



**Peter Franchot**  
Comptroller

March 26, 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 fund revenue collections for February were \$896.5 million, an increase of 9.0% from February of last year (see attached table). For the fiscal year to date, general fund receipts are \$7.913 billion, an increase of 6.3%. Adjusted for the changed distribution of sales tax and highway user tax revenues and the new alcoholic beverage sales tax, baseline growth is roughly 5.3%. Lottery revenues performed particularly well last month, even after accounting for the extra day in February. February results were taken into account in the general revenue revisions released by the Board of Revenue Estimates earlier this month.

#### *Individual Income Tax*

General fund individual income tax receipts for the month of February increased 14.9% to \$467.2 million. Income tax withholding increased 8.6% in February, after several months of marginal declines and increases. For the year, withholding has grown 3.0%, slightly below the full year forecast of 3.7%. February is a relatively inconsequential month for estimated and final payments, although it is a substantial month for refunds. In fact, at \$691.7 million, February 2012 marks the largest month for refunds on record. Refunds were up 16.8% for the month and are up 19.7% for this filing season; the surge largely reflects continued strong growth in electronically-filed returns, which were up more than 10% at the start of the filing season. For the year, general fund individual income tax revenues are up 8.8%

#### *Corporate Income Tax*

February is generally not a significant month for the corporate income tax. Gross receipts fell 30% to \$18.3 million; both estimated and final payments fell roughly 30%. For the year, estimated

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payments are up 5.8% while final payments are down 7.4%. Refunds were less than half of last year's levels and are down 2.6% for the year. The Board of Revenue Estimates March revision reflects a stronger expectation for the corporate income tax as both gross receipts and refunds are performing better than had been anticipated in December.

### *Sales Tax*

February sales tax gross receipts, reflecting January sales, grew 8.5% from last fiscal year and are up 4.6% for the year. However, after adjusting for the rate increase on alcohol to reflect underlying activity, fiscal years to date receipts are up only 2.7%. General fund revenues increased 15.4% to \$289.4 million, driving year to date growth to 10.6%. The changed distribution of sales tax revenues, however, redirected approximately \$15 million from the Transportation Trust Fund to the general fund, and the 9% sales tax rate for alcohol sales resulted in an additional \$5.3 million for the month. Baseline growth was a healthy 7.3% for the month, although only 2.8% for the year. Receipts from consumers increased 9.8%, and are now up 6.4% for the year (3.7% adjusted for the sales tax on alcohol). Construction-related receipts posted their best performance of the year, up 17.3%, while receipts from sales of capital goods and utilities did not fare as well, up 2.3% and down 2.2% respectively. The major components of the sales tax are all growing at rates at or above the full-year forecast.

### *Lottery*

Lottery sales increased at the extraordinary rate of 16.0% for the month, quite an impressive accomplishment even after adjusting for extra day of sales on February 29. Revenues outpaced sales, up 28.0% for the month. Revenues are now up 6.1% for the year. February's success was consistent across most games, with six of the nine games posting double-digit increases. Powerball sales and revenues grew 160% and 180% respectively as the jackpot run-up that began in the end of December peaked at \$310 million in the second week of February. Pick 4 continues to grow, with sales up 10.9% for the month and 5.8% for the year. Revenue growth of 67% for the month brings year to date growth to 5.1%. Instant ticket games were bolstered by the introduction of a new \$5 Monopoly ticket in late February. Revenues increased 8.4% for the month on sales growth of 11.0%. For the year, however, sales are flat and revenues are down 1.5%. Keno and Racetrax also excelled, with sales up a combined 14.7% and revenues growing 8.9%.

### *Other Revenues*

February is not a significant collection month for either the insurance premium tax or the business franchise tax. To date, the premium tax is up 0.6% while the franchise taxes are down 1.0%. Inheritance tax collection growth of 13.0% was overwhelmingly offset by a 40.2% decrease in estate tax payments, for a combined decrease of 25.4%. February was the first month in more than two years in which not one large estate payment was made; additionally, two large refunds totaling

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more than a million dollars were paid out. Alcohol and tobacco excise taxes fell 6.7%, driven by a decrease of 7.4% in tobacco tax collections. Given that tobacco tax collections are relatively stable throughout the year, it seems likely that there were some timing issues; January collections were up 6.8%, likely pulling sales forward. The 51% drop in highway user revenues reflects the reduced distribution to the general fund in fiscal year 2012.

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

**State of Maryland General Fund Source Revenue Collections**  
**Fiscal Year 2012 (February)**  
**Summary Report**  
(\$ in thousands)

	February			Year to Date		
	FY 2012	FY 2011	Growth	FY 2012	FY 2011	Growth
<b>General Fund Receipts</b>						
Individual Income Tax	467,191	406,760	14.9%	4,032,568	3,706,807	8.8%
Corporate Income Tax	3,200	12,883	-75.2%	262,906	248,875	5.6%
Sales Tax	289,380	250,727	15.4%	2,360,953	2,134,336	10.6%
Lottery	48,053	37,551	28.0%	336,389	317,048	6.1%
Franchise Tax	3,006	2,630	14.3%	81,050	81,903	-1.0%
Premium Tax	2,841	3,663	-22.4%	141,677	140,860	0.6%
Estate and Inheritance Tax	11,864	15,898	-25.4%	131,256	141,136	-7.0%
Alcohol / Tobacco	30,612	32,805	-6.7%	265,537	263,161	0.9%
Court Revenues	8,771	8,733	0.4%	77,955	78,416	-0.6%
Interest	2,115	5,257	-59.8%	10,657	10,557	0.9%
Highway User Revenues	14,984	27,563	-45.6%	95,598	196,283	-51.3%
Miscellaneous	14,498	18,283	-20.7%	116,008	127,034	-8.7%
<b>Total</b>	<b>896,514</b>	<b>822,754</b>	<b>9.0%</b>	<b>7,912,555</b>	<b>7,446,415</b>	<b>6.3%</b>
<b>Individual Income Tax Detail</b>						
Withholding	889,320	819,203	8.6%	6,995,969	6,790,535	3.0%
Estimated	21,933	64,245	-65.9%	907,335	916,215	-1.0%
Final / Fiduciary	46,306	33,195	39.5%	311,761	239,076	30.4%
Gross Receipts	957,560	916,642	4.5%	8,215,065	7,945,826	3.4%
Refunds	(691,732)	(592,361)	16.8%	(1,150,190)	(1,048,530)	9.7%
Net Receipts	<b>265,828</b>	<b>324,282</b>	<b>-18.0%</b>	<b>7,064,876</b>	<b>6,897,296</b>	<b>2.4%</b>
<b>Corporate Income Tax Detail</b>						
Estimated	7,205	10,379	-30.6%	415,429	392,586	5.8%
Final	11,106	15,788	-29.7%	122,477	132,226	-7.4%
Gross Receipts	18,311	26,167	-30.0%	537,906	524,812	2.5%
Refunds	(12,316)	(26,735)	-53.9%	(169,096)	(173,640)	-2.6%
Net Receipts	<b>5,995</b>	<b>(567)</b>	<b>-1156.8%</b>	<b>368,810</b>	<b>351,172</b>	<b>5.0%</b>
<b>Lottery Sales</b>	<b>154,770</b>	<b>133,455</b>	<b>16.0%</b>	<b>1,153,410</b>	<b>1,113,735</b>	<b>3.6%</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.