



Peter Franchot
Comptroller

January 11, 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 December totaled \$1.108 billion, an increase of 5.1% over December 2006. For the fiscal year to date, general fund collections are \$5.197 billion, 3.6% higher than last year at this time (see attached table). Revenue performance is on track with the recently released estimates of the Board of Revenue Estimates.

Individual Income Tax

General fund individual income tax receipts for the month of December increased 9.8% over a year ago. Year to date growth is now 6.7%. With one more deposit day this December, adding roughly five percentage points of growth (all else equal), withholding increased 11.6% for the month and is now up 7.2% for the year. Withholding has exhibited relatively strong performance compared to the economic data, although it is expected to slow through the end of the fiscal year. Estimated income tax payments in December, the largest non-quarterly month, increased 7.1% and are currently up 5.9% for the year. Final/fiduciary payments grew 6.6% in December and are flat for the year, although dollar amounts are small. Refunds have grown 22.2% for the year, but only 10.7% in December. Final payments and refunds still essentially reflect tax year 2006 activity, and no conclusions about the filing season should be drawn from year-to-date performance.

Corporate Income Tax

December's corporate gross receipts declined 15.6%, and are down 4.3% for the year. Both final payments and quarterly estimated payments fell, the latter by 9.2% after an encouraging 11.9% increase in September, the last quarterly month. Refunds increased 22.6% in December, lowering the year-to-date growth to 76%. Net receipts declined 18.4% in December and are down 30.6% year to date. At this point corporate income tax is the only major revenue source that compares unfavorably with expectations. My office is examining fiscal year 2008 payments of the 250 largest taxpayers to try to determine what we may expect the remainder of the year.

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Sales Tax

General fund sales tax receipts increased 3.8% in December (November sales), the second month of reasonable growth. Excluding the growth in assessments and a drop in refunds, however, December sales tax grew by only 2.7%. Year to date collections are up 3.9% and are on track with the estimate.

Lottery

The Lottery put in a relatively weak performance in December, with sales increasing only 3.9% over last year. As a result, year-to-date growth has declined to 10.6%. As a result of favorable trends in prize payouts, however, revenues increased 11.0% and are up 9.1% year to date. Instant ticket sales continued at a very strong pace, growing 20.5%, and Mega Millions sales increased 62%. Together, sales of these two games were \$11.7 million over last year, while all other games combined declined \$6.2 million.

Other Revenues

All other revenues grew in December except for hospital patient recoveries and interest. Estate taxes increased over 75% as a result of \$7.5 million more in payments from large estates (four, compared to two last year). Tobacco tax receipts are up 30.3% over December last year, apparently resulting from vendors' purchasing large numbers of tax stamps to take advantage of the end-of-year opportunity to delay paying the additional new tax, in the form of the floor tax, until the end of April.

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 David R. Brinkley
Delegate Norman H. Conway
Delegate Sheila E. Hixson
Delegate Anthony J. O'Donnell
Warren G. Deschenaux
Linda L. Tanton
David Weaver

State of Maryland General Fund Source Revenue Collections
Fiscal Year 2008 (December)
Summary Report
(\$ in thousands)

	December			Year to Date		
	FY 2008	FY 2007	Growth	FY 2008	FY 2007	Growth
General Fund Receipts						
Individual Income Tax	486,381	443,154	9.8%	2,618,397	2,453,507	6.7%
Corporate Income Tax	87,462	107,512	-18.6%	170,646	246,196	-30.7%
Sales Tax	280,127	269,931	3.8%	1,433,763	1,380,142	3.9%
Lottery	47,849	43,087	11.1%	240,007	219,939	9.1%
Franchise Tax	31,637	32,490	-2.6%	78,007	74,499	4.7%
Premium Tax	66,646	60,101	10.9%	141,495	138,630	2.1%
Death Taxes	25,546	16,687	53.1%	134,259	131,008	2.5%
Alcohol / Tobacco	34,648	27,161	27.6%	146,695	141,423	3.7%
Court Revenues	11,977	10,045	19.2%	72,016	75,166	-4.2%
Interest	9,125	22,262	-59.0%	46,764	55,506	-15.7%
Miscellaneous	27,083	22,081	22.7%	114,944	98,861	16.3%
Total	<u>1,108,480</u>	<u>1,054,512</u>	<u>5.1%</u>	<u>5,196,992</u>	<u>5,014,878</u>	<u>3.6%</u>
Individual Income Tax Detail						
Withholding	888,406	795,829	11.6%	4,613,121	4,301,479	7.2%
Estimated	114,935	107,287	7.1%	630,411	595,532	5.9%
Final / Fiduciary	24,064	22,583	6.6%	202,893	203,882	-0.5%
Gross Receipts	1,027,405	925,699	11.0%	5,446,425	5,100,893	6.8%
Refunds	(12,728)	(11,502)	10.7%	(289,075)	(236,570)	22.2%
Net Receipts	<u>1,014,678</u>	<u>914,197</u>	<u>11.0%</u>	<u>5,157,350</u>	<u>4,864,323</u>	<u>6.0%</u>
Corporate Income Tax Detail						
Estimated	111,808	123,135	-9.2%	305,346	314,108	-2.8%
Final	16,305	28,640	-43.1%	105,875	115,801	-8.6%
Gross Receipts	128,114	151,776	-15.6%	411,222	429,908	-4.3%
Refunds	(12,642)	(10,312)	22.6%	(186,298)	(105,967)	75.8%
Net Receipts	<u>115,471</u>	<u>141,463</u>	<u>-18.4%</u>	<u>224,923</u>	<u>323,942</u>	<u>-30.6%</u>
Lottery Sales	146,760	141,253	3.9%	829,227	750,034	10.6%

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 and to/from the refund reserve fund for the corporate income tax.