



Peter Franchot
Comptroller

March 29, 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 February were \$733.5 million, a decline of 8.2% from February 2009. Year-to-date collections growth fell to -5.7%, or \$6.954 billion (see attached table). The two very large February snow storms certainly had a role in the revenue decline, though their effects on sales tax collections will not be known until next month. February's receipts were accounted for when the Board of Revenue Estimates released the revised general fund revenue forecast on March 10.

Individual Income Tax

General fund individual income tax receipts for the month of February declined 5.6% to \$365.3 million, while year-to-date collections are down 6.5% at \$3.524 billion. Individual income tax withholding fell 1.2%. The snow storms likely had an effect on withholding through the impact on hourly workers, although this likely was not large. Year-to-date, withholding is now down 0.4%. February is a relatively inconsequential month for the remaining income tax components except for refunds, which decreased 2.5% but remain up 11.3% for the year. It is too early to draw any conclusions about how refunds will fare this filing season. Year-to-date estimated payments and final/fiduciary payments are down 19.9% and 6.4% respectively.

Corporate Income Tax

February collections of corporate income tax are typically small, which can result in volatile growth figures. In February, net receipts showed an increase over last year, though general fund collections were negative due to distributions to the refund reserve account in anticipation of next month's final payments. Year-to-date general fund revenues are down 3.6% to \$241.2 million. Despite poor year over year performance, gross receipts have been stronger than expected and refunds have been lower than expected, a combination which resulted in the upward revision of corporate income tax revenues earlier this month.

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Sales Tax

February general fund sales tax collections declined 8.0% on a 7.5% fall in gross receipts. Year to date general fund collections remain down 5.9%. Sales taxes on consumer sales took a step backward, falling 5.8%—the largest drop since July of last year. Conversely, revenues from sales of capital goods showed the largest increase, after adjusting for the sales tax rate increase in 2008, in nearly two years. While the growth was just 1.5%, the fact that these revenues have been nearly flat the last three months may be a positive indication for the broader economy. Results for construction and utility-related revenues are also trending in the right direction, though they still declined for the month. Again, February sales tax collections represent January sales; February's snow storms were therefore not a factor.

Lottery

Lottery games were heavily affected by February's snow storms, with sales and revenues falling 14.0% and 12.4% respectively. Instant ticket games were hardest hit, with sales down 18.8% and revenues down 15.5%. The snow also weakened Powerball's introduction to Maryland, with Megamillions/Powerball sales down 9.5% for the month. As a result of the snow, lottery revenues were revised downward earlier this month to reflect the impact on sales from the snow storms of December and February.

Other Revenues

February is an inconsequential month for both franchise and insurance premium taxes. Estate and inheritance taxes fell 13.4% for the month. Performance was better than the year-to-date decline, now 17.2%, despite the fact that there was not one estate tax payment of \$500,000 or greater, the first time for such an occurrence since July 2005. Cigarette stamp sales were down 14% for the month, possibly a result of the blizzards, although monthly stamp sale figures are often volatile. Despite the decline in stamp sales, alcohol and tobacco excise revenues were down just 2.6% for the month, and are now down 1.5% on the year. Interest earnings on a cash basis fell 80% for the month and are now down nearly 60% for the year.

I hope this information is helpful. If you have any questions, 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
Linda L. Tanton
Len N. Foxwell

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

	February			Year to Date		
	FY 2010	FY 2009	Growth	FY 2010	FY 2009	Growth
General Fund Receipts						
Individual Income Tax	365,334	387,015	-5.6%	3,524,055	3,769,770	-6.5%
Corporate Income Tax	(631)	6,535	-109.6%	241,194	250,073	-3.6%
Sales Tax	243,000	263,997	-8.0%	2,052,171	2,180,005	-5.9%
Lottery	38,934	44,440	-12.4%	320,033	299,197	7.0%
Franchise Tax	2,954	3,414	-13.5%	80,422	84,199	-4.5%
Premium Tax	2,305	2,242	2.8%	123,033	134,219	-8.3%
Death Taxes	10,015	11,568	-13.4%	116,470	140,655	-17.2%
Alcohol / Tobacco	31,562	32,414	-2.6%	261,219	265,252	-1.5%
Court Revenues	6,407	7,702	-16.8%	81,470	82,179	-0.9%
Interest	3,406	17,059	-80.0%	20,343	49,286	-58.7%
Miscellaneous	30,234	22,995	31.5%	133,445	122,003	9.4%
Total	733,520	799,382	-8.2%	6,953,856	7,376,839	-5.7%
Individual Income Tax Detail						
Withholding	769,698	778,755	-1.2%	6,470,143	6,498,503	-0.4%
Estimated	12,618	24,351	-48.2%	874,941	1,092,413	-19.9%
Final / Fiduciary	24,832	23,947	3.7%	231,547	247,455	-6.4%
Gross Receipts	807,148	827,053	-2.4%	7,576,631	7,838,371	-3.3%
Refunds	(590,941)	(605,875)	-2.5%	(1,174,847)	(1,055,353)	11.3%
Net Receipts	216,207	221,178	-2.2%	6,401,783	6,783,018	-5.6%
Corporate Income Tax Detail						
Estimated	10,219	9,902	3.2%	366,005	401,030	-8.7%
Final	6,824	11,233	-39.2%	174,490	119,754	45.7%
Gross Receipts	17,044	21,135	-19.4%	540,495	520,785	3.8%
Refunds	(7,767)	(13,084)	-40.6%	(192,808)	(173,985)	10.8%
Net Receipts	9,277	8,051	15.2%	347,687	346,799	0.3%
Lottery Sales	120,747	140,483	-14.0%	1,099,856	1,108,532	-0.8%

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.