

MARYLAND REVENUE ESTIMATES

*BOARD OF REVENUE ESTIMATES
MARCH 2021*

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Executive Secretary
Board of Revenue Estimates

High Level Comparison (Mar21 to Dec20)

March Estimates Versus December Estimates		
Tax Type	Fiscal Year 2021	Fiscal Year 2022
Personal Income Tax	\$225.6	\$346.9
Corporate Income Tax	73.6	62.5
Sales Tax	75.1	62.7
Lottery	23.6	1.1
Other	26.1	0.0
Subtotal: Ongoing Revenues	424.0	473.3
2021 Session Impacts	(424.8)	(174.7)
Total: Net General Fund	(0.8)	298.6
Notes: dollars in millions; amounts may not sum from rounding		

High Level Comparison (Mar21 to Mar20)

Estimates Versus Last Pre-Covid Estimate		
Tax Type	Fiscal Year 2021	Fiscal Year 2022
Personal Income Tax	\$38.7	\$233.0
Corporate Income Tax	41.5	56.1
Sales Tax	(265.4)	(153.1)
Lottery	65.5	17.1
Other	(65.1)	7.9
Subtotal: Ongoing Revenues	(184.8)	161.1
2021 Session Impacts	(424.8)	(174.7)
Total: Net General Fund	(609.6)	(13.6)
Notes: dollars in millions; amounts may not sum from rounding; Mar20 estimate adj for 2020 Session		

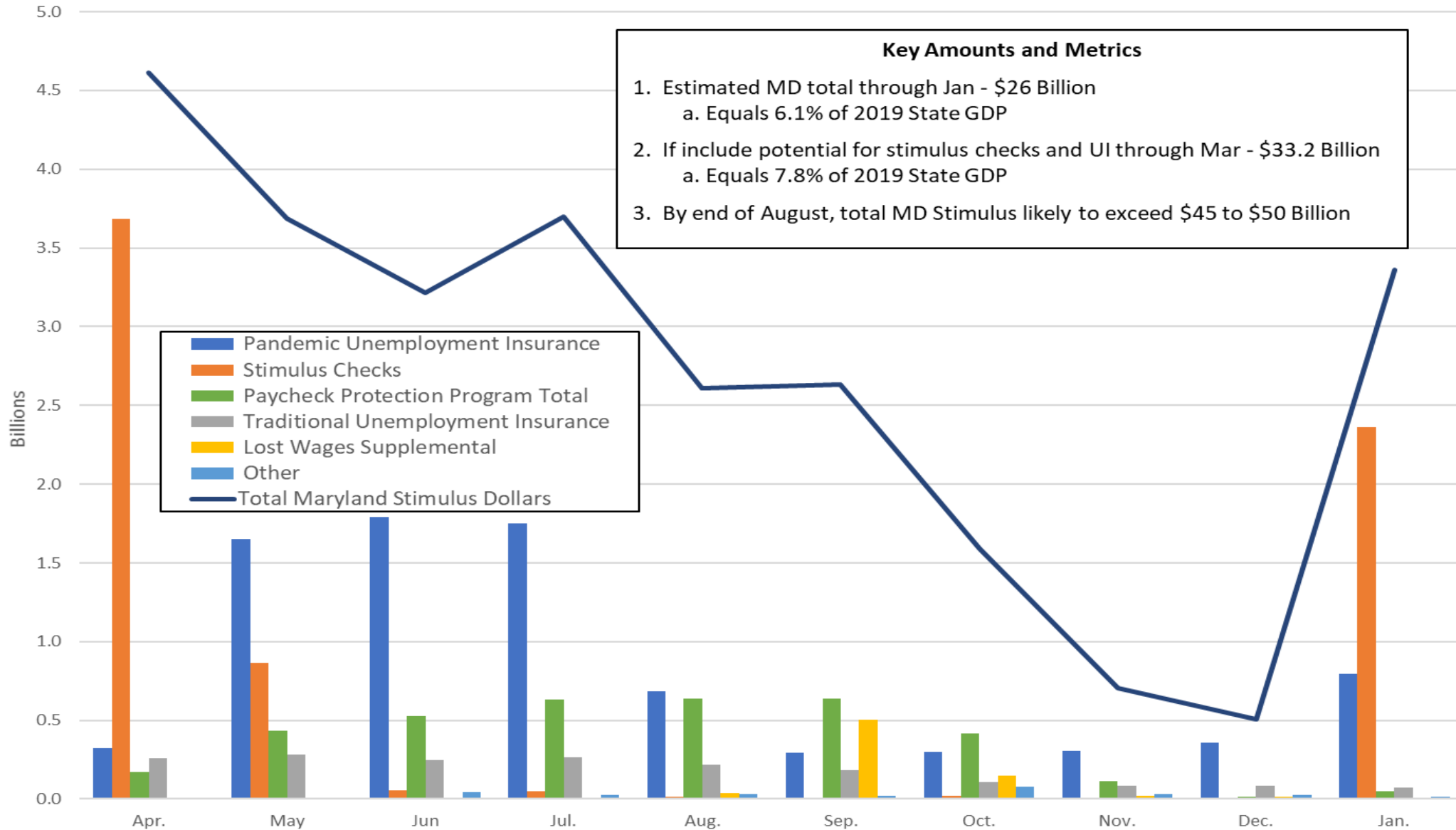
What Has Changed Since December?

