

# **REVENUE ESTIMATES AND ECONOMIC OUTLOOK**

December 14, 2023

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Executive Secretary  
Board of Revenue Estimates

**Maryland General Fund Revenues**  
Fiscal Years 2023 - 2025

\$ Thousands	FY 2024					FY 2025			
	FY 2023 Actual	September Estimate	December Estimate	Difference	Growth	September Estimate	December Estimate	Difference	Growth
<b>INCOME TAXES:</b>									
Individual	13,469,498	13,835,608	13,782,021	(53,588)	2.3%	14,447,927	14,421,350	(26,577)	4.6%
Corporation	1,816,002	1,752,287	1,773,416	21,129	-2.3%	1,697,421	1,746,700	49,279	-1.5%
<b>Total</b>	<b>15,285,500</b>	<b>15,587,895</b>	<b>15,555,437</b>	<b>(32,458)</b>	<b>1.8%</b>	<b>16,145,348</b>	<b>16,168,050</b>	<b>22,702</b>	<b>3.9%</b>
<b>SALES AND USE TAXES</b>	<b>6,005,249</b>	<b>6,088,255</b>	<b>5,944,407</b>	<b>(143,847)</b>	<b>-1.0%</b>	<b>6,272,763</b>	<b>6,095,909</b>	<b>(176,853)</b>	<b>2.5%</b>
<b>STATE LOTTERY</b>	<b>655,388</b>	<b>660,641</b>	<b>649,651</b>	<b>(10,990)</b>	<b>-0.9%</b>	<b>548,401</b>	<b>525,894</b>	<b>(22,508)</b>	<b>-19.0%</b>
<b>OTHER REVENUES</b>									
Business Franchise Taxes	272,398	274,931	271,376	(3,555)	-0.4%	278,820	274,873	(3,947)	1.3%
Tax on Insurance Companies	682,833	693,931	710,325	16,394	4.0%	711,930	727,362	15,433	2.4%
Estate and Inheritance Taxes	303,713	262,756	247,617	(15,140)	-18.5%	280,974	275,927	(5,047)	11.4%
Tobacco Tax	448,657	427,441	416,570	(10,871)	-7.2%	413,223	402,352	(10,871)	-3.4%
Alcoholic Beverages Excise Tax	37,171	39,142	36,553	(2,589)	-1.7%	39,673	37,083	(2,590)	1.4%
District Courts	38,634	36,490	36,490	-	-5.5%	34,494	34,789	295	-4.7%
Clerks of the Court	28,245	23,751	23,696	(54)	-16.1%	23,850	22,804	(1,046)	-3.8%
Hospital Patient Recoveries	72,075	63,200	63,200	-	-12.3%	63,200	80,036	16,836	26.6%
Interest on Investments	312,526	175,000	300,000	125,000	-4.0%	100,000	100,000	-	-66.7%
Miscellaneous	330,291	352,111	358,510	6,399	8.5%	308,592	313,632	5,039	-12.5%
<b>Total</b>	<b>2,526,543</b>	<b>2,348,752</b>	<b>2,464,336</b>	<b>115,584</b>	<b>-2.5%</b>	<b>2,254,756</b>	<b>2,268,858</b>	<b>14,101</b>	<b>-7.9%</b>
<b>Total Current Revenues</b>	<b>24,472,681</b>	<b>24,685,543</b>	<b>24,613,830</b>	<b>(71,712)</b>	<b>0.6%</b>	<b>25,221,268</b>	<b>25,058,710</b>	<b>(162,558)</b>	<b>1.8%</b>
Extraordinary Revenues <sup>1</sup>	-	-	150,000	150,000		-	-	-	
Blueprint for Maryland's Future Fund <sup>2</sup>	(800,000)	-	-	-		-	-	-	
Revenue Volatility Cap <sup>3</sup>	#N/A	(120,000)	(120,000)	-		(140,000)	(140,000)	-	
<b>GRAND TOTAL</b>	<b>23,672,681</b>	<b>24,565,543</b>	<b>24,643,830</b>	<b>78,288</b>	<b>4.1%</b>	<b>25,081,268</b>	<b>24,918,710</b>	<b>(162,558)</b>	<b>1.1%</b>

<sup>1</sup> The fiscal 2023 GAAP audit of the local income tax reserve account determined that the account was overfunded by \$316 million.

<sup>2</sup> Chapter 33 of 2022 diverts \$800 million from individual income tax revenues to the Blueprint Fund.

<sup>3</sup> Established by Chapters 4 & 550 of 2017 and amended by several succeeding Budget Reconciliation And Financing Acts.

