



Peter Franchot
Comptroller

July 21, 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 for the month of June totaled \$1.336 billion, an increase of 2.8% over last June. For the fiscal year to date, general fund collections are \$11.636 billion, a decline of 3.5%. By the calendar, fiscal year 2010 has ended, although about \$600 million of fiscal year 2010 revenue has yet to be collected and accounted for. These revenues include a full month of sales tax collections, several hundred million dollars of individual income tax withholding, and several smaller revenue sources including interest income and tobacco taxes. In addition, all revenue sources are subject to potentially large accounting adjustments through the close of the fiscal year in late August. Regardless, it is clear at this point that most major revenue sources will exceed their estimates for fiscal year 2010, as will total general fund revenues.

Individual Income Tax

General fund individual income tax receipts for the month of June increased 4.3%; year-to-date, individual income tax revenues have declined 4.3%. Income tax withholding increased 5.1% for the month, the fourth consecutive month of growth. After having fallen by 0.5% for the year through February, year-to-date growth now stands at 1.5%, well ahead of the full-year forecast of 0.3% growth. Receipts during the accrual period could fall by double-digits, and withholding would still comfortably exceed the full-year forecast. Estimated individual income tax payments rose 4.3% for the month, the fourth consecutive quarter of acceleration, and the first quarter of growth since the third quarter of 2008. Subject to accounting adjustments, estimated payments finished the year at \$1.328 billion, \$3.1 million ahead of the estimate despite falling by 13.4%.

Final payments and refunds are also complete for the fiscal year. Final payments were up 4.5% for the month, but down 12.7% for the year. The estimate, however, called for a 24% decline; at \$1.001 billion, final payments finished the year \$128.6 million ahead of the forecast. Refunds also

Letter to Honorable Martin O'Malley,
Thomas V. "Mike" Miller, Jr., and
Michael E. Busch
July 21, 2010
Page 2

finished the year ahead of the estimate, although last month's expectation that June refunds would fall substantially was met, with a 53% decline from last June's record level. Up 6.2% for the year to \$2.691 billion, refunds finished the year \$60.3 million ahead of the forecast. Even with the several hundred million dollar accrual outstanding, it is very likely that the individual income tax will finish the year more than \$100 million over the forecast.

Corporate Income Tax

The corporate income tax is final for fiscal year 2010, subject to accounting adjustments. The \$561.4 million in general fund receipts represents an increase of 2.0%, and is \$30.0 million over the forecast. For the month, estimated payments increased 4.7% while final payments, a small fraction of gross receipts, increased nearly 22%. Refunds increased by almost 60%, though the amount was relatively small.

Sales Tax

General fund sales tax receipts increased 3.4% in June (May sales) reducing the year-to-date decline to 3.0%. June was the third consecutive month of growth; the last three-month period of growth was July to September of 2007 (adjusting for the rate increase in 2008). Receipts from consumers, construction activity and sales of capital goods have growth each of the past three months; the latter has shown notable strength, increasing 5.6%, 11.4% and 5.5% over that time, perhaps indicating a rise in business confidence. Utility-related revenues continue to decline, although the declines have been in single-digits rather than the frequent double-digit declines over the past year. One full month of collections remain, but it appears quite likely that the sales tax will exceed the full year estimate which calls for a decline of 4.0%.

Lottery

Lottery sales declined 2.9% for the month, while general fund revenues declined by 12.7%, the worst performance of the year. Sales of the two largest games, instant tickets and Keno/Racetrax fell by 5.5% and 10.0%, respectively, while Pick 3 and Pick 4 sales both increased slightly. Sales of Mega Millions, combined with the relatively new (to Maryland) Powerball, increased 31% for the month. Revenues for every game except for Pick 3 and Mega Millions/Powerball declined by double-digits, including a 44% drop in Pick 4 revenues. The drop in Pick 4 revenues was driven by a near-20 percentage point swing in the prize payouts, from 47% of sales last June to 66% this June. Pick 4 alone accounted for \$4.0 million of the \$5.6 million drop in general fund lottery revenues.

Other Revenues

Most other revenue sources showed growth for the month, although none show strong growth year-to-date. Quarterly estimated payments were due for the franchise taxes and insurance premium tax. Franchise tax receipts increased 13.1%, bringing year-to-date collections to 0.4% growth. Premium tax collections declined 1.6%, though they are still up 1.3% for the year. Estate tax collections increased over 85% for the month as receipts from large estates nearly doubled. Coupled with a

Letter to Honorable Martin O'Malley,
Thomas V. "Mike" Miller, Jr., and
Michael E. Busch
July 21, 2010
Page 3

5.8% decline in inheritance tax collections; death taxes altogether rose 57% for the month. One month of inheritance tax collections will accrue to fiscal year 2010, but at several million dollars, they will not be enough to offset the 17% year-to-date decline through June, although they will finish several million dollars over the full-year forecast. Court revenues were up 30% for the month, entirely a result of circuit court collections. These revenues are largely related to real property sales; it is likely that the surge in sales related to the now-expired federal income tax credit for homebuyers is the cause of this growth. Although interest income is down 74% on the year, there will be a substantial accrual at the close of the fiscal year.

The next revenue report will be the closeout report for fiscal year 2010, which will be issued in late August.

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 (June)
Summary Report
(\$ in thousands)

	June			Year to Date		
	FY 2010	FY 2009	Growth	FY 2010	FY 2009	Growth
General Fund Receipts						
Individual Income Tax	689,131	660,914	4.3%	5,982,338	6,252,815	-4.3%
Corporate Income Tax	107,331	109,752	-2.2%	561,395	550,645	2.0%
Sales Tax	294,717	284,991	3.4%	3,202,215	3,300,635	-3.0%
Lottery	38,188	43,748	-12.7%	490,171	473,206	3.6%
Franchise Tax	56,684	50,119	13.1%	202,305	201,557	0.4%
Premium Tax	61,522	62,532	-1.6%	278,977	275,393	1.3%
Death Taxes	17,410	11,082	57.1%	167,439	201,775	-17.0%
Alcohol / Tobacco	35,659	36,646	-2.7%	404,233	405,489	-0.3%
Court Revenues	14,284	10,990	30.0%	128,167	126,514	1.3%
Interest	3,711	2,973	24.8%	13,573	51,815	-73.8%
Miscellaneous	17,819	26,860	-33.7%	205,151	212,018	-3.2%
Total	1,336,456	1,300,608	2.8%	11,635,963	12,051,864	-3.5%
Individual Income Tax Detail						
Withholding	842,416	801,285	5.1%	9,925,375	9,778,155	1.5%
Estimated	259,100	248,409	4.3%	1,329,324	1,532,974	-13.3%
Final / Fiduciary	40,420	37,881	6.7%	1,046,259	1,213,036	-13.7%
Gross Receipts	1,141,936	1,087,575	5.0%	12,300,958	12,524,165	-1.8%
Refunds	(94,882)	(197,897)	-52.1%	(2,690,925)	(2,527,915)	6.4%
Net Receipts	1,047,054	889,678	17.7%	9,610,034	9,996,250	-3.9%
Corporate Income Tax Detail						
Estimated	138,110	131,885	4.7%	656,348	655,648	0.1%
Final	18,620	15,300	21.7%	364,605	296,036	23.2%
Gross Receipts	156,730	147,186	6.5%	1,020,953	951,683	7.3%
Refunds	(11,019)	(6,974)	58.0%	(258,561)	(202,664)	27.6%
Net Receipts	145,711	140,212	3.9%	762,392	749,019	1.8%
Lottery Sales	136,034	140,136	-2.9%	1,706,573	1,698,074	0.5%

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.