



Peter Franchot
Comptroller

February 18, 2010

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 for January were \$1.173 billion, a decline of 5.8% from January 2009. For the fiscal year to date, general fund receipts are \$6.220 billion, a decline of 5.4% (see attached table). Fourth quarter individual income tax estimated payments (December and January combined) were down 13%, although that is a substantial improvement over the declines of the prior four quarters. And while January sales tax collections (for December sales) disappointed, aggregate general fund revenues are performing to expectations. Acceleration is required over the remainder of the fiscal year, however, for the full-year 4.7% revenue decline to be met.

Individual Income Tax

General fund individual income tax receipts for the month of January declined 6.5% to \$690.5 million, marginally better than the 6.6% year to date decline. For the month, estimated payments were off 9.3%; combined with December collections, fourth quarter estimated payments were down 13.XX%; they are now nearly 30% below their calendar year 2007 peak. Income tax withholding was down 0.5% at \$1.017 billion, while year to date withholding is off 0.3%. While final/fiduciary payments are up only 2.9% and refunds have increased 7.0% for the month, the filing season is not far enough along yet for any conclusions to be drawn.

Corporate Income Tax

January is generally an insignificant month for corporate income tax collections; the 95% increase in gross receipts is therefore not as impressive as it might otherwise appear. Both final and estimated payments increased by over \$10 million, totaling \$42.3 million altogether. Refunds also increased substantially, by 78% to \$15.8 million, and as a result, net receipts grew 107%.

Sales Tax

January sales tax collections, representing December sales, are typically the largest of the year. The December snowstorm—in excess of 20 inches of snow the weekend before Christmas—most likely could not

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have come at a worse time. Collections were down 3.6% at \$357.0 million. While that drop is an improvement over the 5.6% year to date decline, it was well below expectations and a worse showing than December collections, which were down 2.2%. Construction-related revenues fell 6.6% after 20 consecutive months of double-digit declines (adjusted for the 2008 rate increase). Utility revenues fell over 20%, the second-worst performance since 1992 (with the worst coming two months ago). Revenues from consumer spending were down 2.5%, a rate which, despite the snow, is the second-best growth rate of the past 15 months (again, adjusted for the rate increase). Revenues from capital goods spending increased 0.5% after 18 consecutive months of falling revenues, perhaps indicating business confidence is recovering. Substantial improvement is required over the remainder of the fiscal year, to mid-single digit growth, for the full year forecast of a 4.1% decline in general fund sales tax revenues to be met.

Lottery

Lottery sales were flat for the month, resulting in year to date growth of 1.1%. Instant ticket sales, the Lottery's largest game, declined by \$2.4 million, with sales falling another \$2.0 million for Pick 3 and Pick 4. These declines were offset by a \$3 million (38%) increase in Mega Millions sales, with modest increases in most other games. Revenues were down 1.9% as a result of a lucky month for Pick 4 players—prize payouts were 64%, instead of the statistically expected 49%. The \$2.5 million decline in revenues from Pick 4 was largely made up by a \$1.7 million increase in Mega Millions revenues and almost \$500,000 from Keno and Racetrax. Despite the decline in December, general fund revenues are now up 10.3% for the year.

Other Revenues

January is not a significant collection month for either the insurance premium tax or the business franchise tax. Premium tax collections were a negative \$8.7 million due to refunds, primarily as a result of refundable tax credits. Estate taxes declined 41% for January due to refunds while inheritance taxes declined 45% due to a surge in payments last year rather than pronounced weakness this year. Combined, inheritance and estate taxes are down 17.5% for the year, at least partly reflecting the erosion of wealth over the past year and a half. Tobacco tax revenues increased 5.1%; while revenues do not grow as do pack sales for a variety of administrative reasons, pack sales increased 2.9% for the month and have now declined only 1.4% for the fiscal year. Interest earnings on a cash basis fell 93% for the month, and are now down 47% for the year. Miscellaneous revenues for January reflect adjustments for misreported agency revenues.

General fund revenues are down 5.6% for the year and the full year forecast calls for a 4.7% decline, however there is no indication at this point that the March revenue revisions will be substantial. Maryland's economic performance is expected to improve over the first half of calendar year 2010, although improvement generally means lower rates of decline. Revenues are expected to follow accordingly, with moderating declines in most cases.

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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,

A handwritten signature in black ink that reads "Peter Franchot". The signature is written in a cursive style with a prominent flourish at the end.

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 2010 (January)
Summary Report
(\$ in thousands)

	January			Year to Date		
	FY 2010	FY 2009	Growth	FY 2010	FY 2009	Growth
General Fund Receipts						
Individual Income Tax	690,516	738,737	-6.5%	3,158,721	3,382,756	-6.6%
Corporate Income Tax	20,575	8,637	138.2%	241,528	243,538	-0.8%
Sales Tax	356,974	370,438	-3.6%	1,809,172	1,916,008	-5.6%
Lottery	38,718	39,459	-1.9%	281,099	254,758	10.3%
Franchise Tax	135	1,455	-90.7%	77,468	80,785	-4.1%
Premium Tax	(8,730)	235	-3811.2%	120,729	131,977	-8.5%
Death Taxes	10,819	18,744	-42.3%	106,455	129,087	-17.5%
Alcohol / Tobacco	35,751	34,667	3.1%	229,656	232,838	-1.4%
Court Revenues	10,518	11,947	-12.0%	75,063	74,477	0.8%
Interest	1,367	18,312	-92.5%	16,936	32,226	-47.4%
Miscellaneous	16,308	2,348	594.4%	103,211	99,008	4.2%
Total	1,172,950	1,244,980	-5.8%	6,220,040	6,577,458	-5.4%
Individual Income Tax Detail						
Withholding	1,016,715	1,022,164	-0.5%	5,700,445	5,719,748	-0.3%
Estimated	358,316	394,848	-9.3%	862,323	1,068,062	-19.3%
Final / Fiduciary	28,285	27,487	2.9%	224,328	223,508	0.4%
Gross Receipts	1,403,316	1,444,499	-2.9%	6,787,096	7,011,318	-3.2%
Refunds	(137,657)	(128,663)	7.0%	(583,906)	(449,478)	29.9%
Net Receipts	1,265,659	1,315,836	-3.8%	6,203,190	6,561,841	-5.5%
Corporate Income Tax Detail						
Estimated	27,505	17,270	59.3%	355,786	391,128	-9.0%
Final	14,779	4,382	237.3%	167,665	108,522	54.5%
Gross Receipts	42,284	21,651	95.3%	523,451	499,650	4.8%
Refunds	(15,780)	(8,870)	77.9%	(185,041)	(160,902)	15.0%
Net Receipts	26,505	12,781	107.4%	338,410	338,748	-0.1%
Lottery Sales	136,798	136,615	0.1%	979,109	968,049	1.1%

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.