



Peter Franchot
Comptroller

November 13, 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 October totaled \$892.8 million, a drop of 2.3% from October 2008 collections. For the fiscal year to date, general fund collections are \$3.2 billion, 6.6% lower than at this time last year (see attached table). October is generally not a significant month for revenue collections. Performance is generally in line with expectations, which remain very low.

Individual Income Tax

Individual income tax withholding was down 3.9% for the month of October, marking a second straight month of decline in excess of 3%, although there was one less deposit day which, all else equal, reduced growth by about five percentage points. For the year to date, withholding has declined 1.4%. Estimated income tax payments increased 3.0% over last year, the first growth since February, though October is not a meaningful month for estimated income tax payments. Year to date, estimated payments have declined 25.4%. October does represent the last month in tax year 2008 returns can be timely filed. With those returns, \$63.1 million of final payments were received, a decline of 2.3% from last year. Refunds remained at elevated levels, up 13.2% on the month and 21.8% for the year. All in all, general fund revenue fell 6.0% and remains down 7.8% for the year, but is on par with expectations.

Corporate Income Tax

While not a large month for corporate income tax collections, extension returns for calendar year taxpayers are due in October. Final payments increased 57.6% for the month, though a significant portion of that increase is actually due to assessments. Estimated payments were up substantially as well, 46.3%. Altogether, corporate receipts grew 52.7% over last year, although year to date collections remain depressed, down 6.1%. Refunds were down 50.1%, although that decline may be due in part to administrative issues. After distributions, the general fund contribution is down 13.3% year to date, but is consistent with expectations.

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Sales Tax

General fund sales tax receipts (September sales) fell 5.4% for the month and remain down 7.5% on the year. While perhaps not indicative that we have passed the bottom, October's relatively mild monthly decrease in gross receipts, -6.2%, represents the smallest decline since March.

Lottery

General fund lottery collections were up 8.5% on a 4.7% increase in sales. Mega Millions led the sales charge, growing by 74.7% on a jackpot run-up which hit \$200 million in the middle of the month. Monitor games, Keno and Racetrax, also excelled, with sales growing 7.3%. However, the sales increase only generated a 1.0% increase in revenues. While sales of Pick 3 and Pick 4 are down year to date, revenues are up 18.1% and 46.7% respectively on more advantageous prize payouts (from the State's perspective). Instant ticket revenues gained 6.2% on a modest 1.5% growth in sales. Also of note, the annual disbursement to the Maryland Stadium Authority reached fulfillment in October, two months ahead of last year.

Other Revenues

While October is an insignificant month for the insurance premiums tax, the \$6.4 million swing in revenues from last year to this is attributable to \$3.6 million in refunds which were paid out last year. The 5.7% increase in inheritance taxes was more than offset by the 54.3% decline in estate tax collections. Interest from investments, down 69.1%, is still deeply affected by reduced treasury rates. A three month treasury note this past October offered 0.08% as opposed to 0.84% last year.

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 (October)
Summary Report
(\$ in thousands)

| | October | | | Year to Date | | |
|-------------------------------------|----------------|----------------|---------------|------------------|------------------|--------------|
| | FY 2010 | FY 2009 | Growth | FY 2010 | FY 2009 | Growth |
| General Fund Receipts | | | | | | |
| Individual Income Tax | 449,864 | 478,832 | -6.0% | 1,621,801 | 1,758,172 | -7.8% |
| Corporate Income Tax | 12,895 | (8,799) | -246.5% | 108,434 | 125,097 | -13.3% |
| Sales Tax | 298,542 | 315,694 | -5.4% | 884,097 | 955,349 | -7.5% |
| Lottery | 38,757 | 35,716 | 8.5% | 155,763 | 134,936 | 15.4% |
| Franchise Tax | 2,723 | 2,206 | 23.4% | 43,376 | 44,511 | -2.6% |
| Premium Tax | 2,029 | (4,430) | -145.8% | 65,744 | 67,301 | -2.3% |
| Death Taxes | 14,174 | 24,041 | -41.0% | 56,427 | 78,428 | -28.1% |
| Alcohol / Tobacco | 37,821 | 36,082 | 4.8% | 121,819 | 123,482 | -1.3% |
| Court Revenues | 11,132 | 8,741 | 27.4% | 46,647 | 45,116 | 3.4% |
| Interest | 2,824 | 9,132 | -69.1% | 7,032 | (2,676) | -362.8% |
| Miscellaneous | 21,996 | 16,925 | 30.0% | 50,596 | 54,617 | -7.4% |
| Total | <u>892,758</u> | <u>914,140</u> | <u>-2.3%</u> | <u>3,161,735</u> | <u>3,384,335</u> | <u>-6.6%</u> |
| Individual Income Tax Detail | | | | | | |
| Withholding | 866,736 | 901,491 | -3.9% | 2,954,255 | 2,994,751 | -1.4% |
| Estimated | 50,758 | 49,284 | 3.0% | 391,701 | 525,031 | -25.4% |
| Final / Fiduciary | 65,715 | 69,580 | -5.6% | 141,826 | 153,769 | -7.8% |
| Gross Receipts | 983,208 | 1,020,355 | -3.6% | 3,487,782 | 3,673,551 | -5.1% |
| Refunds | (110,498) | (97,626) | 13.2% | (266,458) | (218,784) | 21.8% |
| Net Receipts | <u>872,711</u> | <u>922,729</u> | <u>-5.4%</u> | <u>3,221,325</u> | <u>3,454,767</u> | <u>-6.8%</u> |
| Corporate Income Tax Detail | | | | | | |
| Estimated | 29,329 | 20,053 | 46.3% | 186,552 | 211,808 | -11.9% |
| Final | 41,508 | 26,342 | 57.6% | 79,968 | 72,157 | 10.8% |
| Gross Receipts | 70,836 | 46,395 | 52.7% | 266,520 | 283,965 | -6.1% |
| Refunds | (17,890) | (35,878) | -50.1% | (81,003) | (81,635) | -0.8% |
| Net Receipts | <u>52,946</u> | <u>10,517</u> | <u>403.4%</u> | <u>185,517</u> | <u>202,330</u> | <u>-8.3%</u> |
| Lottery Sales | 130,059 | 135,872 | -4.3% | 550,532 | 543,546 | 1.3% |

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.