



Peter Franchot
Comptroller

October 31, 2012

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 and budget restoration fund revenues for the month of September totaled \$1.349 billion, an increase of 2.5% from September 2011 collections. For the fiscal year to date, general and budget restoration fund collections are \$2.730 billion, growth of 8.2% (see attached table). Revenue performance appears to be in line with expectations based on last month's revised revenue estimates.

Individual Income Tax

Individual income tax withholding grew 3.5% for the month of September, after a 2.3% increase in August. For the fiscal year to date, withholding has grown only 1.9%. Although some businesses are surely reflecting the increased withholding rates for the 2012 special session tax increase, it is expected that those changes will not be fully reflected until the end of the year. Estimated income tax payments for the third calendar quarter were due in September; receipts increased 7.3% for the month and are now up 16.8% for the year. For tax year 2012, quarterly estimated payments have been somewhat volatile; the first and third quarters have shown relatively healthy growth while the second quarter was weak. The first quarter of the fiscal year is an inconsequential period for final payments and refunds, though both have increased, 17.5% and 8.2% for the fiscal year, respectively.

Corporate Income Tax

Quarterly corporate income tax estimated payments, an indicator of current corporate economic activity, are due in September for most taxpayers. Year to date, estimated payments are up \$61.0 million, almost 40% over last year. Final payments, those payments associated with the filing of a tax return and generally related to past activity, are up 27.9% for the year. Overall for the fiscal year, gross receipts have increased 36.7% and refunds are down 43.2%; net receipts are up 61.4%.

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General fund corporate income tax receipts are up 83.9% for the year, a combination of strong growth in the components and a distribution change that is favorable to the general fund for fiscal year 2013.

Sales Tax

Sales tax collections increased 3.6% for the month and are up 3.9% for the fiscal year. Year to date, the 9% rate on alcohol, effective at the beginning of the last fiscal year, has added \$14.3 million to collections, an increase of 19% over the prior year to date. Overall, sales seem to be accelerating through the beginning of the fiscal year with strong growth in consumer receipts (5.2% year to date). Construction receipts, a current indicator of the housing market, saw continued modest growth for the month and year (0.8% and 2.5%). Both capital goods and utilities declined slightly for the year.

Lottery

Despite sales growth of 1.4% for the month, lottery revenues fell 7.3%. Year to date, sales increased 2.8% while revenues are down 3.9%. Keno sales, down significantly for the month and year (9.5% and 10.3%, respectively) contributed to weak general fund revenues. Despite increasing the Powerball ticket sale price from \$1 to \$2, both sales and revenues doubled for the month of September and increased dramatically for the fiscal year to date (74.7% and 72.4%). Much of this can be attributed to the average jackpot increasing 77% to \$121.8 million.

Other Revenues

Quarterly estimated payments for the franchise taxes and insurance premium tax are due in September. Both declined slightly for the month, 3.9% and 6.3%, respectively. Year to date, franchise taxes are down 4.8%, while insurance premiums are up 6.0%. Estate and inheritance taxes were down 32.7% for the month, 20.6% for the year. An inherently volatile tax, much of the swing is attributable to a steep decline in large estates (those making payments of \$500,000 or more) in the first three months of the fiscal year. Both tobacco and alcohol revenues showed stable growth for the month, up 6.2% and 2.9% respectively.

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 Edward J. Kasemeyer
Delegate Norman H. Conway
Delegate Anthony J. O'Donnell
Linda L. Tanton
Len N. Foxwell
Senator Edward J. Pipken
Delegate Sheila E. Hixson
Warren G. Deschenaux

State of Maryland General and Budget Restoration Fund Source Revenue Collections
Fiscal Year 2013 (September)
Summary Report
(\$ in thousands)

	September			Year to Date		
	FY 2013	FY 2012	Growth	FY 2013	FY 2012	Growth
General Fund Receipts						
Individual Income Tax	633,875	630,857	0.5%	1,397,274	1,291,148	8.2%
Corporate Income Tax	157,605	98,401	60.2%	207,958	113,056	83.9%
Sales Tax	339,175	327,344	3.6%	680,526	655,289	3.9%
Lottery	39,817	42,660	-6.7%	118,891	123,140	-3.5%
Franchise Tax	34,594	36,016	-3.9%	38,886	40,860	-4.8%
Premium Tax	66,812	71,311	-6.3%	78,243	73,803	6.0%
Estate and Inheritance Tax	16,829	25,009	-32.7%	46,826	58,969	-20.6%
Alcohol / Tobacco	41,472	39,118	6.0%	89,392	90,160	-0.9%
Court Revenues	10,609	7,857	35.0%	34,235	31,166	9.8%
Interest	3,675	13,586	-72.9%	(2,291)	1,759	-230.2%
Highway User Revenues	-	14,503		-	20,812	
Miscellaneous	4,632	8,904	-48.0%	40,964	24,771	65.4%
Total	1,349,094	1,315,565	2.5%	2,730,904	2,524,933	8.2%
Individual Income Tax Detail						
Withholding	849,608	820,523	3.5%	2,253,431	2,211,219	1.9%
Estimated	317,246	295,728	7.3%	403,916	345,728	16.8%
Final / Fiduciary	40,431	30,506	32.5%	110,459	93,970	17.5%
Gross Receipts	1,207,285	1,146,757	5.3%	2,767,806	2,650,918	4.4%
Refunds	(31,558)	(29,475)	7.1%	(121,792)	(112,532)	8.2%
Net Receipts	1,175,727	1,117,281	5.2%	2,646,014	2,538,385	4.2%
Corporate Income Tax Detail						
Estimated	175,023	122,939	42.4%	216,096	155,119	39.3%
Final	24,520	23,194	5.7%	58,808	45,985	27.9%
Gross Receipts	199,543	146,133	36.5%	274,903	201,104	36.7%
Refunds	(10,268)	(16,911)	-39.3%	(27,036)	(47,571)	-43.2%
Net Receipts	189,275	129,223	46.5%	247,867	153,533	61.4%
Lottery Sales	137,760	135,838	1.4%	427,275	415,602	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.