- Consolidated Appropriations Act – 12/27/2020; significant measures:
 - \$600 stimulus checks; estimated \$2.5 billion to 75% of all MD households
 - Extended federal UI benefits; estimated \$2.2 billion to MD residents (expire 3/14)
 - Expanded & altered PPP
 - EITC lookback provision & multiple other tax provisions
- American Rescue Plan Act of 2021 – under consideration; significant measures:
 - \$1,400 stimulus checks; estimated \$5.7 billion to 75% of all MD households
 - Extended federal UI benefits; estimated up to \$3.9 billion to MD residents
 - Many tax changes, incl child tax credit and EIC (impact not yet determined, but potentially significant)
 - Major state and local government funding; estimated up to \$8 billion for Maryland governments
 - Expansion and targeting of PPP program to smaller employers

What Has Changed Since December? (continued)

- Increased confidence in vaccine efficacy and timeframe
- Late-fall/winter COVID case rates abating
- Tax collections “survived” winter at approximate expectations
- Certain tax collections from non-corporate businesses increase confidence in aggregate profitability

Estimated Stimulus Amounts by Key Programs By Month

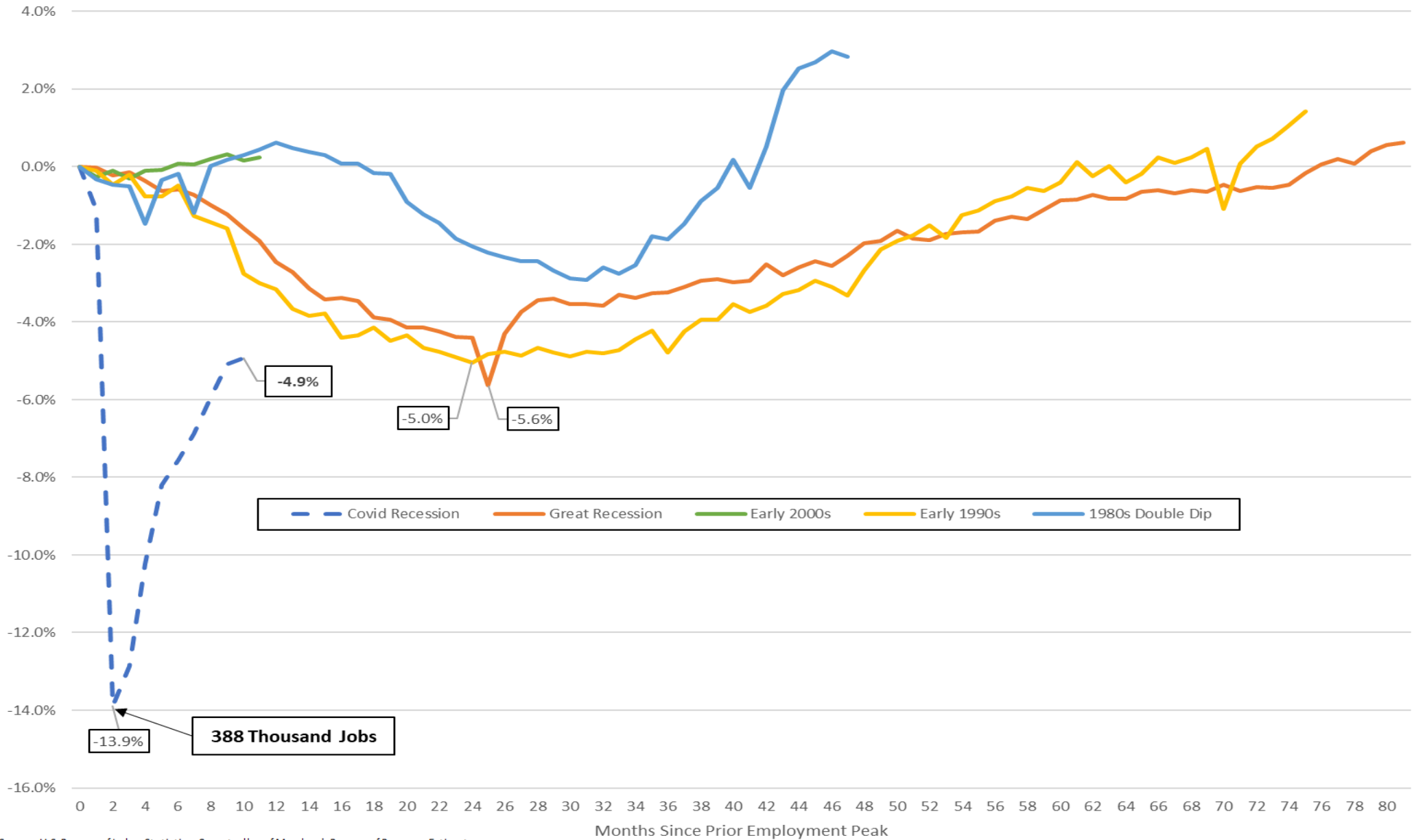


Note: This does not include all stimulus efforts (including much of the stimulus sent directly to governments), this represents the largest dollar categories for which we could find publicly available data
 Sources: U.S. Bureau of Economic Analysis; U.S. Small Business Administration; Comptroller of Maryland, Bureau of Revenue Estimates

Changes to Economic Assumptions Since December

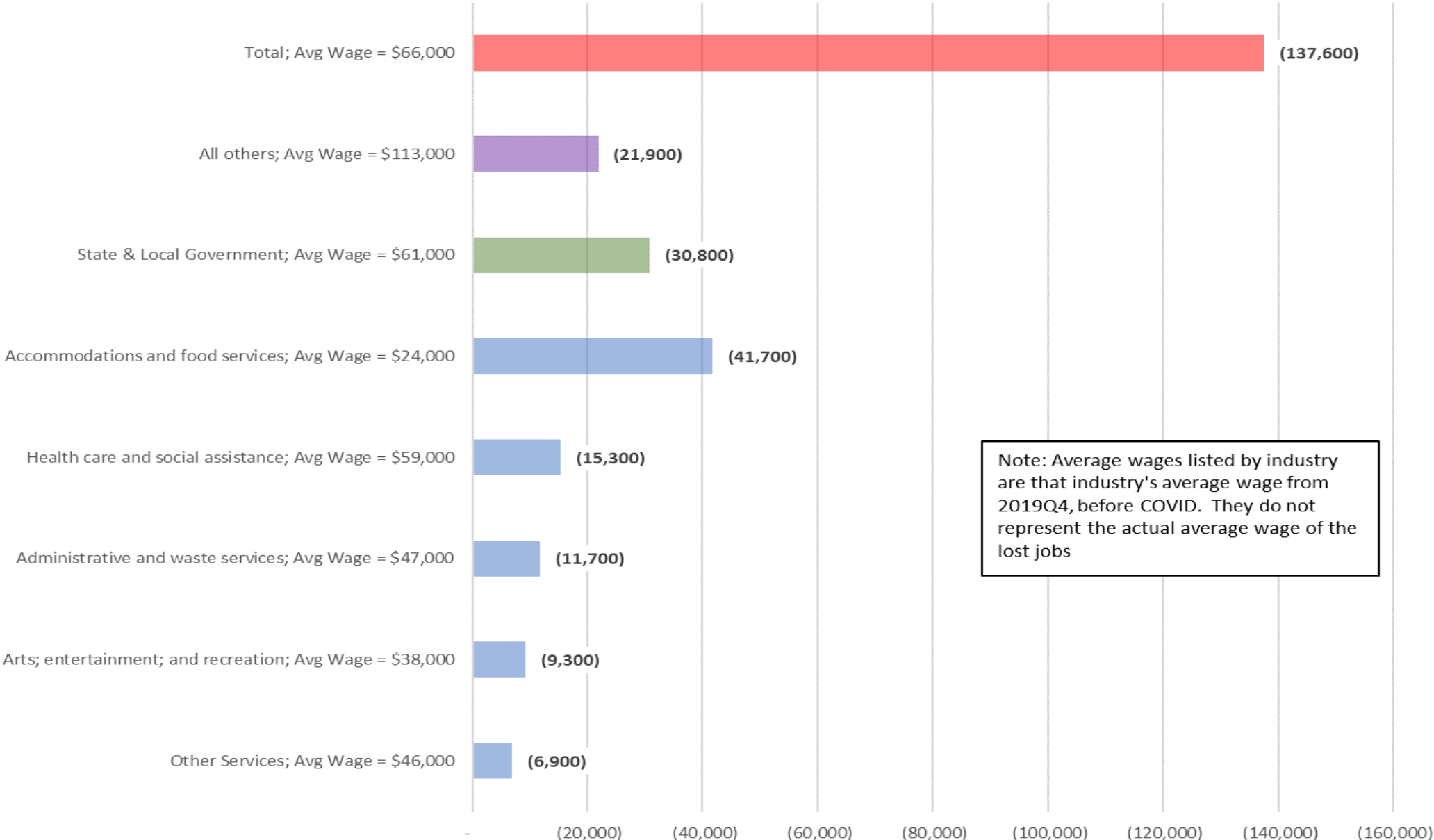
1. Extraordinary increase in government assistance from multiple stimulus programs
2. Moderate acceleration of employment and wage base recovery
3. Significant revision to proprietor's income (proxy for non-corporate business income)
 - a. Tax Year 2020 growth: from -1.5% to +4.0%
 - b. Tax Year 2021 growth: from +5.0% to +7.1%

