



**Peter Franchot**  
Comptroller

January 14, 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 revenues declined 3.0% to \$1,133.8 million for December, a \$35.3 million decrease from December of fiscal year 2010. Although year to date collections remain depressed, there is little if any indication that the recently-revised general fund revenue estimates are in trouble.

#### *Individual Income Tax*

Individual income tax collections fell to \$496.4 million, a decline of 3.4%, though net receipts actually increased 0.5%. Year to date collections remain down 6.6%. Individual income tax withholding increased by a strong 5.0%, the best performance since September 2008. No reasons for this relatively robust growth are readily apparent, particularly with a labor market still in decline. Withholding collections can be unexpectedly volatile; that seems to be the most likely explanation for December's good performance. Individual income tax estimated payments declined 24.8%, in line with year to date trends. Fourth quarter estimated payments are due in January, although many taxpayers remit them in December. The 24.8% decline, in line with year to date trends, may not be indicative of January's receipts. Refunds increased 44.6% to \$28.5 million and remain up 39.1% for the year, while final payments increased 18.2% for the month and are up 7.1% for the year. In both cases, however, activity before the income tax filing season is relatively minor.

#### *Corporate Income Tax*

General fund corporate income tax collections also fell 3.4%, to \$114.8 million. December is an important month for corporate collections, encompassing fourth quarter estimated payments for calendar year taxpayers. Estimated payments, reflecting current activity, declined 11.9% to \$134.1 million. Year to date, estimated payments are down 12.2%. While December is not a significant month for final payments, December collections include an accounting adjustment of about \$30 million. For the fiscal year, final payments are up about 18% excluding this adjustment, with most of the growth resulting from the rate increase first effective for tax year 2008. The \$2.7 million growth in gross receipts was more than offset by the increase in refunds of \$4.3 million. On the year, refunds have grown 11.3%; net receipts are off 4.3%.

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### *Sales Tax*

General fund sales tax receipts fell 2.2%, a drop of \$6.3 million. Gross receipts fell 2.6%, the third consecutive month of improvement and, after adjusting for the rate increase, the smallest decrease in gross receipts since October 2008. For the fiscal year, gross receipts are down 6.0%; the steady improvement of the last few months is necessary to meet the full year forecast of a 3.2% decline. Note that the December snowstorm did not affect these figures, as December collections represent November sales. Whatever the impact—and it may have been substantial—it will show up in January collections.

### *Lottery*

Lottery sales fell 5.4% in December, pulling growth back to 1.3% for the year. Although general fund revenues fell 3.7% for the month, year to date collections remain up 12.6% as prize payouts have settled back to statistically-expected levels, well below last year's high payouts. For the month, though, Pick 3's payout ratio was greater than last Decembers as revenues fell 7.1% on a 2.8% sales decline. Instant ticket sales, the largest game by sales volume, had flat revenues although sales declined 4.0%. Mega Millions sales, which are generally dependent on large jackpots, fell 18.2% despite jackpot levels for the month that were very similar to last year's. The difference is likely attributable to the timing of the drawings, which included an extra day at a high jackpot level last year. Revenues from monitor games, which include Keno and Racetrax, fell 10.2% with sales dropping 5.7%.

### *Other Revenues*

Quarterly estimated payments are due in December for the business franchise taxes and insurance premium tax, both of which reflected the poor economic conditions with declines of 3.8% and 4.8%, respectively. Death taxes increased 72.5% on strong growth in both the number and size of very large payments (those greater than \$1 million), up 133% and 59% respectively. Tobacco tax collections fell 1.1% for the momnth, and are now down 2.2% for the fiscal year.

Also attached to this letter is a table showing fiscal year 2010 general fund revenue collections through November. 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 (December)**  
**Summary Report**  
(\$ in thousands)