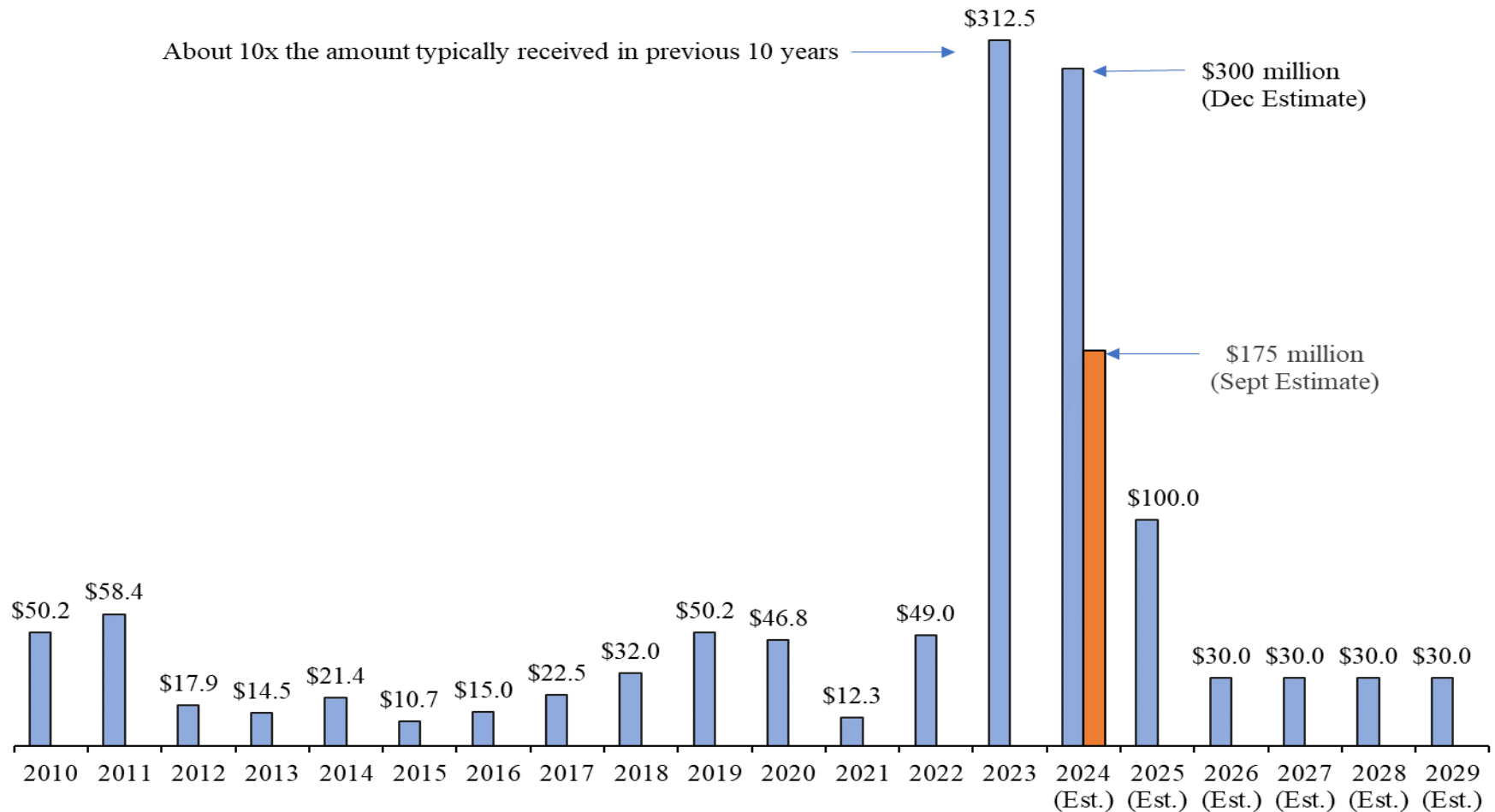
## Summary of December Changes

	Fiscal Year 2024		Fiscal Year 2025	
	\$ Change From Est	% Growth Rate	\$ Change From Est	% Growth Rate
Personal Income Tax	(\$53.6)	2.3%	(\$26.6)	4.6%
Corporate Income Tax	\$21.1	-2.3%	\$49.3	-1.5%
Sales Tax	(\$143.8)	-1.0%	(\$176.9)	2.5%
Other	\$104.6	-2.1%	(\$8.4)	-10.3%
Total – Ongoing Revenues	(\$71.7)	0.6%	(\$162.6)	1.8%

Notes: dollars in millions; amounts may not sum from rounding.

# Fiscal Year Interest Income

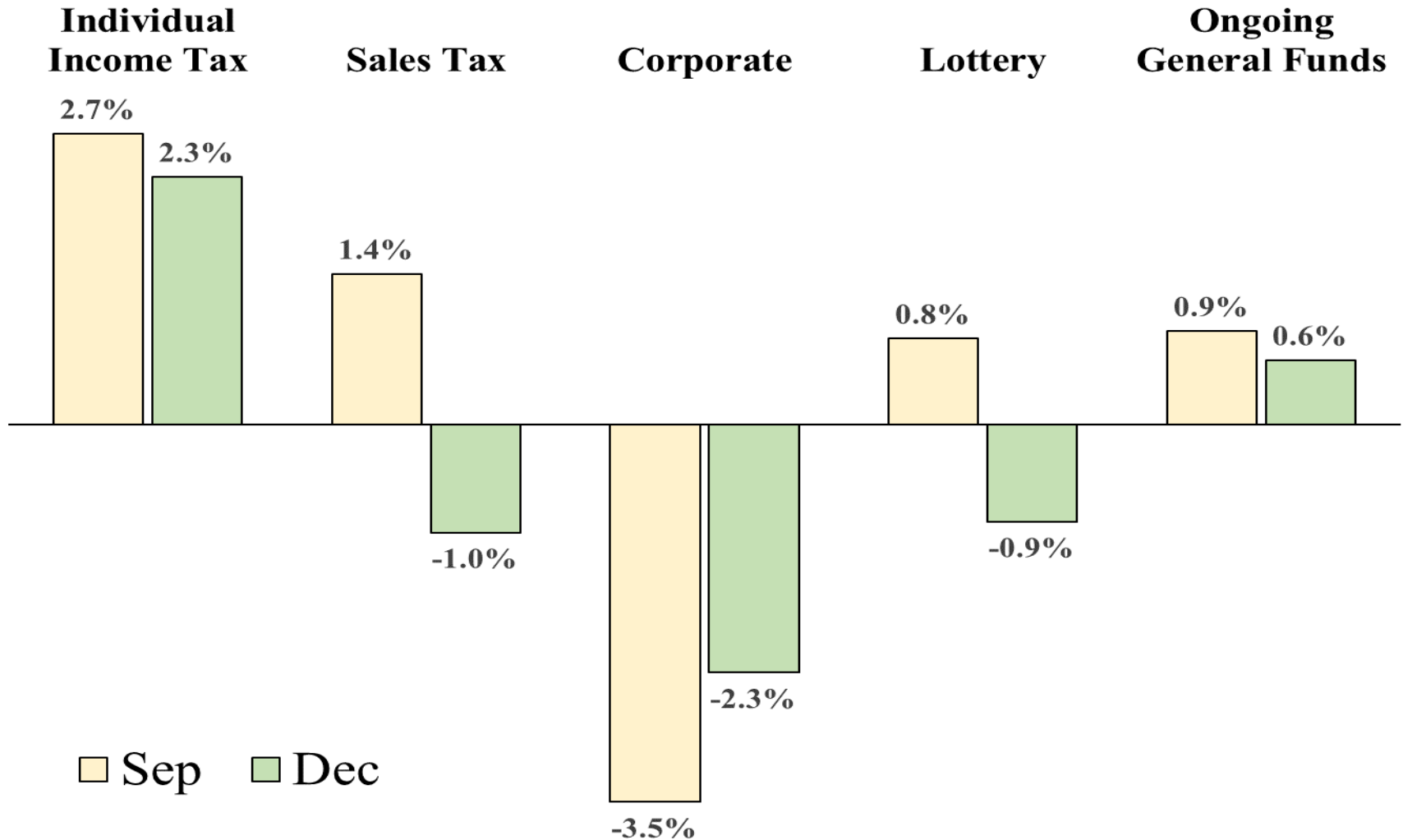
(\$ in Millions)



