



Peter Franchot
Comptroller

April 18, 2014

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 totaled \$1.163 billion in March, growth of 4.5%. For the fiscal year-to-date, general fund revenues have grown 2.5%. Adjusting for varying general fund shares of corporate income tax collections and the fiscal year 2014 general fund distribution of transfer tax revenues, monthly and annual growth rates are 5.7% and 2.1%, respectively. Withholding growth was strong in March, up 9.9%, though underlying growth was likely closer to 3.1%; the discrepancy is attributable to taxpayer behavior at the end of 2012 that pulled an estimated \$60 million in collections from March 2013 into December 2012. Sales tax collections, up 0.8%, also require a note as March collections represent sales made in February, a month where two significant snow storms affected the more populated areas of the State.

With one month of collections in the door following the Board of Revenue Estimates' March revision, collections are on track in the aggregate. As a reminder, with the personal income tax representing more than 50% of all general fund revenues, April collections related to tax filings can prove paramount. Also of note in March was the revision and release of calendar year federally reported employment and income data. Calendar year 2013 employment growth was revised down substantially to 0.9%, from the previously reported 1.4%, while aggregate wage and salary income growth was reported at just 1.5%; the average wage in Maryland grew just 0.7%.

Individual Income Tax

General fund individual income tax receipts for the month of March increased 7.3%, resulting in year-to-date growth of 3.1%. March's withholding increased 9.9% for the month, representing the strongest growth shown year-to-date. This substantial monthly growth was anticipated, as last year's March withholding was deflated due to the pulling forward of bonus payments as taxpayers and businesses hedged against the fiscal cliff which promised higher federal tax rates for 2013. Although we cannot be certain, it is estimated that \$60.0 million in revenue was accelerated into December 2012 from March 2013. At this point, year-to-date growth rates are comparable with withholding up just 2.7%. Historically, March is the second largest month for final payments, which were up 5.1% for the month; year-to-date growth is 18.1%. April final payments generally account for well over half of total final payments, therefore, next month's revenues will largely

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determine total final payments. As one of the largest months for refunds, March refunds were down (to the good of the State) 3.3%; however year-to-date refunds are up 3.6%.

Corporate Income Tax

March represents a relatively significant month for corporate income tax collections as calendar year taxpayers' income tax returns are due on March 15th. Those payments (final payments) increased 21.9%, while total gross receipts (inclusive of estimated payments) increased 13.7%. Net receipts were up 14.0%. Despite increasing 3.4% for the month, general fund corporate income tax receipts are down 14.8% for the year. In comparison to the prior fiscal year, the general fund is receiving a lower percentage of corporate income tax revenue. Therefore, the 3.4% growth understates the underlying growth in general fund corporate income tax revenue; adjusting for the different distributions, monthly revenue increased 14.8% and year-to-date revenue is down 5.5%.

Sales Tax

March general fund sales and use tax receipts (February sales) increased 0.8% for the month, leaving year-to-date growth unchanged at 0.7%. Sales and use tax receipts were likely negatively impacted by the extraordinary winter weather the state experienced in February. The impact of the winter weather on sales and use tax receipts is estimated to be \$5.4 million. Adjusting for the winter weather, sales and use tax receipts might have grown 2.7% in March.

Looking into the components of the sales and use tax receipts, the construction sector was hit the hardest by the winter weather. Construction sales and use tax receipts decreased 10.9% in March, reducing year-to-date growth to 5.5%. Consumer, the largest sales and use tax component, increased 1.7% for the month, improving year-to-date performance to 0.4%.

Lottery

Lottery sales and revenues decreased 0.6% and 2.8%, respectively. Although Mega Millions ticket sales increased 130.2% for the month of March, Powerball sales decreased 54.2%. Combined, sales for the two jackpot games decreased 0.2% for the month. Revenue for Pick 3 decreased 24.8%, however, Pick 4 revenues increased 24.0%, resulting in a net decrease of only \$0.4 million for the month. On a positive note, Instant ticket revenues increased for the first time this fiscal year, up 8.8%. The uptick in Instant ticket sales is likely due to a number of new instant ticket lottery games.

Year-to-date lottery sales are down 1.5%, with only Pick 4, Racetrax, and Mega Millions showing cumulative growth. It is assumed that the addition of casinos is cannibalizing traditional lottery ticket sales, especially for lottery agents located in close proximity to casinos.

Other Revenues

Final payments of the insurance premium and business franchise taxes are both due in March. Franchise tax collections were up 27.7% for the month, and year-to-date collections are up 13.7%. Premium tax collections increased 28.2% for the month, up 19.8% year-to-date. Estate and inheritance tax revenues were down 22.9% for the month and 7.2% for the year. District court and clerks of the court revenues increased 30.7% in March and are up 8.3% year-to-date.

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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 Andrew Schaufele, 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 David R. Brinkley
Delegate Norman H. Conway

Delegate Sheila E. Hixson
Delegate Nicholas R. Kipke
Warren G. Deschenaux
David F. Roose
Len N. Foxwell

State of Maryland General Fund Source Revenue Collections
Fiscal Year 2014 (March)
Summary Report
(\$ in thousands)

	March			Year to Date		
	FY 2014	FY 2013	Growth	FY 2014	FY 2013	Growth
General Fund Receipts						
Individual Income Tax	568,306	529,709	7.3%	5,098,022	4,943,979	3.1%
Corporate Income Tax	130,089	125,771	3.4%	446,548	524,087	-14.8%
Sales Tax	291,357	289,047	0.8%	2,696,502	2,676,795	0.7%
Lottery	47,210	48,584	-2.8%	374,164	391,349	-4.4%
Franchise Tax	19,722	15,439	27.7%	105,428	92,706	13.7%
Premium Tax	32,821	25,605	28.2%	205,691	171,746	19.8%
Estate and Inheritance Tax	10,799	14,001	-22.9%	156,586	168,781	-7.2%
Alcohol / Tobacco	33,349	38,019	-12.3%	292,369	304,016	-3.8%
Court Revenues	9,921	7,590	30.7%	95,425	88,141	8.3%
Interest	2,407	663	262.9%	7,480	4,304	73.8%
Transfer Tax Revenues	-			89,199		
Miscellaneous	16,792	17,923	-6.3%	200,226	166,248	20.4%
Total	1,162,773	1,112,352	4.5%	9,767,640	9,532,153	2.5%
	1,160,365	1,111,688		9,760,160	9,527,849	
Individual Income Tax Detail						
Withholding	1,000,042	909,755	9.9%	8,396,558	8,172,410	2.7%
Estimated	11,081	6,026	83.9%	1,133,293	1,105,017	2.6%
Final / Fiduciary	134,386	127,011	5.8%	552,779	455,241	21.4%
Gross Receipts	1,145,509	1,042,792	9.9%	10,082,630	9,732,668	3.6%
Refunds	(524,868)	(542,794)	-3.3%	(1,631,932)	(1,574,619)	3.6%
Net Receipts	620,642	499,998	24.1%	8,450,698	8,158,048	3.6%
Corporate Income Tax Detail						
Estimated	40,868	44,077	-7.3%	490,212	503,913	-2.7%
Final	136,857	112,271	21.9%	259,221	243,408	6.5%
Gross Receipts	177,725	156,348	13.7%	749,433	747,322	0.3%
Refunds	(4,075)	(4,005)	1.7%	(156,311)	(131,493)	18.9%
Net Receipts	173,650	152,343	14.0%	593,122	615,829	-3.7%
Lottery Sales	161,206	162,230	-0.6%	1,290,394	1,310,562	-1.5%

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.