	December			Year to Date		
	FY 2010	FY 2009	Growth	FY 2010	FY 2009	Growth
<b>General Fund Receipts</b>						
Individual Income Tax	496,414	513,864	-3.4%	2,468,205	2,644,018	-6.6%
Corporate Income Tax	114,767	118,849	-3.4%	220,954	234,901	-5.9%
Sales Tax	282,065	288,332	-2.2%	1,452,198	1,545,570	-6.0%
Lottery	45,527	47,256	-3.7%	242,382	215,298	12.6%
Franchise Tax	31,983	33,262	-3.8%	77,333	79,330	-2.5%
Premium Tax	60,799	63,835	-4.8%	129,458	131,742	-1.7%
Death Taxes	26,261	15,226	72.5%	95,636	110,343	-13.3%
Alcohol / Tobacco	36,336	36,729	-1.1%	193,906	198,170	-2.2%
Court Revenues	10,198	10,408	-2.0%	64,545	62,530	3.2%
Interest	8,571	10,793	-20.6%	15,569	13,915	11.9%
Miscellaneous	20,867	30,494	-31.6%	86,904	103,121	-15.7%
<b>Total</b>	<u>1,133,788</u>	<u>1,169,049</u>	<u>-3.0%</u>	<u>5,047,091</u>	<u>5,338,938</u>	<u>-5.5%</u>
<b>Individual Income Tax Detail</b>						
Withholding	947,928	902,667	5.0%	4,683,730	4,697,585	-0.3%
Estimated	101,061	134,457	-24.8%	504,008	673,213	-25.1%
Final / Fiduciary	24,847	22,766	9.1%	196,043	196,021	0.0%
Gross Receipts	1,073,837	1,059,890	1.3%	5,383,780	5,566,819	-3.3%
Refunds	(28,493)	(19,705)	44.6%	(446,249)	(320,815)	39.1%
Net Receipts	<u>1,045,344</u>	<u>1,040,185</u>	<u>0.5%</u>	<u>4,937,531</u>	<u>5,246,004</u>	<u>-5.9%</u>
<b>Corporate Income Tax Detail</b>						
Estimated	134,099	152,283	-11.9%	328,281	373,859	-12.2%
Final	46,632	25,753	81.1%	152,886	104,140	46.8%
Gross Receipts	180,730	178,036	1.5%	481,167	477,999	0.7%
Refunds	(15,108)	(10,772)	40.2%	(169,262)	(152,031)	11.3%
Net Receipts	<u>165,623</u>	<u>167,264</u>	<u>-1.0%</u>	<u>311,906</u>	<u>325,967</u>	<u>-4.3%</u>
<b>Lottery Sales</b>	146,368	154,673	-5.4%	842,311	831,434	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.

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

	November			Year to Date		
	FY 2010	FY 2009	Growth	FY 2010	FY 2009	Growth
<b>General Fund Receipts</b>						
Individual Income Tax	349,991	371,982	-5.9%	1,971,791	2,130,155	-7.4%
Corporate Income Tax	(2,247)	(9,045)	-75.2%	106,187	116,052	-8.5%
Sales Tax	286,036	301,889	-5.3%	1,170,133	1,257,238	-6.9%
Lottery	41,093	33,106	24.1%	196,856	168,042	17.1%
Franchise Tax	1,974	1,556	26.9%	45,350	46,067	-1.6%
Premium Tax	2,915	606	381.2%	68,659	67,907	1.1%
Death Taxes	12,948	16,689	-22.4%	69,375	95,117	-27.1%
Alcohol / Tobacco	35,751	37,959	-5.8%	157,570	161,441	-2.4%
Court Revenues	7,700	7,006	9.9%	54,347	52,122	4.3%
Interest	(33)	5,797	-100.6%	6,999	3,121	124.2%
Miscellaneous	15,441	18,009	-14.3%	66,037	72,626	-9.1%
<b>Total</b>	<u>751,568</u>	<u>785,555</u>	<u>-4.3%</u>	<u>3,913,303</u>	<u>4,169,890</u>	<u>-6.2%</u>
<b>Individual Income Tax Detail</b>						
Withholding	781,546	800,167	-2.3%	3,735,802	3,794,918	-1.6%
Estimated	11,245	13,725	-18.1%	402,946	538,756	-25.2%
Final / Fiduciary	29,369	19,486	50.7%	171,195	173,255	-1.2%
Gross Receipts	822,161	833,378	-1.3%	4,309,943	4,506,929	-4.4%
Refunds	(151,299)	(82,325)	83.8%	(417,756)	(301,110)	38.7%
Net Receipts	<u>670,862</u>	<u>751,053</u>	<u>-10.7%</u>	<u>3,892,187</u>	<u>4,205,820</u>	<u>-7.5%</u>
<b>Corporate Income Tax Detail</b>						
Estimated	7,631	9,767	-21.9%	194,182	221,575	-12.4%
Final	26,287	6,230	321.9%	106,254	78,387	35.6%
Gross Receipts	33,917	15,997	112.0%	300,437	299,962	0.2%
Refunds	(73,151)	(59,624)	22.7%	(154,154)	(141,259)	9.1%
Net Receipts	<u>(39,234)</u>	<u>(43,627)</u>	<u>--</u>	<u>146,283</u>	<u>158,703</u>	<u>-7.8%</u>
<b>Lottery Sales</b>	133,217	133,215	0.0%	695,943	676,761	2.8%

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.