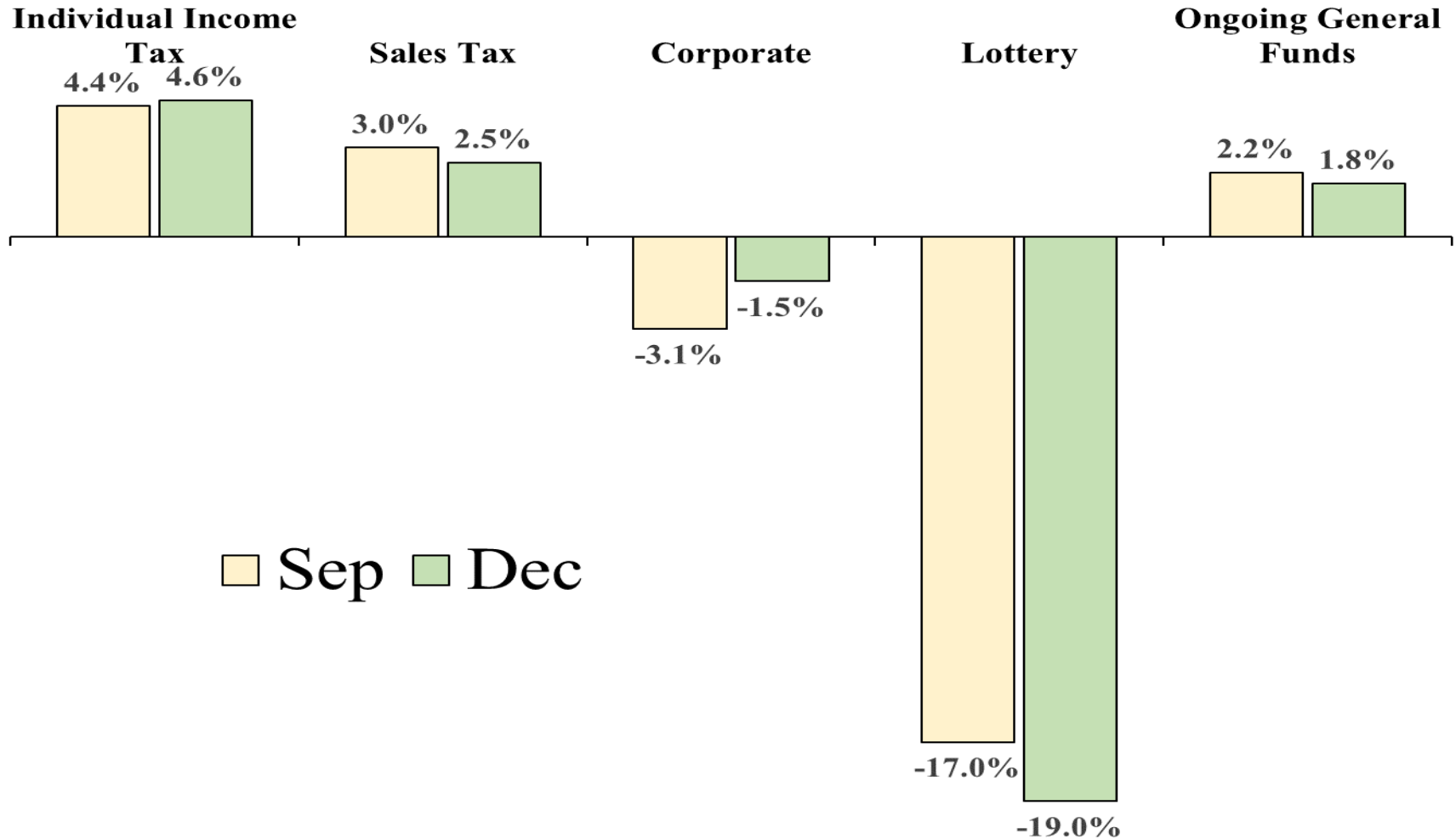
# Comparison to September Forecast

- December economic forecast is largely unchanged from September
- Withholding remains above forecast expectations
- But consumer spending has slowed
  - Sales tax gross receipts have not kept up with higher inflation
  - Spending on home improvement, electronics, and other related goods that was high during the pandemic is now weak
- As with the September forecast, December estimates reflects recent legislation that will dedicate greater percentage of certain State revenues to special funds
  - General fund growth rates are lower than the total collections growth rate

