



**Peter Franchot**  
*Comptroller*

**David Roose**  
*Director*  
*Bureau of Revenue Estimates*

January 21, 2011

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 December declined 2.1% to \$1,110.1 million. Despite that decline, revenues have increased 3.4% for the fiscal year to date. The individual income tax and sales tax, over three-quarters of general fund revenue, have increased 4.8% for the fiscal year. At this point, there is no indication that the recently-revised revenue estimates are at risk.

#### *Individual Income Tax*

Individual income tax collections fell \$19.2 million to \$477.2 million, a decline of 3.9%. Year-to-date, however, revenues are up 5.3%, or \$131.5 million. Individual income tax withholding declined by 0.4%, although there was one fewer deposit day this December compared to last December which, all else equal, reduced growth by roughly 4.5 percentage points. For the fiscal year, growth in withholding is a relatively strong 4.0%. Individual income tax estimated payments increased 5.1% for the month. As fourth quarter estimated payments are due in January, and January collections are typically about three times December collections, interpretation of December results is always difficult. That difficulty is compounded this year given the uncertainties taxpayers faced as Congress waited until late December to address a wide variety of expiring federal income tax provisions. Final payments and refunds both declined for the month, 2.2% and 29% respectively, and both are down for the year, 1.4% and 25%. As is always the case, however, performance through December, prior to the start of the income tax filing season, does not necessarily have any bearing on where the fiscal year will finish.

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### *Corporate Income Tax*

General fund corporate income tax collections declined 10.3% for the month to \$102.9 million; receipts are now down 5.0% for the fiscal year. Fourth quarter estimated payments for calendar year taxpayers are due in December; these payments, reflecting current activity, increased 8.3%. Final payments received during the month, essentially reflecting performance in past periods, fell 8.4%. All told, gross receipts declined 15.6% for the month, while year-to-date performance has gone from growth last month to a 5.0% decline this month. Corporate income tax refunds fell 31% in December, and they are now down just under 20% for the fiscal year. Net receipts fell nearly 14.1% to \$142.3 million for December, although they have increased 3.0% through the first half of the fiscal year.

### *Sales Tax*

General fund sales tax collections increased 4.9% in December (November sales) to \$295.9 million. For the fiscal year, receipts have grown 3.8%. Gross receipts, up 5.5% for December, have now grown nine consecutive months—December's performance was the best since last April, the first of the nine months of growth. For the fiscal year, gross receipts have increased 3.8%. Receipts from consumer sales increased 4.9%, slightly ahead of the 4.6% growth for the fiscal year. Construction-related receipts grew 12.0%, easily the best performance since the onset of the recession. Growth in receipts from sales of capital goods and utilities was more modest, at 2.7% and 3.4%, respectively. Through December, only utilities have declined for the fiscal year, down 1.5%.

### *Lottery*

Lottery sales increased 6.7% in December, bringing sales level with last year. Despite the relatively strong sales growth for the month, general fund revenues declined 6.1%. That decline, however, was entirely due to the fact that the distribution for the Stadium Authority was completed by October last year, while \$5.4 million was distributed to the Stadium Authority in December. This factor is a result of the introduction of Powerball, as revenues from Mega Millions are dedicated to the Stadium Authority, and Powerball sales have cannibalized, to a degree, Mega Millions sales. For the fiscal year, sales of both games are up 0.8%, although Mega Millions sales are down 35%. Pick 3 revenues increased 16.6% for the month, driven by a 14 percentage point decline in prize payouts, while Mega Millions revenues were up 12.5%, largely due to the high jackpots at the end of December. For the year, revenues from all major games except Keno and Racetrax have declined; general fund revenues are down 2.4%.

### *Other Revenues*

Quarterly estimated payments are due in December for the business franchise taxes and insurance premium tax. Franchise tax receipts were down slightly, but are up 1.4% for the year, while premium tax collections increased 7.6% for the month, and are now up 5.4% on the year. Estate and inheritance tax collections were flat for the month, but remain up substantially—15.3%—for the fiscal year. Tobacco tax collections are also showing relatively strong performance, up 3.0% for the fiscal year after 1.5% growth in December. General fund interest earnings, reported here on a cash basis, are negative due largely to special fund allocations; considering accruals, interest is in positive territory for the year and on track to meet the estimate.

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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,

A handwritten signature in black ink that reads "Peter Franchot". The signature is written in a cursive style with a large, stylized initial "P".

Peter Franchot  
Comptroller

cc: Treasurer Nancy K. Kopp  
Secretary T. Eloise Foster  
Senator Edward J. Kasemeyer  
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 2011 (December)**  
**Summary Report**  
(\$ in thousands)

	December			Year to Date		
	FY 2011	FY 2010	Growth	FY 2011	FY 2010	Growth
<b>General Fund Receipts</b>						
Individual Income Tax	477,230	496,414	-3.9%	2,599,719	2,468,205	5.3%
Corporate Income Tax	102,918	114,767	-10.3%	210,354	221,251	-4.9%
Sales Tax	295,900	282,065	4.9%	1,507,136	1,452,198	3.8%
Lottery	42,761	45,526	-6.1%	236,635	242,382	-2.4%
Franchise Tax	31,757	31,983	-0.7%	78,378	77,333	1.4%
Premium Tax	65,413	60,799	7.6%	136,508	129,458	5.4%
Estate and Inheritance Taxes	26,274	26,261	0.0%	110,302	95,636	15.3%
Alcohol / Tobacco	36,664	36,336	0.9%	199,238	193,906	2.8%
Court Revenues	9,963	10,198	-2.3%	60,066	64,545	-6.9%
Interest	(1,144)	8,571	-113.4%	(9,288)	15,569	-159.7%
Miscellaneous	22,380	20,867	7.2%	88,054	86,904	1.3%
<b>Total</b>	<b>1,110,116</b>	<b>1,133,787</b>	<b>-2.1%</b>	<b>5,217,101</b>	<b>5,047,387</b>	<b>3.4%</b>
<b>Individual Income Tax Detail</b>						
Withholding	943,507	947,384	-0.4%	4,870,701	4,682,120	4.0%
Estimated	105,616	100,498	5.1%	500,407	502,410	-0.4%
Final / Fiduciary	21,930	22,948	-4.4%	174,787	180,424	-3.1%
Gross Receipts	1,071,052	1,070,829	0.0%	5,545,894	5,364,954	3.4%
Refunds	(20,334)	(28,493)	-28.6%	(335,650)	(446,249)	-24.8%
Net Receipts	<b>1,050,718</b>	<b>1,042,336</b>	<b>0.8%</b>	<b>5,210,244</b>	<b>4,918,705</b>	<b>5.9%</b>
<b>Corporate Income Tax Detail</b>						
Estimated	145,222	134,099	8.3%	348,391	328,281	6.1%
Final	7,405	46,632	-84.1%	108,503	152,886	-29.0%
Gross Receipts	152,627	180,730	-15.6%	456,894	481,167	-5.0%
Refunds	(10,363)	(15,108)	-31.4%	(135,668)	(169,262)	-19.8%
Net Receipts	<b>142,264</b>	<b>165,623</b>	<b>-14.1%</b>	<b>321,226</b>	<b>311,906</b>	<b>3.0%</b>
<b>Lottery Sales</b>	<b>156,126</b>	<b>146,368</b>	<b>6.7%</b>	<b>842,671</b>	<b>842,311</b>	<b>0.0%</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.