



**Peter Franchot**  
Comptroller

May 23, 2013

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 totaled \$1.902 billion in April, growth of 10.9%. For the fiscal year to date, revenues of \$11.433 billion reflect growth of 5.7% over last year. April marks a significant milestone for the validity of the current fiscal year's revenue estimate, the due date for the prior tax year's returns and payments. It is encouraging to see that, in the aggregate, refunds and payments for tax year 2012 have been largely as expected, particularly given the circumstances surrounding the "fiscal cliff" and the State's retroactive income tax changes. You may recall that taxpayers were planning for higher federal income tax rates by realizing income which, in the absence of such policy uncertainty, they would not have. For the federal government and states with income taxes, those policy hedging activities have translated into an "April Surprise."

The extraordinary realizations coupled with the greater, retroactively applied, tax rates at the State level account for April's remarkable revenue growth. However, there are several months left for the fiscal year and risks remain. History shows that a considerable amount of tax year 2012 activity remains for this fiscal year. In addition, for the general fund as a whole, the State still needs to realize roughly 25% of the full year's revenues to reach the estimate. Additionally, it should be noted that collections reflecting current year economic activity, principally income tax withholding and the sales tax, have been discouraging.

#### *Individual Income Tax*

General fund individual income tax collections increased 17.4% for the month, and are now up 9.3% for the fiscal year. April is typically the largest month of collections for final and fiduciary payments; while final payments were up 24.3% for the month and 15.5% for the year, fiduciary payments decreased 9.1% for the month and 7.5% for the year. However, it does seem likely that with the abundance of general individual payments in April relative to most other years, that payments and processing for fiduciary returns could prove significant in May. Refunds of \$549.5 million were paid out in April, a decline of 0.6% from the year before, and remain down 4.5% for the year (to the good of the State).

April 15<sup>th</sup> is the due date for the first quarter estimated payments for tax year 2013. Estimated payments increased 10% for the month and are up 19.2% for the fiscal year to date. Withholding was up 4.8% for the

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month; however, there was one additional deposit day compared to April 2012. While year-over-year employment data remains strong, withholding growth remains weak, up just 2.9% for the fiscal year.

#### *Corporate Income Tax*

With quarterly payments due for corporations whose tax year begins at the start of a calendar quarter, April is a relatively substantial month for corporate estimated payments, which were up 1.9% for the month and are now up 6.9% for the fiscal year. The last significant month this fiscal year for corporate income tax collections is June, when second quarter estimated payments for calendar year filers is due.

#### *Sales Tax*

General fund sales tax collections for April (March sales) fell \$8.29 million, 2.5%. For the fiscal year to date, collections are up only \$13 million (0.4%). Receipts from consumer related businesses were essentially flat, and are now up just 1.3% for the fiscal year. Construction related receipts were down 6.6% for the month, but are up 1.5% for the year. In the aggregate, receipts are weak but close to expectations; the remaining months will prove critical to the estimate.

#### *Lottery*

Despite extremely disappointing sales (down 7.4%), lottery revenues are still trending above the estimate for the year-to-date. Except for Pick 4 and Racetrax, all games saw sales declines in April; but substantial reductions in prize payouts led to revenue growth of 0.4%. For the year to date, sales have declined 2.9% and revenues are down 1.8%. The Powerball lottery expanded to California in April, which is expected to boost jackpot size and frequency, possibly witnessed in May's \$590 million jackpot.

#### *Other Revenues*

Quarterly payments for both the business franchise and the insurance premium taxes are due in April. The business franchise tax fell 5.3%, attributable to a 5.4% decline in the gross receipts tax collected from public service companies. Filing fees collected from all businesses were down 1.4%. Insurance premium tax collections grew 13.1% for the month, up 3.2% for the year. Estate and Inheritance taxes were up 90% (24.5% for the year) due to large estates—those with payments over \$1 million.

I hope this information is helpful. If you have any questions or concerns, please do not hesitate to contact me or Andrew Schaufele, Director of the Bureau of Revenue Estimates.

Sincerely,



Peter Franchot  
Comptroller

cc: Treasurer Nancy K. Kopp	Delegate Sheila E. Hixson
Secretary T. Eloise Foster	Delegate Anthony J. O'Donnell
Senator Edward J. Kasemeyer	Warren G. Deschenaux
Senator Edward J. Pipkin	David F. Roose
Delegate Norman H. Conway	Len N. Foxwell

**State of Maryland General Fund Source Revenue Collections**  
**Fiscal Year 2013 (April)**  
**Summary Report**  
(\$ in thousands)

	April			Year to Date		
	FY 2013	FY 2012	Growth	FY 2013	FY 2012	Growth
<b>General Fund Receipts</b>						
Individual Income Tax	1,178,143	1,003,319	17.4%	6,122,122	5,599,572	9.3%
Corporate Income Tax	102,248	78,926	29.6%	626,335	480,427	30.4%
Sales Tax	342,021	350,965	-2.5%	3,018,815	3,005,832	0.4%
Lottery	48,089	47,892	0.4%	439,438	447,353	-1.8%
Franchise Tax	50,826	53,674	-5.3%	143,532	149,442	-4.0%
Premium Tax	72,525	64,111	13.1%	244,271	236,650	3.2%
Estate and Inheritance Tax	26,950	14,186	90.0%	195,730	157,161	24.5%
Alcohol / Tobacco	36,539	37,623	-2.9%	340,556	336,455	1.2%
Court Revenues	12,139	10,243	18.5%	100,280	98,876	1.4%
Interest	664	2,057	-67.7%	3,642	11,771	-69.1%
Highway User Revenues	-	17,860		-	127,194	
Miscellaneous	32,087	33,800	-5.1%	198,336	165,456	19.9%
<b>Total</b>	<b>1,902,230</b>	<b>1,714,655</b>	<b>10.9%</b>	<b>11,433,058</b>	<b>10,816,189</b>	<b>5.7%</b>
<b>Individual Income Tax Detail</b>						
Withholding	1,016,992	970,578	4.8%	9,189,401	8,931,368	2.9%
Estimated	222,090	201,879	10.0%	1,327,107	1,113,055	19.2%
Final / Fiduciary	1,018,265	827,202	23.1%	1,473,507	1,286,564	14.5%
Gross Receipts	2,257,347	1,999,658	12.9%	11,990,015	11,330,987	5.8%
Refunds	(549,473)	(552,560)	-0.6%	(2,124,093)	(2,223,529)	-4.5%
Net Receipts	<b>1,707,873</b>	<b>1,447,099</b>	<b>18.0%</b>	<b>9,865,922</b>	<b>9,107,458</b>	<b>8.3%</b>
<b>Corporate Income Tax Detail</b>						
Estimated	97,681	95,859	1.9%	601,595	562,803	6.9%
Final	25,231	21,349	18.2%	268,639	294,092	-8.7%
Gross Receipts	122,912	117,208	4.9%	870,234	856,895	1.6%
Refunds	(9,930)	(9,245)	7.4%	(141,422)	(189,550)	-25.4%
Net Receipts	<b>112,983</b>	<b>107,963</b>	<b>4.6%</b>	<b>728,812</b>	<b>667,344</b>	<b>9.2%</b>
<b>Lottery Sales</b>	<b>145,124</b>	<b>156,713</b>	<b>-7.4%</b>	<b>1,455,686</b>	<b>1,498,496</b>	<b>-2.9%</b>

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.