# Fiscal Year 2024 General Fund Growth Rates



# Fiscal Year 2025 General Fund Growth Rates

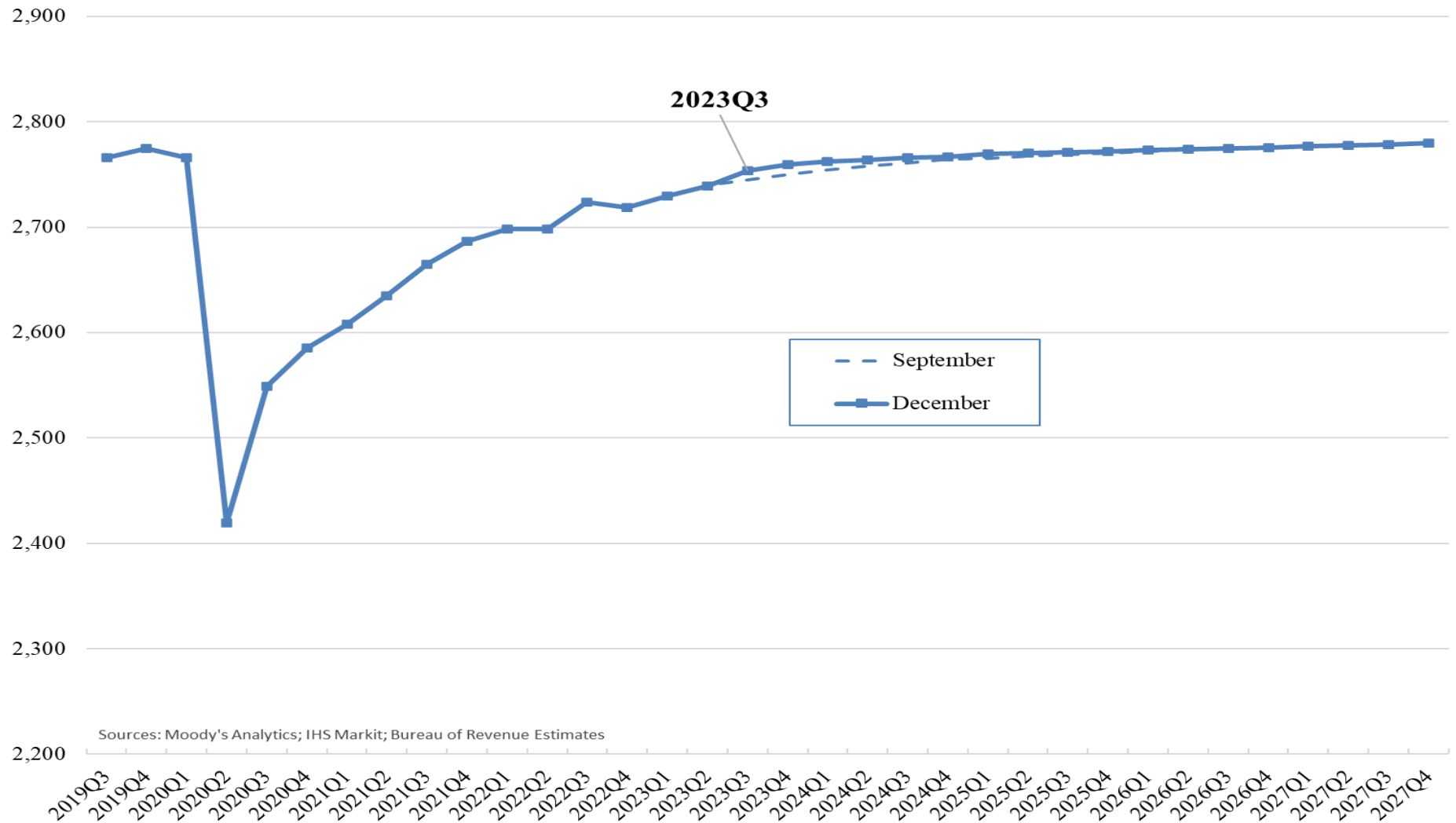


# Maryland Economy – Key Points

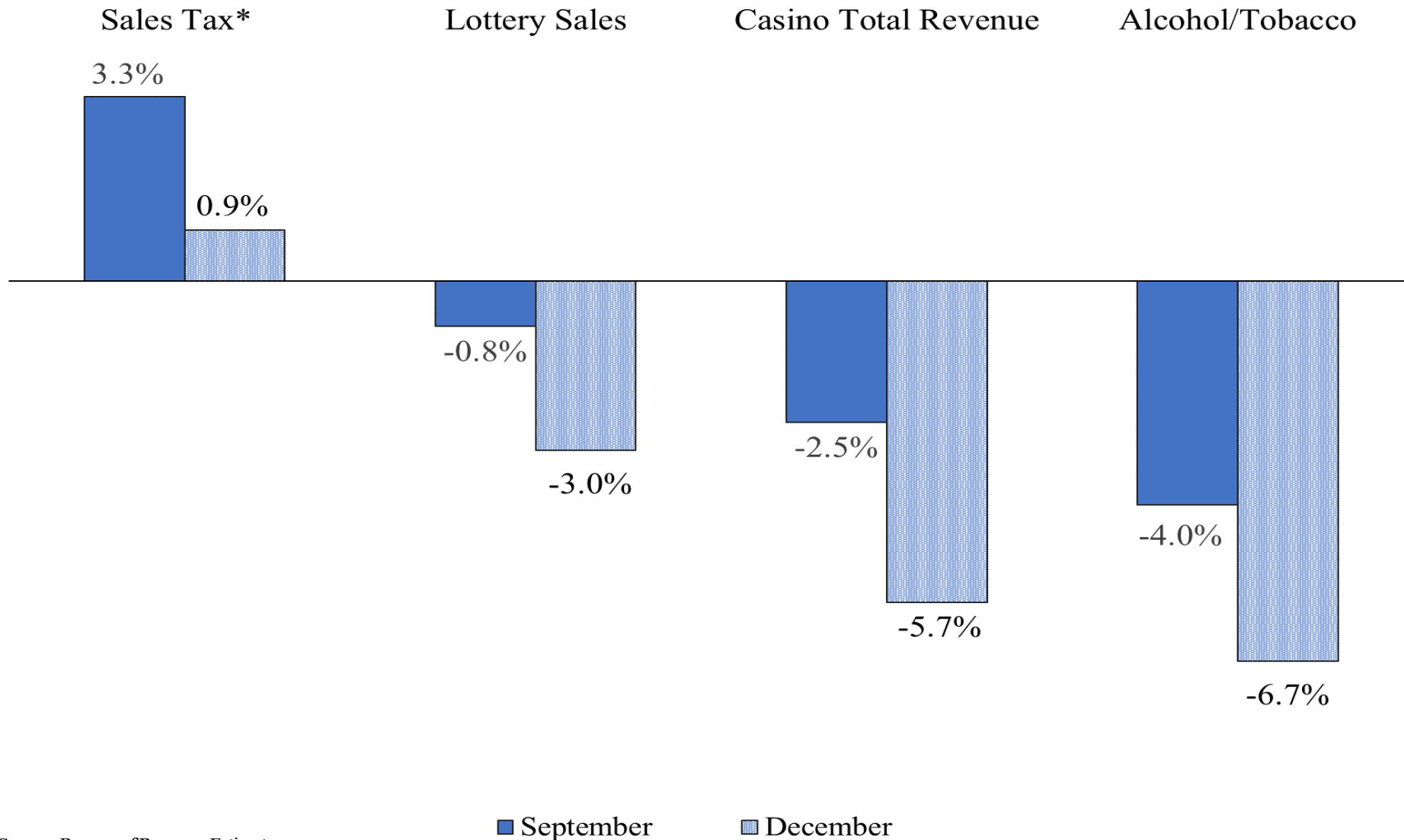
- Forecast reflects modest growth rates and avoids recession
- Inflation has decreased from its highs, but it remains above the Federal Reserve's target and the elevated risk of recession remains
- Maryland's economic recovery has generally been slower than the rest of the U.S.
- Going forward, job growth is expected to slow as both total population growth and the labor force participation rate will remain lower than before the pandemic