Maryland Total Employment Indexed to Prior Peak - COVID Data Only Available Through Dec2020



Source: U.S. Bureau of Labor Statistics; Comptroller of Maryland, Bureau of Revenue Estimates

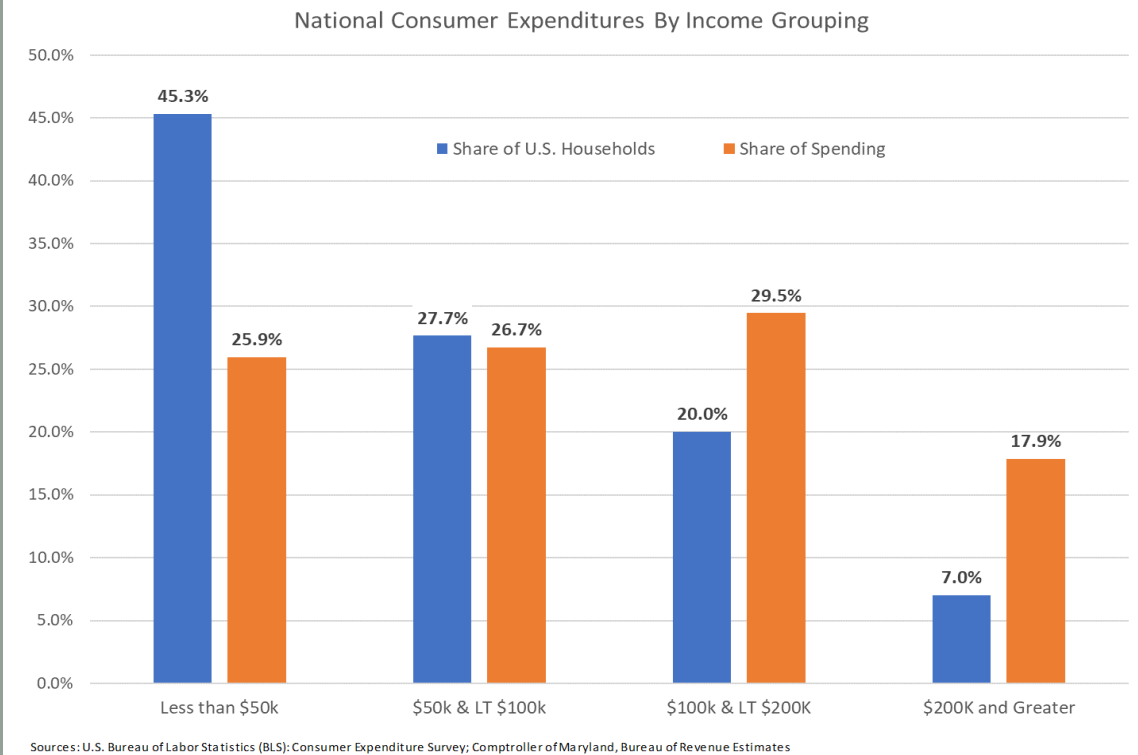
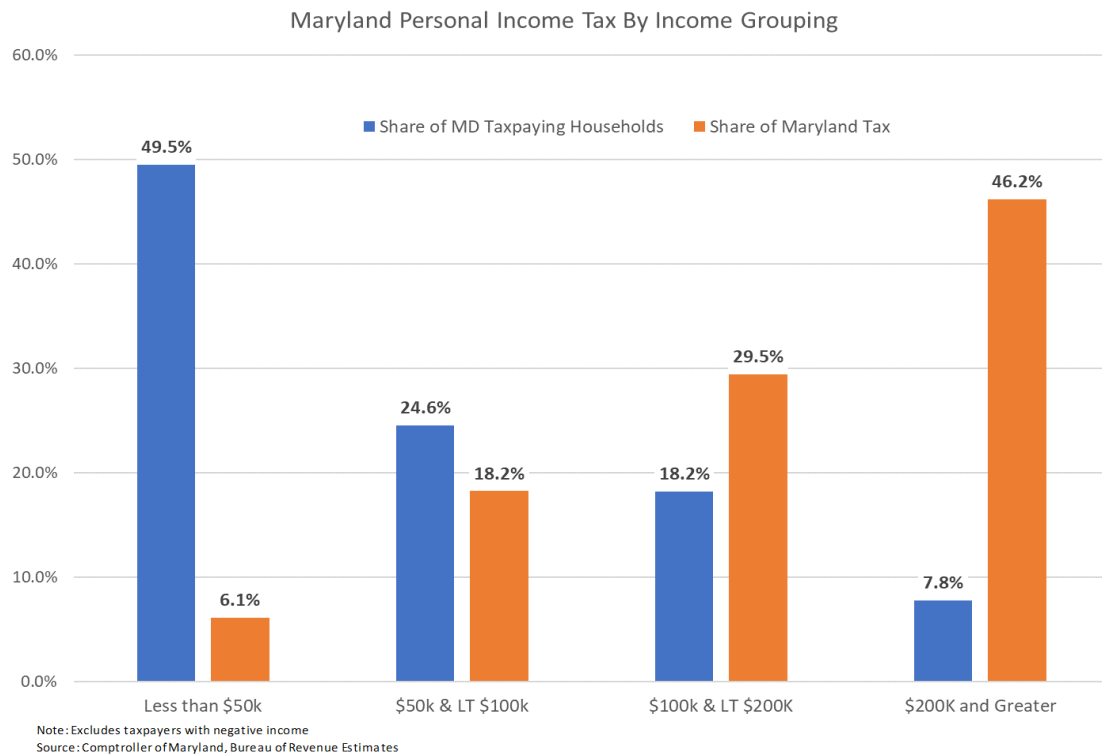
Jobs Lost From Feb 2020 to Dec 2020: Top 5 Private Sector; S&L Gov; & All Others



