



**Peter Franchot**  
Comptroller

September 19, 2007

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 August totaled \$1.102 billion, a decline of \$17.8 million (1.6%) from August 2006. For the fiscal year to date, general fund collections are \$1.158 billion, 4.4% lower than last year (see attached table). The fact that general fund revenues are down year-to-date should not be cause for great concern. The decline is due largely to two factors—some extraordinary estate tax payments in July 2006 and a large corporate income tax refund associated with a settlement for an issue that had been in litigation. Adjusting for these two factors, general fund revenues would have increased by 1.7%.

#### *Individual Income Tax*

General fund individual income tax receipts for the month of August increased 2.3% to \$657.2 million. Withholding grew 1.8% to \$804.7 million, but for July and August combined, fiscal year-to-date collections are up 8.3%. July and August are typically inconsequential months for the remaining components of the individual income tax (quarterly estimated payments are due in September), although refunds did grow 46% and estimated and final payments are down. Given that collections are very small in July and August, growth rates can be quite volatile; it is difficult at this point to assign any significance to the performance of these other components of the individual income tax.

#### *Corporate Income Tax*

As with the individual income tax, August is an off month for the corporate income tax (quarterly estimated payments are due in September). Gross receipts are down 23% year-to-date, with both estimated and final payments declining. As mentioned above, refunds were very large (growing over 400%) due to one extraordinary claim paid out in July. For the year, general fund revenues are negative \$9.9 million, compared to \$38.2 million at this point last year.

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*Sales Tax*

General fund sales tax receipts increased 2.7% in August (July sales). High energy prices and continuing direct and indirect effects from the housing market are causing the continuing sluggish growth. Note, though, that since these revenues represent July sales, they do not reflect any changes in spending or consumer confidence arising from the turmoil in the financial markets in mid-August.

*Lottery*

Lottery sales increased 18.2% in August to \$144.8 million, driven by the \$330 million Mega Millions jackpot of August 31. Sales of that game increased almost 250% to \$21.4 million. Instant ticket sales grew by a strong 16.7% and Keno/Racetrax sales increased 5.0%. Pick 3 sales were down 2.7%. Revenues from Mega Millions grew by almost the same 250% to \$9.0 million. Pick 4 revenues increased 64.0% due to the fact that 1-2-3-4 hit last August, while instant ticket revenues increased by 28.3%. All told, general fund lottery revenues were up 12.8% for the month, and have grown 8.9% year to date.

*Other Revenues*

The performance of other revenues in August was largely unremarkable. Revenues from the volatile estate tax increased 49.2% for the month, but are down 47.1% for the year due to the extraordinary payments received in July 2006. Court revenues are down 4.7% stemming from continued declines in recordation-related revenue.

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 David R. Brinkley  
Delegate Norman H. Conway  
Delegate Sheila E. Hixson  
Delegate Anthony J. O'Donnell  
Warren G. Deschenaux  
Linda L. Tanton  
David Weaver

**State of Maryland General Fund Source Revenue Collections**  
**Fiscal Year 2008 (August)**  
**Summary Report**  
(\$ in thousands)

	August			Year to Date		
	FY 2008	FY 2007	Growth	FY 2008	FY 2007	Growth
<b>General Fund Receipts</b>						
Individual Income Tax	657,150	642,104	2.3%	657,150	642,104	2.3%
Corporate Income Tax	(9,862)	38,227	-125.8%	(9,862)	38,227	-125.8%
Sales Tax	283,680	276,210	2.7%	283,680	276,210	2.7%
Lottery	36,078	31,997	12.8%	75,383	69,219	8.9%
Franchise Tax	4,620	4,241	8.9%	4,620	4,241	8.9%
Premium Tax	4,503	9,549	-52.8%	4,503	9,549	-52.8%
Death Taxes	18,892	12,666	49.2%	35,173	66,538	-47.1%
Alcohol / Tobacco	35,552	34,876	1.9%	35,552	34,876	1.9%
Court Revenues	28,577	29,993	-4.7%	28,577	29,993	-4.7%
Interest	(28,801)	4,868	-691.7%	(28,801)	4,868	-691.7%
Miscellaneous	29,899	27,500	8.7%	29,899	27,500	8.7%
<b>Total</b>	<u>1,060,289</u>	<u>1,112,232</u>	<u>-4.7%</u>	<u>1,115,874</u>	<u>1,203,326</u>	<u>-7.3%</u>
<b>Individual Income Tax Detail</b>						
Withholding	804,680	790,209	1.8%	1,317,198	1,216,478	8.3%
Estimated	18,906	21,490	-12.0%	49,950	81,398	-38.6%
Final / Fiduciary	27,308	29,590	-7.7%	50,948	60,547	-15.9%
Gross Receipts	850,894	841,289	1.1%	1,418,096	1,358,423	4.4%
Refunds	(100,559)	(68,866)	46.0%	(100,559)	(68,866)	46.0%
Net Receipts	<u>750,335</u>	<u>772,423</u>	<u>-2.9%</u>	<u>1,317,537</u>	<u>1,289,557</u>	<u>2.2%</u>
<b>Corporate Income Tax Detail</b>						
Estimated	8,790	8,015	9.7%	29,481	40,176	-26.6%
Final	10,647	12,981	-18.0%	18,679	22,588	-17.3%
Gross Receipts	19,437	20,996	-7.4%	48,161	62,763	-23.3%
Refunds	(61,137)	(11,946)	411.8%	(61,137)	(11,946)	411.8%
Net Receipts	<u>(41,700)</u>	<u>9,050</u>	<u>-560.8%</u>	<u>(12,976)</u>	<u>50,817</u>	<u>-125.5%</u>
<b>Lottery Sales</b>	144,780	122,526	18.2%	280,599	239,709	17.1%

The year to date figure does not include accrued interest of \$12.9 million for FY 08 and \$12.5 million for FY 07, resulting in growth of -191%.

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 and to/from the refund reserve fund for the corporate income tax.

Comptroller of Maryland, Bureau of Revenue Estimates September 18, 2007

Comptroller of Maryland, Bureau of Revenue Estimates