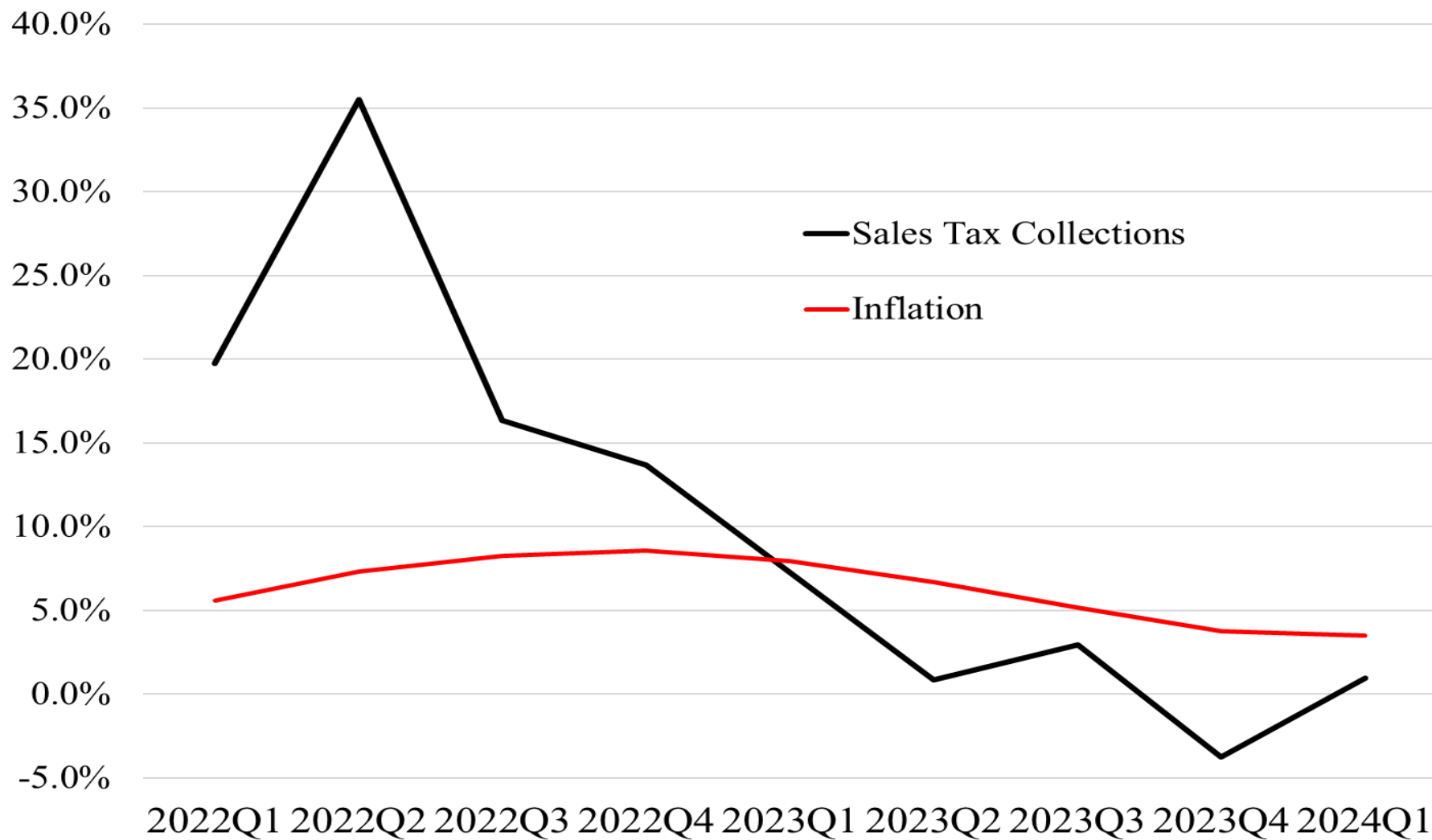
# Forecasts of Jobs in Maryland (Thousands)