Note: Average wages listed by industry are that industry's average wage from 2019Q4, before COVID. They do not represent the actual average wage of the lost jobs

Sources: U.S. Bureau of Labor Statistics; Maryland Department of Labor; Comptroller of Maryland, Bureau of Revenue Estimates

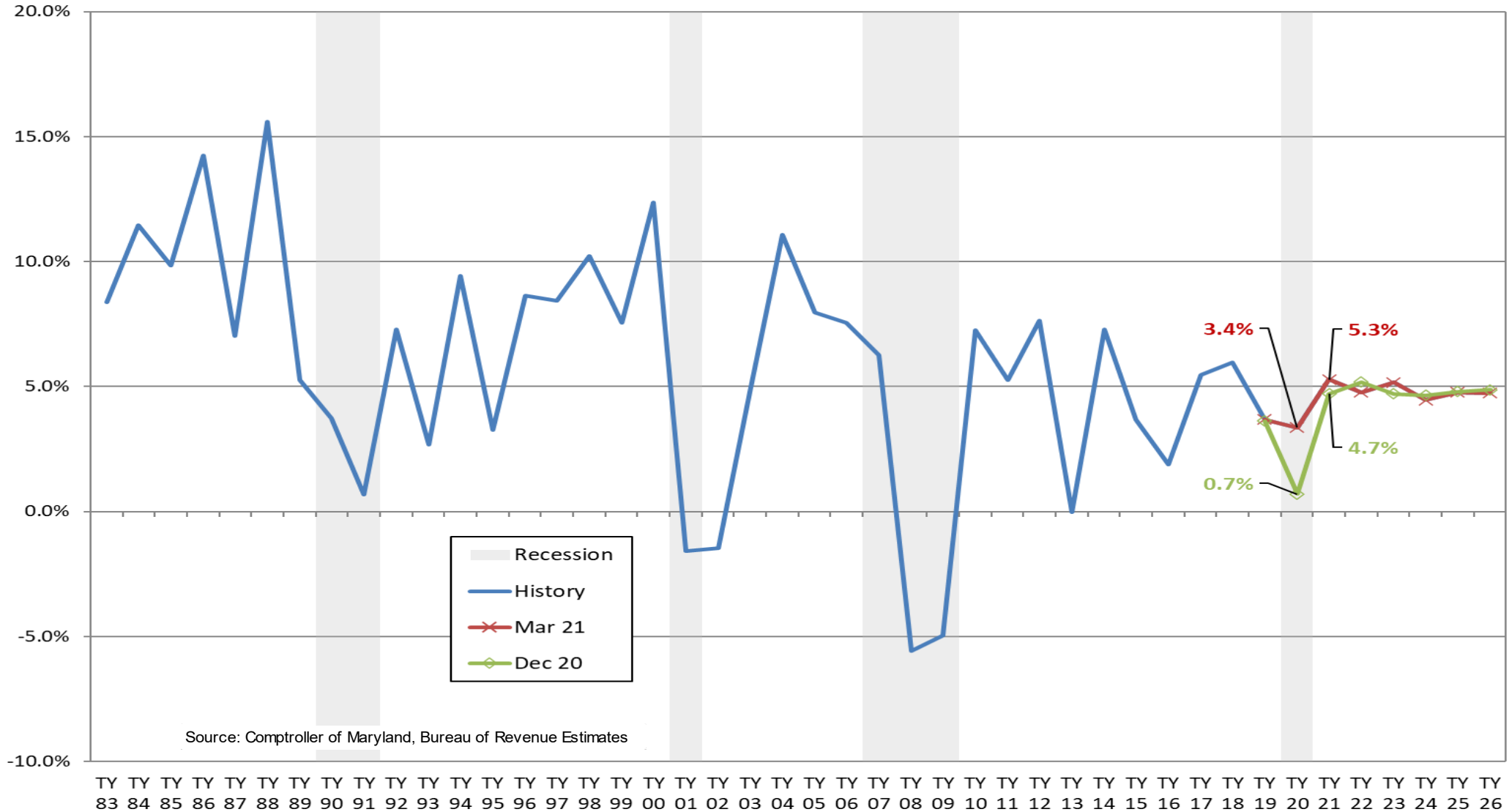
Tax Base Structure Limits COVID Revenue Impact



