



**Peter Franchot**  
Comptroller

June 14, 2010

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:

May's general fund revenue collections of \$859.0 million increased 12.0% over last year's \$767.1 million (see attached table). The State's four largest sources of general fund revenue—the individual and corporate income taxes, sales tax, and the lottery—all posted increases for the month. For the fiscal year-to-date, collections have declined 4.2% to \$10.3 billion. In recent months, however, several positive trends appear to have developed. If those trends continue, general fund revenues will exceed the estimates for fiscal year 2010, which call for a decline of 5.2%.

#### *Individual Income Tax*

General fund individual income tax receipts for the month of May increased 11.7%, resulting in a year-to-date decline of 5.3%. Income tax withholding grew 8.0%, the strongest growth since September 2008. This growth is all the more remarkable because there was one fewer deposit day in May compared to May of last year, and there were no deposits the last two days of the month due to the closure of State offices the Friday before Memorial Day. Analysis of large withholding accounts indicates that several large federal agencies had three paydays accounted for in May compared to two last year; these timing issues are likely to moderate next month's growth. Nonetheless, with growth of 1.2% for the year through May, withholding seems likely to exceed the full-year forecast of 0.3% growth.

The processing of about \$40 million worth of extension payments spilled over into the first three days of May, and as a result, final payments increased 60% to \$74.0 million. This is the second-highest amount on record for May. Final payments are now \$92.3 million over the full-year forecast. Individual income tax refunds were \$224.0 million for the month, a decline of 5.6% from last year. While year to date growth is 11.4% and the full-year forecast calls for growth of 3.9%, the fact that return processing has been very smooth this year and that there were fewer returns with payments means that June refunds are likely to drop substantially from last year's record high, and refunds are very likely to finish the year much closer to the forecast. May is a minor month for estimated and fiduciary payments.

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### *Corporate Income Tax*

General fund corporate income tax revenues increased 94% in May, although May is an insignificant month for corporate income tax collections, with only \$17.5 million in general fund receipts. Gross receipts increased 87% to a total of \$29.3 million, with both estimated and final payments growing \$6.8 million. Refunds increased by a substantial percentage (364%) but by a relatively small dollar amount (\$4.3 million). Year to date, net receipts have increased 1.3%, while general fund receipts have increased 3.0%. Second quarter estimated payments are due in June—more than \$140 million has been received in June each of the past three years—but even if they fall somewhat short it appears likely that the corporate income tax will meet the full year estimate.

### *Sales Tax*

General fund sales tax collections increased 4.7% to \$297.2 million in May (April sales), the second consecutive month of growth. The past two months are the first since July and August 2007 to see the sales tax grow two months in a row. Year to date, the sales tax is down 3.8%, although growth has generally accelerated throughout the fiscal year. With two full months of collections for fiscal year 2010 remaining, the sales tax is also very likely to meet the full year forecast of a 4.0% decline.

### *Lottery*

General fund lottery revenues grew 11.2% in May, bringing year to date growth to 5.2%. Sales increased 1.0%, with strong growth in Mega Millions / Powerball and Keno offset by a 4.1% decline in instant ticket sales and a 1.6% decline in Pick 3 sales. All large games except for instant tickets experienced double-digit revenue growth due to lower than expected prize payouts.

### *Other Revenues*

Alcohol and tobacco tax revenues increased 12.9% for the month. As these taxes are collected at the wholesale level, they are often more volatile than consumption (retail sales). May is not a significant collection month for the insurance premium tax, although an accounting adjustment shifting revenues from the general fund to a special fund last May resulted in negative collections of \$11.9 million. This annual adjustment was made in April this year; the \$3.1 million collected this year is more typical for the month.

About \$2 billion in revenue remains to be collected and accounted for between June 1 and the closeout of the fiscal year. Revenues yet to be collected include two full months of sales tax, a month of individual income tax withholding plus a substantial accrual, and second quarter estimated payments for the individual income tax and business taxes. While the situation can change between now and the time the fiscal year closes out, given the improvement in individual income tax withholding and sales tax, and the fact that individual income tax final payments have already exceeded the full-year forecast, general fund revenues are very likely to exceed the fiscal year 2010 estimate.

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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,

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

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 2010 (May)**  
**Summary Report**  
(\$ in thousands)

	May			Year to Date		
	FY 2010	FY 2009	Growth	FY 2010	FY 2009	Growth
<b>General Fund Receipts</b>						
Individual Income Tax	404,694	362,288	11.7%	5,293,207	5,591,901	-5.3%
Corporate Income Tax	17,485	9,006	94.1%	454,063	440,893	3.0%
Sales Tax	297,243	283,947	4.7%	2,907,169	3,015,644	-3.6%
Lottery	48,515	43,619	11.2%	451,987	429,458	5.2%
Franchise Tax	4,566	4,931	-7.4%	145,622	151,438	-3.8%
Premium Tax	3,052	(11,851)	-125.8%	217,455	212,860	2.2%
Death Taxes	11,178	12,083	-7.5%	150,029	190,693	-21.3%
Alcohol / Tobacco	38,341	33,951	12.9%	368,574	368,843	-0.1%
Court Revenues	9,632	10,085	-4.5%	113,884	115,524	-1.4%
Interest	(4,717)	(436)	981.7%	9,861	48,842	-79.8%
Miscellaneous	28,995	19,429	49.2%	185,157	179,388	3.2%
<b>Total</b>	<b>858,984</b>	<b>767,053</b>	<b>12.0%</b>	<b>10,297,007</b>	<b>10,745,486</b>	<b>-4.2%</b>
<b>Individual Income Tax Detail</b>						
Withholding	780,707	722,714	8.0%	9,082,959	8,976,870	1.2%
Estimated	13,561	11,677	16.1%	1,070,224	1,284,565	-16.7%
Final / Fiduciary	75,623	48,117	57.2%	1,005,839	1,175,155	-14.4%
Gross Receipts	869,891	782,508	11.2%	11,159,023	11,436,589	-2.4%
Refunds	(224,012)	(237,348)	-5.6%	(2,596,043)	(2,330,018)	11.4%
Net Receipts	645,879	545,160	18.5%	8,562,980	9,106,572	-6.0%
<b>Corporate Income Tax Detail</b>						
Estimated	17,998	11,209	60.6%	518,238	523,762	-1.1%
Final	11,272	4,438	154.0%	345,985	280,735	23.2%
Gross Receipts	29,269	15,648	87.1%	864,223	804,498	7.4%
Refunds	(5,475)	(1,179)	364.4%	(247,542)	(195,690)	26.5%
Net Receipts	23,794	14,469	64.5%	616,682	608,807	1.3%
<b>Lottery Sales</b>	<b>149,319</b>	<b>147,880</b>	<b>1.0%</b>	<b>1,570,539</b>	<b>1,557,938</b>	<b>0.8%</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.