## FY 2024 Forecast Reduction in Consumer Spending Revenues

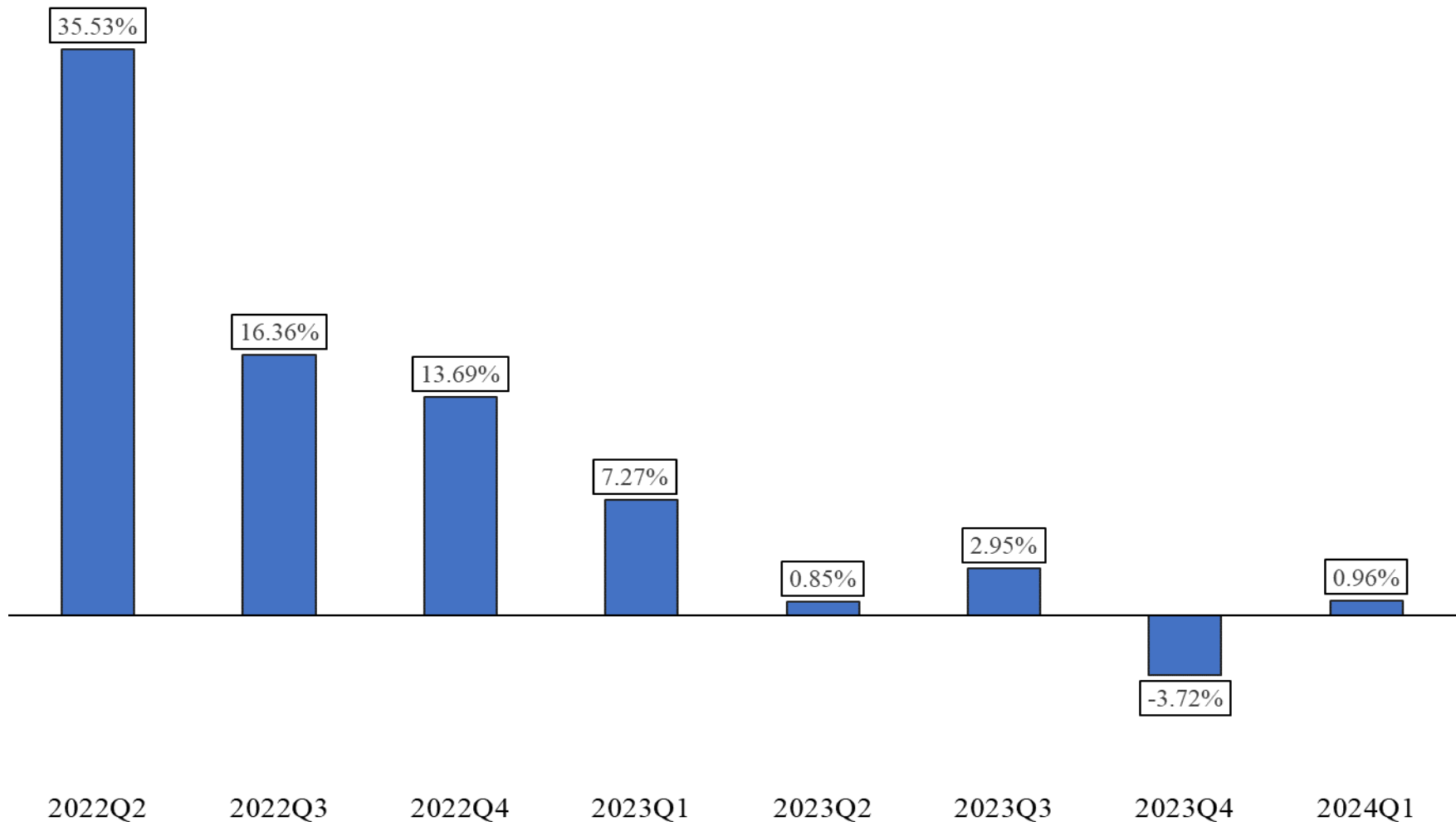


# Sales Tax Fiscal Year Collections Have Lagged Inflation

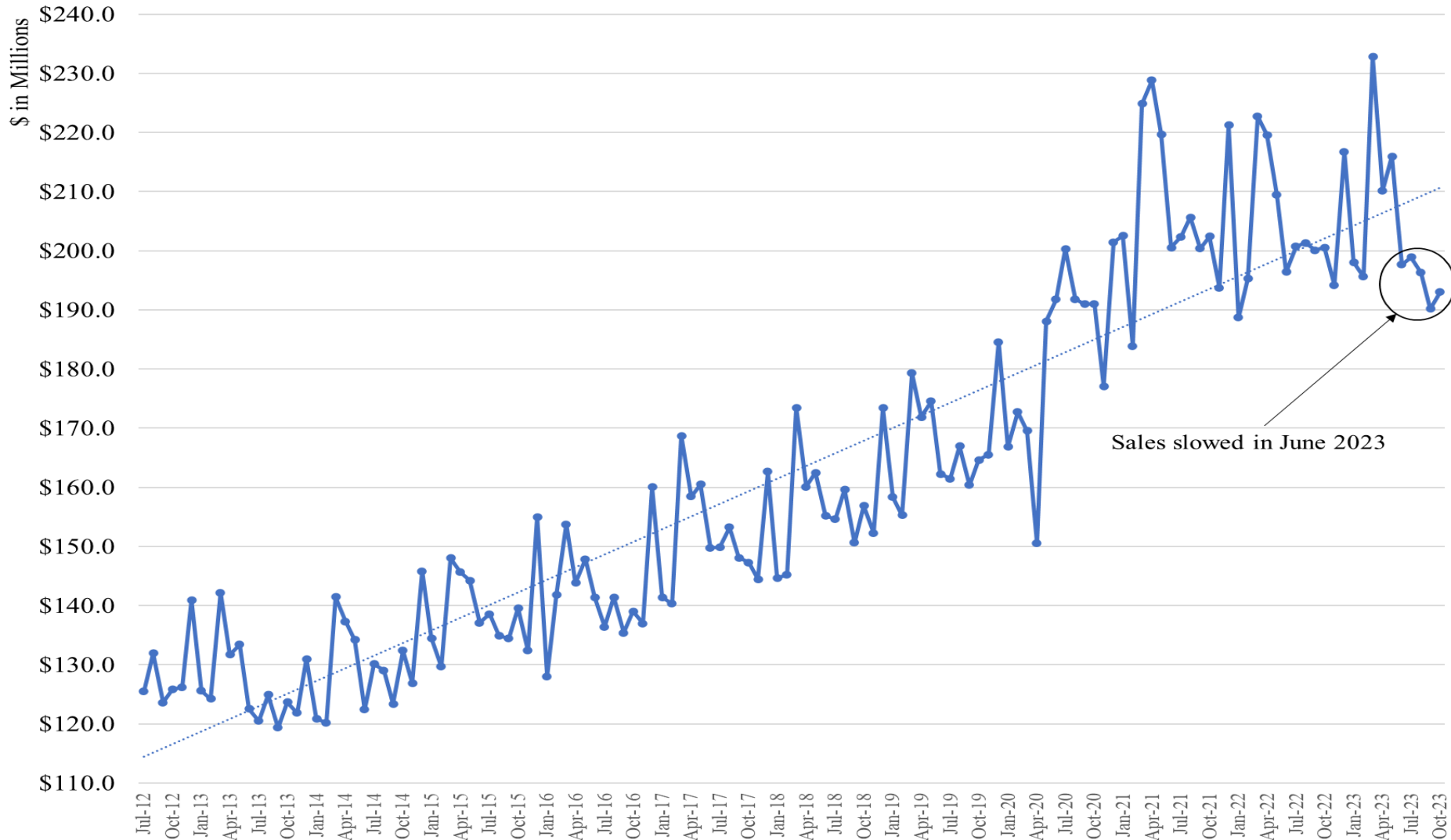