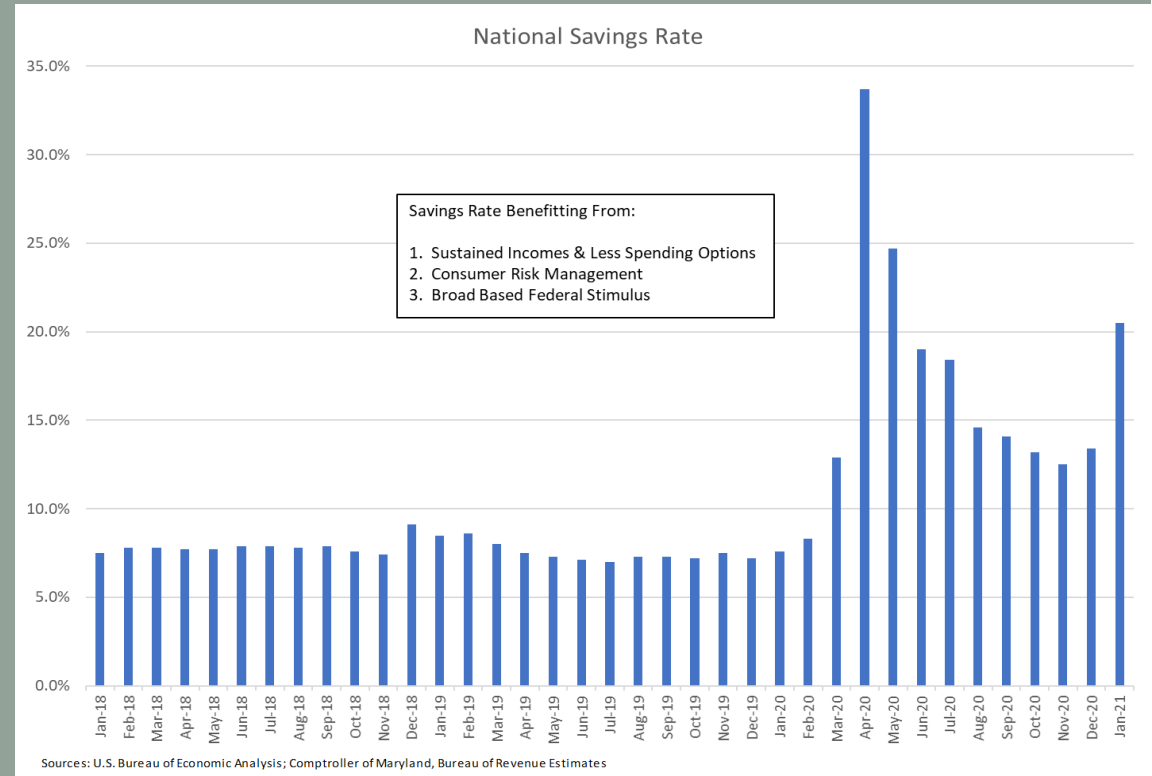
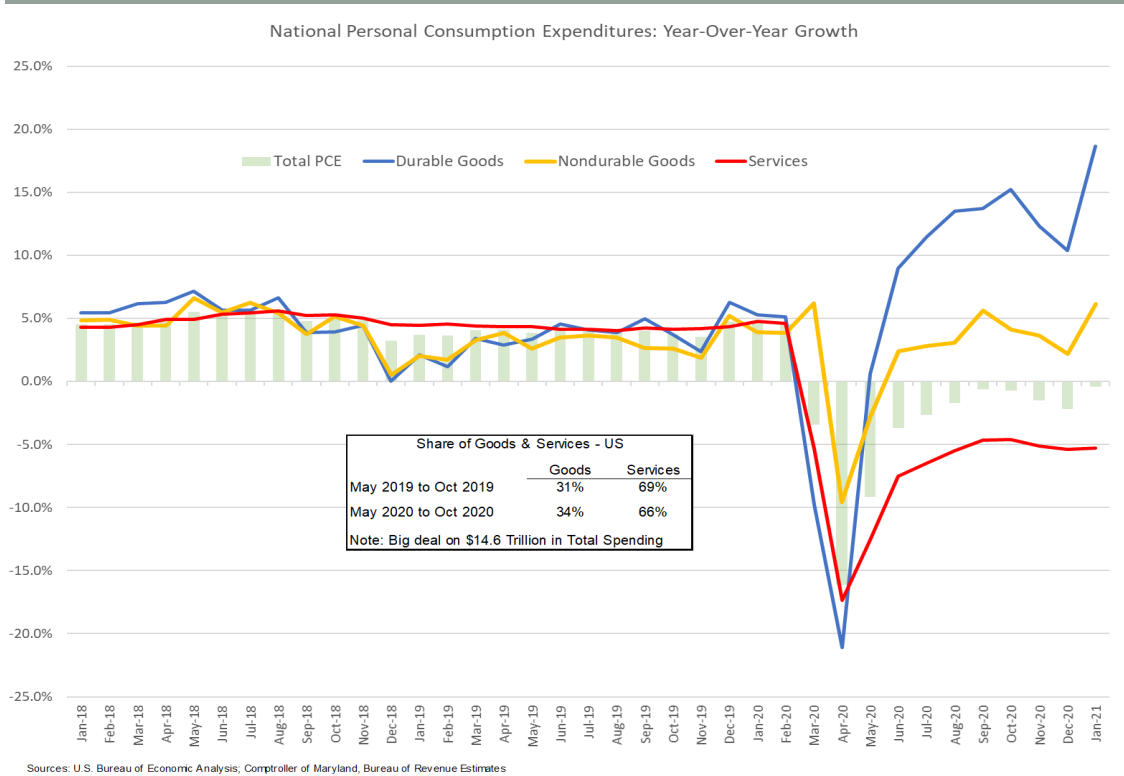
- Income Tax is 50% of all general fund revenues
- Sales Tax is 25% of all general fund revenues
 - Further mitigated by expenditure mix – lower income households spend larger shares of their incomes on items not taxable in Maryland

Income Tax Estimate By Tax Year (excl rate and law changes)

