



Peter Franchot
Comptroller

May 9, 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 April totaled \$1.883 billion, an increase of 2.2% over April 2007. For the fiscal year to date, general fund collections are \$10.351 billion, growth of 4.2%. The sales tax performed particularly poorly last month, and individual income tax collections were slightly below expectations. Most other revenue sources performed as or better than expected for the month. Since the individual income tax and sales tax are about 80% of general fund revenues, however, their weak performance last month means general fund revenues are slightly below expectations through April.

Individual Income Tax

General fund individual income tax receipts for the month of April declined 1.5%, bringing year-to-date growth to 3.7%. Payments with returns declined 4.7% to \$1.021 billion; modest growth had been expected. Estimated income tax payments (for the first quarter of calendar year 2008) increased only 2.0%, well short of expectations, particularly since estimated payments should be reflecting the new income tax brackets (except for the top bracket). Mitigating these shortfalls, however, is the fact that a higher volume of filing-season related mail than usual continues to be received by the Comptroller's Office. Through the first five business days of May, over \$124 million of estimated and final payments have been deposited, \$56.1 million more than was received for the entire month of May last year. Income tax refunds increased 19.1% to \$461.2 million, somewhat above the level expected for the month, but based on processing patterns of recent years it is as likely as not that refunds will finish the year around the estimate. While it is probable that receipts for the filing season will ultimately be less than expected, the shortfall appears likely to be relatively small.

Income tax withholding increased 4.6% for the month to \$871.9 million, bringing year-to-date growth to 5.6%. Despite the negative economic news of late, withholding performance remains on target due in part to the fact that employment growth has actually accelerated in the first three months of the year (from 0.8% growth for 2007 to 1.0% for the first quarter of 2008). All told, though, the individual income tax is now slightly below expectations.

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Corporate Income Tax

General fund corporate income tax receipts grew 13.3% to \$80.5 million. Estimated payments, boosted by the increase in the corporate income tax rate from 7% to 8.25% for those corporations whose tax year corresponds with the calendar year, grew 19.5% (baseline growth is estimated at roughly 7.5%). Year-to-date, gross receipts have increased 4.7%. Refunds were down 13.4% for the month, and are now up only 64% for the year. Through April, corporate income tax revenues are running slightly ahead of expectations.

Sales Tax

General fund sales tax receipts increased 11.3% in April (March sales). After adjusting for the rate increase, however, the sales tax actually declined about 6%. This is roughly similar to the drop for December sales; these two declines are among the largest since at least fiscal year 1982. Adjusting for the rate change, the four major categories of sales tax receipts all dropped, construction-related revenues by double digits. For the fiscal year, general fund collections have increased 6.3%; after adjusting for the rate increase, growth is only 0.7%. The sales tax was substantially below expectations for the month (baseline revenues were expected to be flat), and recent trends are troubling.

Lottery

Lottery sales increased 4.1% in April, causing year-to-date growth to slow to a still-strong 7.2%. Instant ticket sales increased 20% (\$7.8 million) and Mega Millions sales grew 42% (\$3.0 million). Declines in Pick 3, Pick 4 and Keno/Racetrax offset much of the increases from instant tickets and Mega Millions. General fund revenues increased 1.0% for the month, bringing year-to-date growth to 9.1%. The lottery remains well above expectations for the year, although under Senate Bill 545 of 2008, up to \$13 million of lottery revenues in excess of the general fund estimate will be credited to a special fund rather than the general fund.

Other Revenues

Quarterly estimated payments were due in April for the gross receipts tax and insurance premium tax. Receipts for both declined for the month, but remain up for the year (4.8% and 2.2%, respectively), and both remain on track with the estimates. The floor (inventory) tax associated with the January tobacco tax increase was due April 30; April tobacco tax collections of \$50.1 million include \$13.0 million of floor tax. Excluding the floor tax, cigarette tax revenues increased 73%. Year-to-date, growth is 22%, but collections are lagging expectations. Estate tax collections grew 17.5%, and at \$170.6 million for the year, they exceed the full-year estimate by almost \$4 million with two months of collections remaining.

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,



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Comptroller

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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
Len Foxwell
Linda L. Tanton
David Weaver

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

	April			Year to Date		
	FY 2008	FY 2007	Growth	FY 2008	FY 2007	Growth
General Fund Receipts						
Individual Income Tax	1,192,408	1,210,241	-1.5%	5,501,493	5,306,177	3.7%
Corporate Income Tax	80,453	71,000	13.3%	406,393	462,765	-12.2%
Sales Tax	337,651	303,275	11.3%	2,695,071	2,534,877	6.3%
Lottery	44,016	43,593	1.0%	425,229	389,923	9.1%
Franchise Tax	51,424	51,699	-0.5%	152,531	145,533	4.8%
Premium Tax	51,422	54,267	-5.2%	231,139	226,114	2.2%
Death Taxes	18,742	16,859	11.2%	207,097	190,322	8.8%
Alcohol / Tobacco	50,146	22,856	119.4%	286,570	234,474	22.2%
Court Revenues	13,631	13,396	1.8%	120,077	127,416	-5.8%
Interest	13,178	29,674	-55.6%	89,282	107,722	-17.1%
Miscellaneous	29,543	25,612	15.3%	235,766	207,070	13.9%
Total	1,882,614	1,842,472	2.2%	10,350,647	9,932,393	4.2%
Individual Income Tax Detail						
Withholding	871,865	833,650	4.6%	8,229,698	7,791,151	5.6%
Estimated	248,636	243,816	2.0%	1,441,977	1,378,102	4.6%
Final / Fiduciary	1,077,909	1,119,568	-3.7%	1,451,572	1,488,061	-2.5%
Gross Receipts	2,198,410	2,197,034	0.1%	11,123,247	10,657,314	4.4%
Refunds	(461,170)	(387,265)	19.1%	(1,921,679)	(1,771,766)	8.5%
Net Receipts	1,737,239	1,809,769	-4.0%	9,201,568	8,885,549	3.6%
Corporate Income Tax Detail						
Estimated	89,916	75,244	19.5%	492,999	454,893	8.4%
Final	29,922	28,413	5.3%	292,165	295,263	-1.0%
Gross Receipts	119,838	103,657	15.6%	785,164	750,155	4.7%
Refunds	(7,340)	(8,474)	-13.4%	(220,294)	(134,622)	63.6%
Net Receipts	112,498	95,182	18.2%	564,870	615,534	-8.2%
Lottery Sales	138,547	133,078	4.1%	1,399,885	1,305,743	7.2%

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.