# Sales Tax Collections Slowed Significantly

## Beginning in FY 2023Q2 Fiscal Year Collections



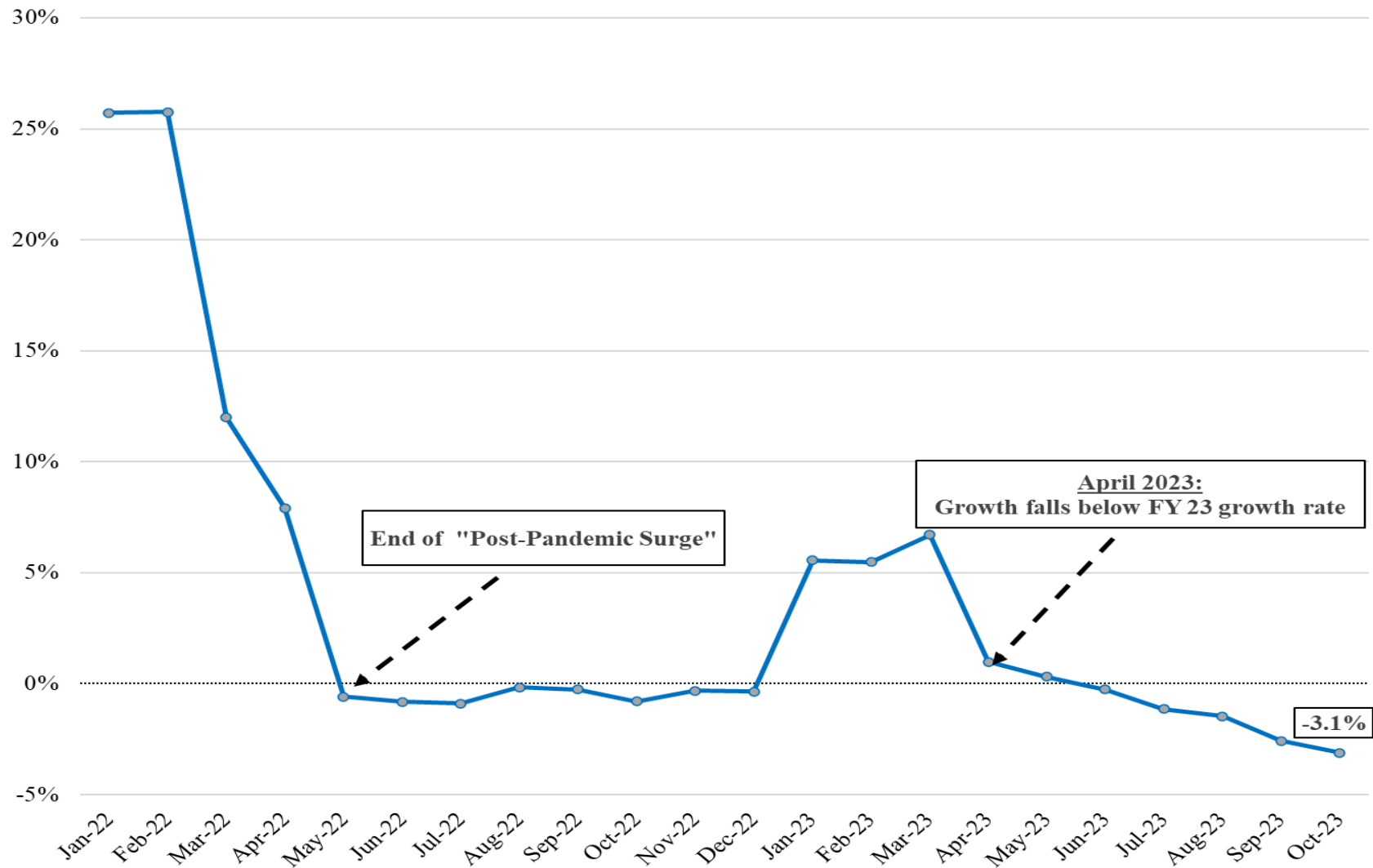
# Lottery Sales except for Jackpot Games (\$ in Millions)