Estimate of Taxable Income - Baseline - Mar 2021 versus Dec 2020



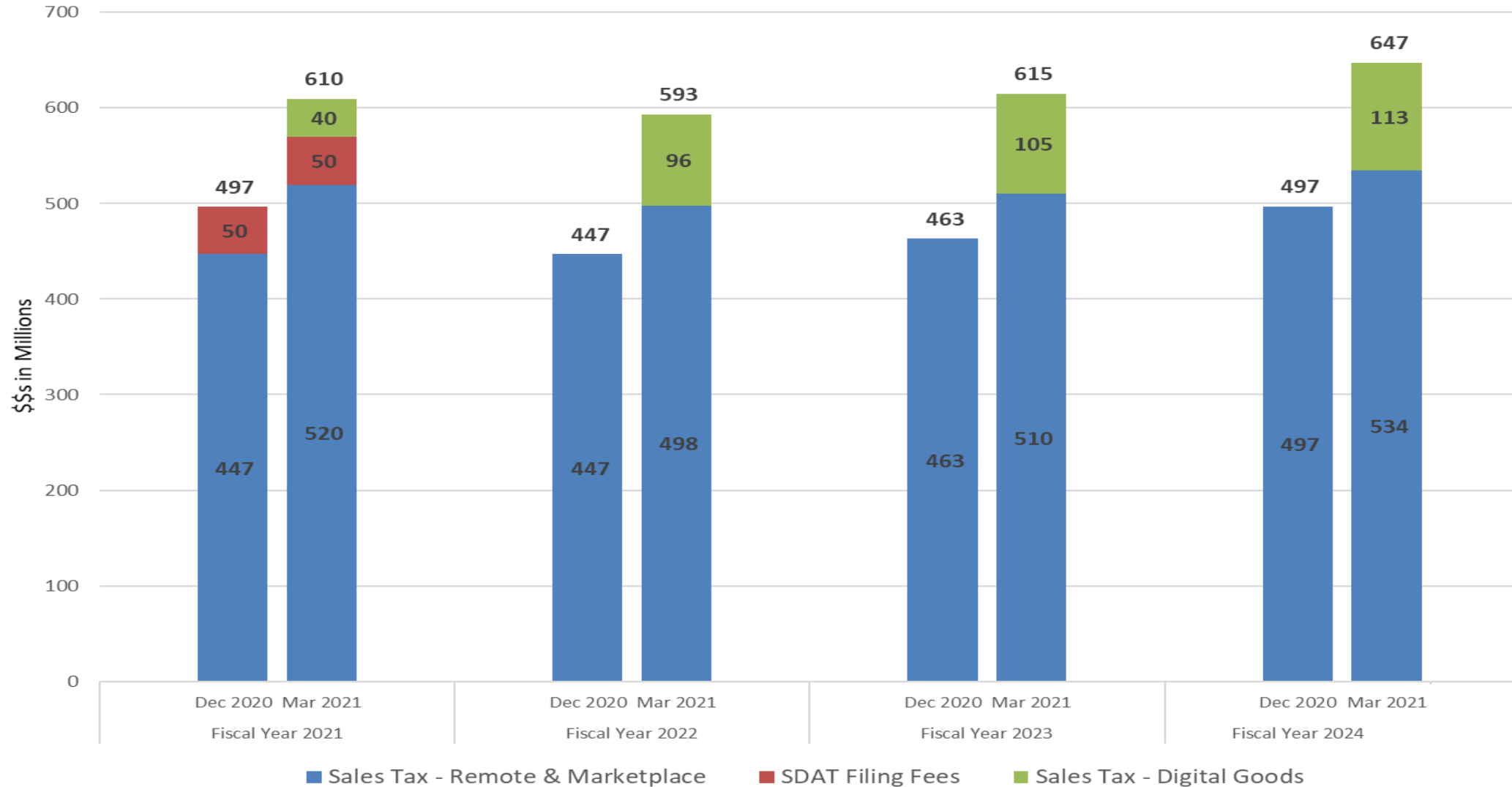
Sales Tax – Near Term Impacts & Uncertainties



- Near term sales tax is benefitting from composition of expenditures
- General fund benefits for short period as brick-&-mortar share semi-recovers
- Timing of brick-&-mortar semi-recovery is uncertain
- What happens to extraordinary savings after widespread vaccination?

Sales Tax: Blueprint Continues to Surge

Evolution & Composition of Blueprint Fund



Source: Comptroller of Maryland, Bureau of Revenue Estimates

Discussion of Risk in the Outlook

STATEMENT: Highly confident in current year and budget year, but risks seem more elevated than usual in the six-year forecast window

Markets and Financial Risk

- This level of stimulus is unprecedented
- Economists and financiers are currently debating the prospects of short-term inflation, long-term inflation, and regular inflation
- The stock and bond markets are clearly uncertain regarding the outlook
- Could have impacts on growth potential as well as capital gains

Virus Risk

- Proper to assume virus levels abating but premature to declare absolute victory
- Some seem unwilling to get vaccinated – size of this population is uncertain
- Variants already exist and there has not been enough time to study related vaccine impacts and whether they enable reinfection
- Partial population vaccination could result in further mutations

Thank You

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