year's high payout levels. Pick 3 saw revenues increase 48.6% while sales declined 6.2%. Instant ticket sales, the largest game by sales volume, produced a 7.2% revenue increase on only 0.9% sales growth. Mega Millions sales, which are dependent on large jackpots, grew 25.5% as the jackpot averaged \$42.6 million this year in contrast to \$18.1 million last year. Perhaps due to the introduction of new bonus games in both Keno and Racetrax in recent months, video terminal game sales were up 3.4%.

Other Revenues

Quarterly estimated payments are due in September for both the business franchise tax and insurance premium tax. Both were down, 5.3% and 6.9% respectively, reflecting the poor economic conditions. The inheritance tax increased 14.2% for the month and the estate tax increased 24.0%, with five estates having liabilities over \$500,000 compared to only three last year. The three categories comprising the alcohol excise tax, distilled spirits, wine, and beer, posted revenue growth pushing the aggregate up 2.6%, while tobacco tax revenue fell 8.9% for the month, and is now down 4.1% for the year.

Also attached to this letter is a table showing fiscal year 2010 general fund revenue collections through August. 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 Foxwell
Linda L. Tanton

State of Maryland General Fund Source Revenue Collections
Fiscal Year 2010 (September)
Summary Report
(\$ in thousands)

	September			Year to Date		
	FY 2010	FY 2009	Growth	FY 2010	FY 2009	Growth
General Fund Receipts						
Individual Income Tax	534,556	631,339	-15.3%	1,171,936	1,279,340	-8.4%
Corporate Income Tax	98,848	126,330	-21.8%	95,539	133,896	-28.6%
Sales Tax	292,229	318,393	-8.2%	585,555	639,655	-8.5%
Lottery	38,134	35,699	6.8%	117,007	99,220	17.9%
Franchise Tax	35,524	37,528	-5.3%	40,653	42,306	-3.9%
Premium Tax	62,264	66,860	-6.9%	63,715	71,731	-11.2%
Death Taxes	17,936	14,726	21.8%	42,253	54,387	-22.3%
Alcohol / Tobacco	35,343	38,496	-8.2%	83,998	87,400	-3.9%
Court Revenues	9,462	16,060	-41.1%	35,515	36,375	-2.4%
Interest	3,579	5,295	-32.4%	4,208	(11,807)	--
Miscellaneous	8,034	17,571	-54.3%	28,600	37,692	-24.1%
Total	1,135,909	1,308,299	-13.2%	2,268,978	2,470,195	-8.1%
Individual Income Tax Detail						
Withholding	769,347	794,244	-3.1%	2,087,456	2,093,261	-0.3%
Estimated	290,063	407,099	-28.7%	340,943	475,747	-28.3%
Final / Fiduciary	24,844	36,726	-32.4%	74,102	84,189	-12.0%
Gross Receipts	1,084,255	1,238,070	-12.4%	2,502,501	2,653,197	-5.7%
Refunds	(34,869)	(35,990)	-3.1%	(155,960)	(121,159)	28.7%
Net Receipts	1,049,386	1,202,080	-12.7%	2,346,541	2,532,038	-7.3%
Corporate Income Tax Detail						
Estimated	133,268	159,152	-16.3%	157,223	191,755	-18.0%
Final	17,442	30,533	-42.9%	38,460	45,815	-16.1%
Gross Receipts	150,710	189,684	-20.5%	195,683	237,570	-17.6%
Refunds	(13,646)	(8,147)	67.5%	(63,113)	(45,757)	37.9%
Net Receipts	137,064	181,538	-24.5%	132,571	191,813	-30.9%
Lottery Sales	132,929	130,462	1.9%	420,473	407,674	3.1%

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.