Source: Bureau of Revenue Estimates

# Gross VLT Casino Revenue Growth

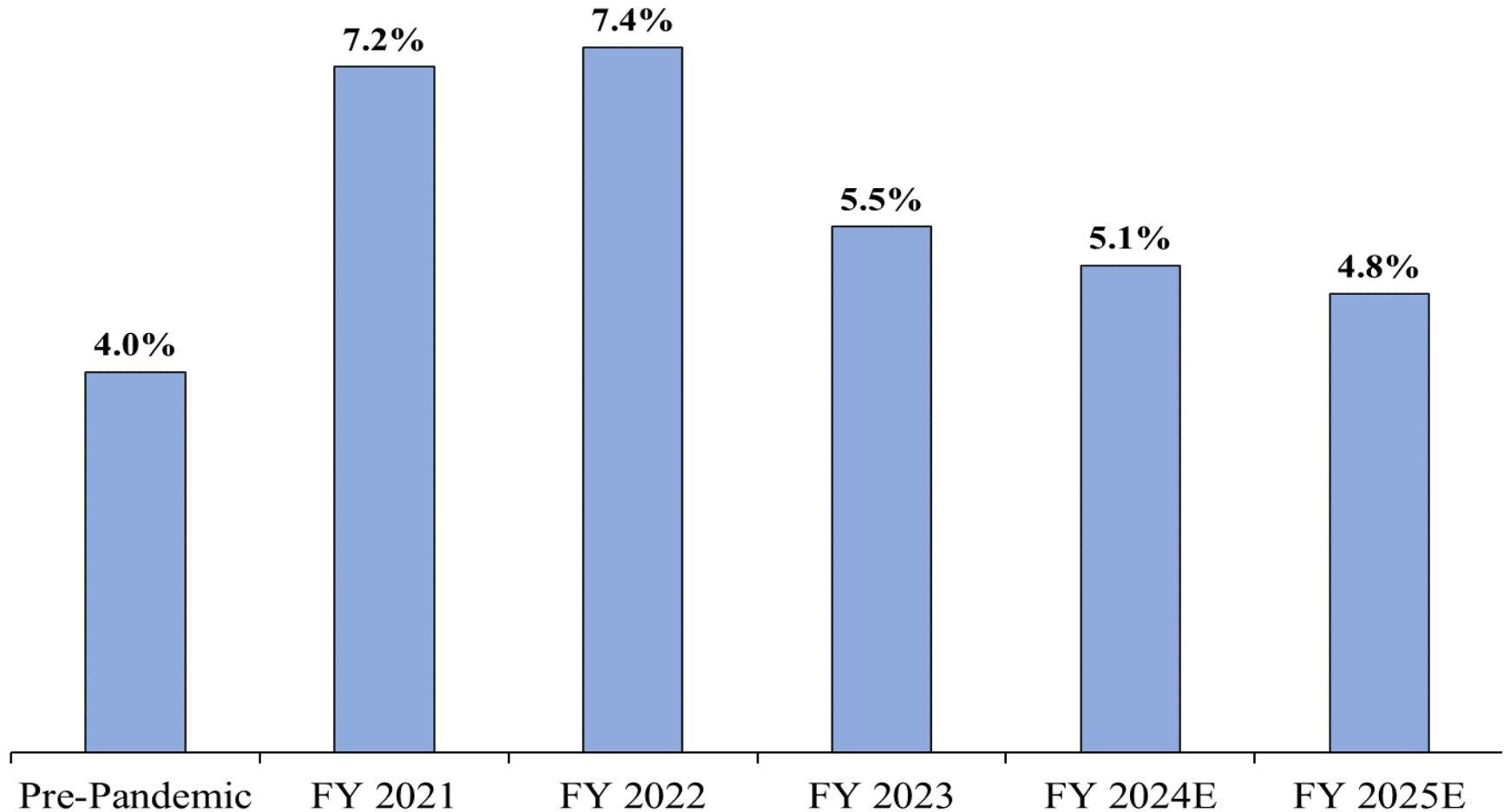
## 3-month Moving Average



# Personal Income Tax

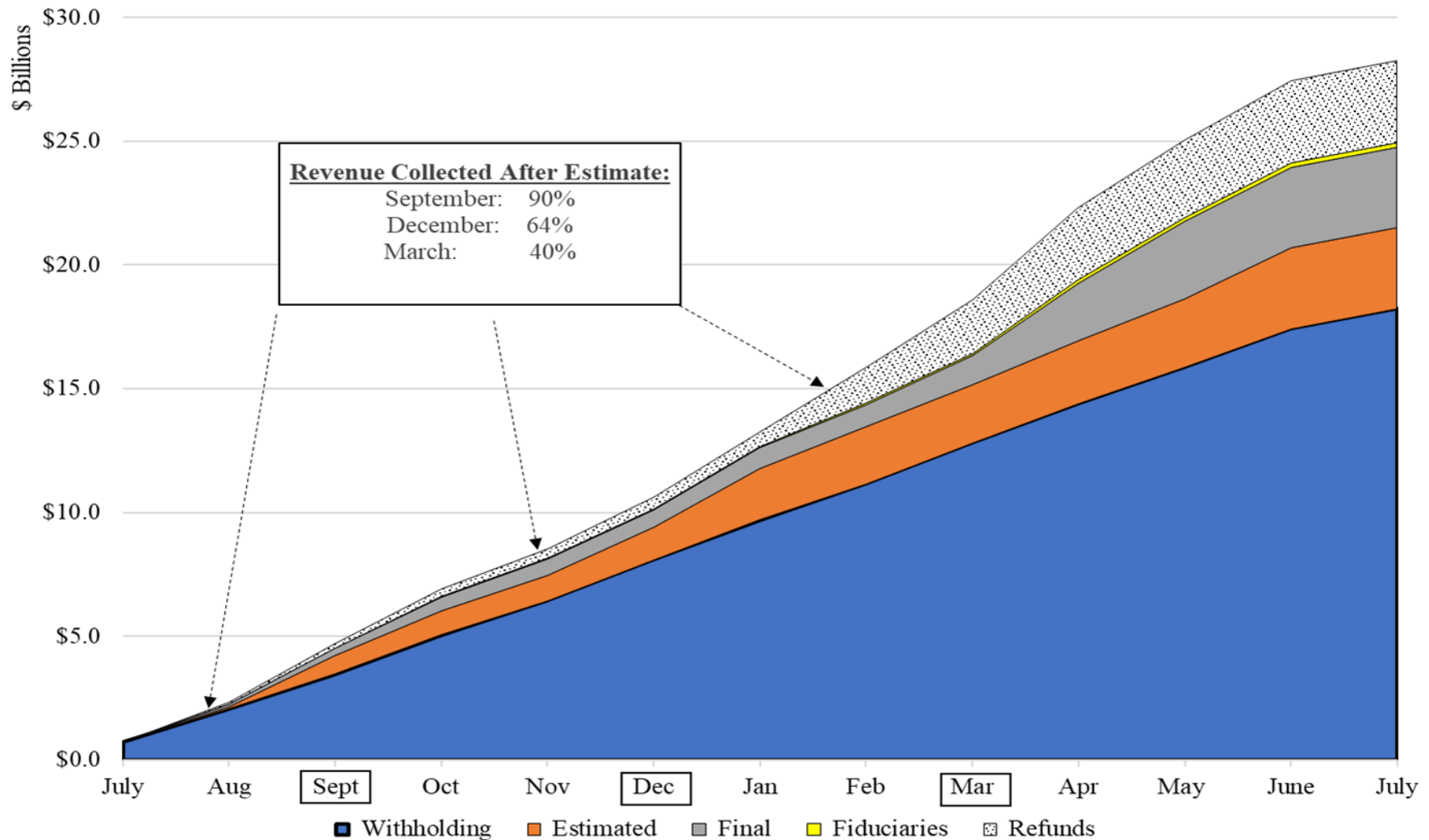
- Fiscal 2024 personal income tax revenues, including withholding, are in line with what was forecasted in September
- Modest upward adjustment in withholding and nonwage income growth rates
  - Unchanged capital gains forecast but “April surprises” are always a risk
- Despite the increase for income growth rates, a technical adjustment increases the share of the revenue for the local income tax reserve account, resulting in the State revenue loss relative to September

# Personal Income Tax Withholding Growth by Fiscal Year





# PIT Forecast is on Track, but Final Payments Have Been Volatile



## In Summary

- Income taxes generally remain consistent with September estimates
- Consumer spending has slowed greater than expected
- December forecast has many moving parts but modest reductions in ongoing general fund revenues are due to this slowing consumer spending
- Risks remain due to
  - Elevated recession risk
  - Federal government spending decisions
  - April “surprise” and nonwage income

# Thank You

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