



Peter Franchot
Comptroller

March 18, 2009

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 \$799.4 million, a decline of 6.0% from February 2008. Year-to-date collections growth has become negative for the first time this fiscal year, at -0.3% on \$7.383 billion in total collections (see attached table). Although February represents a smaller portion of annual collections relative to other months, it is worth noting that eight of the eleven major sources of revenue posted declines for the month. February's collections were accounted for when the Board of Revenue Estimates released the revised general fund revenue forecast on March 11.

Individual Income Tax

General fund individual income tax receipts for the month of February increased 0.5% to \$387.0 million, while year-to-date collections are down 1.9% at \$3.770 billion. Individual income tax withholding fell 1.7%, although there was one fewer day of collections in contrast to last year. Year-to-date growth in withholding is now just 0.1%. February is a relatively inconsequential month for the remaining income tax components, except for refunds, which grew 16.3% over last year and remain up 12.3% for the year. It is too early to draw any conclusions about how refunds will fare this filing season. Year-to-date estimated payments and final/fiduciary payments remain down 7.3% and 7.2% respectively.

Corporate Income Tax

February collections of corporate income tax are typically small, which can result in volatile growth figures. In February, gross receipts and net receipts increased almost 100%, with general fund collections of \$6.5 million compared to negative receipts last year. Year-to-date general fund revenues have increased more than \$48 million to \$250.1 million, growth of almost 24%.

Sales Tax

February is the first month in which year over year sales tax collections comparably reflect the rate increase. Although general fund collections fell 6.2%, receipts from returns fell only 1.2%, with fiscal year 2009's new distribution to the Transportation Trust Fund the primary factor in the discrepancy. Collections from consumer sales, about two-thirds of total sales tax collections, actually increased 2.4%, although those gains

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were more than offset by significant declines in the construction and capital goods segments (drops of 20.3% and 9.6%, respectively). While neither segment's contractions were unexpected, the acceleration in declines from the capital goods segment may indicate eroding business confidence.

Lottery

February was a poor month for the Lottery, in both sales and revenues. Despite the Mega Millions jackpot's climb through the last half of February to over \$200 million for the first drawing in March, lottery sales fell 5.1% with six of eight games recording diminished sales. Prize payouts were below expected ratios in six of eight games, but revenues declined 13.5% as payout ratios last year were significantly more favorable from the State's perspective. On a year-to-date basis, payout ratios have been very unfavorable for the State, particularly for the four largest games.

Other Revenues

The insurance premium tax was down 86% for the month. Although February is typically an inconsequential month for premium tax collections, the drop is explained by the abnormally large \$16.4 million of collections last February, caused by administrative issues. Death tax collections were down 38.5% due to large estate tax liabilities collected last February. Although interest collections were up over 200% for the month on a cash basis, year-to-date collections remain down 19.8%.

I hope this information is helpful. If you have any questions, 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 Allan H. Kittleman
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 2009 (February)
Summary Report
(\$ in thousands)

	February			Year to Date		
	FY 2009	FY 2008	Growth	FY 2009	FY 2008	Growth
General Fund Receipts						
Individual Income Tax	387,015	384,958	0.5%	3,769,770	3,844,296	-1.9%
Corporate Income Tax	6,535	(325)	-2112.9%	250,073	201,927	23.8%
Sales Tax	263,997	281,509	-6.2%	2,180,005	2,073,347	5.1%
Lottery	44,439	51,361	-13.5%	299,197	334,400	-10.5%
Franchise Tax	3,414	3,568	-4.3%	84,199	85,887	-2.0%
Premium Tax	2,242	16,391	-86.3%	134,219	149,485	-10.2%
Death Taxes	11,568	18,812	-38.5%	140,655	168,710	-16.6%
Alcohol / Tobacco	32,414	28,646	13.2%	265,252	202,898	30.7%
Court Revenues	7,702	9,471	-18.7%	82,179	92,896	-11.5%
Interest	17,059	5,575	206.0%	49,286	61,457	-19.8%
Miscellaneous	22,995	50,650	-54.6%	128,364	187,855	-31.7%
Total	<u>799,381</u>	<u>850,617</u>	<u>-6.0%</u>	<u>7,383,200</u>	<u>7,403,158</u>	<u>-0.3%</u>
Individual Income Tax Detail						
Withholding	778,755	792,349	-1.7%	6,498,503	6,494,759	0.1%
Estimated	24,351	15,143	60.8%	1,092,413	1,178,258	-7.3%
Final / Fiduciary	23,947	25,576	-6.4%	247,455	266,692	-7.2%
Gross Receipts	827,053	833,068	-0.7%	7,838,371	7,939,709	-1.3%
Refunds	(605,875)	(520,913)	16.3%	(1,055,353)	(940,168)	12.3%
Net Receipts	<u>221,178</u>	<u>312,155</u>	<u>-29.1%</u>	<u>6,783,018</u>	<u>6,999,541</u>	<u>-3.1%</u>
Corporate Income Tax Detail						
Estimated	9,902	4,312	129.6%	401,030	352,342	13.8%
Final	11,233	6,453	74.1%	119,754	126,305	-5.2%
Gross Receipts	21,135	10,766	96.3%	520,785	478,647	8.8%
Refunds	(13,084)	(6,676)	96.0%	(173,985)	(206,666)	-15.8%
Net Receipts	<u>8,051</u>	<u>4,090</u>	<u>96.9%</u>	<u>346,799</u>	<u>271,981</u>	<u>27.5%</u>
Lottery Sales	140,483	148,050	-5.1%	1,108,532	1,116,340	-0.7%

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.