

The background of the slide features a large, semi-transparent seal of the Commonwealth of Massachusetts. The seal is circular and contains the state's coat of arms, which depicts a Native American figure holding a bow and arrow, standing on a shield. Above the shield is a crest with a bent arm holding a broadsword. The shield is supported by two figures, one on each side. The seal is surrounded by a circular border containing the Latin motto "SIGILLUM REIPUBLICAE MASSACHUSETTENSIS" and the date "1632".

Revenue Estimates and Economic Outlook

September 26, 2024

Robert J. Rehrmann
Executive Secretary

Board of Revenue Estimates

Maryland General Fund Revenues
Fiscal Years 2024 - 2026
(\$ in thousands)

	FY 2024			FY 2025				FY 2026	
	Official Estimate ¹	Actual	Difference	Current Estimate ¹	September Revision	Difference	% Growth	September Estimate	% Growth
INCOME TAXES									
Individual Corporations	13,696,400	13,616,685	(79,715)	14,298,187	14,270,981	(27,206)	4.8%	14,860,589	4.1%
	1,773,416	1,903,957	130,541	1,746,700	1,920,595	173,895	0.9%	1,950,779	1.6%
Total	15,469,816	15,520,642	50,826	16,044,887	16,191,576	146,689	4.3%	16,811,369	3.8%
SALES AND USE TAXES	5,909,681	5,896,606	(13,075)	6,094,553	5,978,696	(115,858)	1.4%	6,134,721	2.6%
STATE LOTTERY RECEIPTS	649,367	654,968	5,601	532,970	531,664	(1,305)	-18.8%	483,758	-9.0%
OTHER REVENUES									
Business Franchise Taxes	271,376	280,148	8,772	274,873	276,901	2,028	-1.2%	280,389	1.3%
Insurance Premium Tax	710,325	741,837	31,512	727,362	735,603	8,241	-0.8%	726,440	-1.2%
Estate & Inheritance Taxes	247,617	213,407	(34,209)	275,927	213,775	(62,152)	0.2%	229,486	7.3%
Tobacco Taxes	416,570	405,071	(11,499)	402,866	401,448	(1,419)	-0.9%	312,402	-22.2%
Alcoholic Beverages Excises	36,553	34,102	(2,452)	37,083	34,376	(2,707)	0.8%	34,287	-0.3%
District Courts	36,490	37,266	777	34,813	35,572	759	-4.5%	33,971	-4.5%
Clerks of Court	23,696	26,603	2,907	22,804	25,298	2,494	-4.9%	26,203	3.6%
Hospital Patient Recoveries	63,200	77,036	13,836	80,036	80,036	-	3.9%	80,036	0.0%
Interest on Investments	302,430	379,818	77,388	128,462	225,000	96,538	-40.8%	125,000	-44.4%
Miscellaneous	358,510	445,284	86,774	312,254	327,331	15,078	-26.5%	307,791	-6.0%
Total	2,466,766	2,640,573	173,807	2,296,480	2,355,340	58,860	-10.8%	2,156,004	-8.5%
TOTAL CURRENT REVENUES	24,495,629	24,712,789	217,159	24,968,890	25,057,276	88,386	1.4%	25,585,851	2.1%
Extraordinary Revenues ²	150,000	150,000	-	-	-	-	-	-	-
Revenue Volatility Cap ³	-	#N/A	-	-	-	-	-	(301,282)	-
GRAND TOTAL	24,645,629	24,862,789	217,159	24,968,890	25,057,276	88,386	0.8%	25,284,569	0.9%

¹ The 2024 Legislative Session resulted in revenue adjustments beyond the March 2024 official estimate; this table has been adjusted accordingly

² The fiscal 2023 GAAP audit of the local income tax reserve account determined that the account was overfunded by \$316 million.

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

Summary of September Changes

Revenue Source	Fiscal Year 2024		Fiscal Year 2025		Fiscal Year 2026
	Actual		Forecast		Forecast
	\$ Change From Estimate	% Growth	\$ Change From Estimate	% Growth	% Growth
Personal Income Tax	(\$79.7)	1.1%	(\$27.2)	4.8%	4.1%
Corporate Income Tax	\$130.5	4.8%	\$173.9	0.9%	1.6%
Sales Tax	(\$13.1)	-1.8%	(\$115.9)	1.4%	2.6%
Other	\$179.4	3.6%	\$57.6	-12.4%	-8.6%
Total- Ongoing Revenues	\$217.2	1.0%	\$88.4	1.4%	2.1%

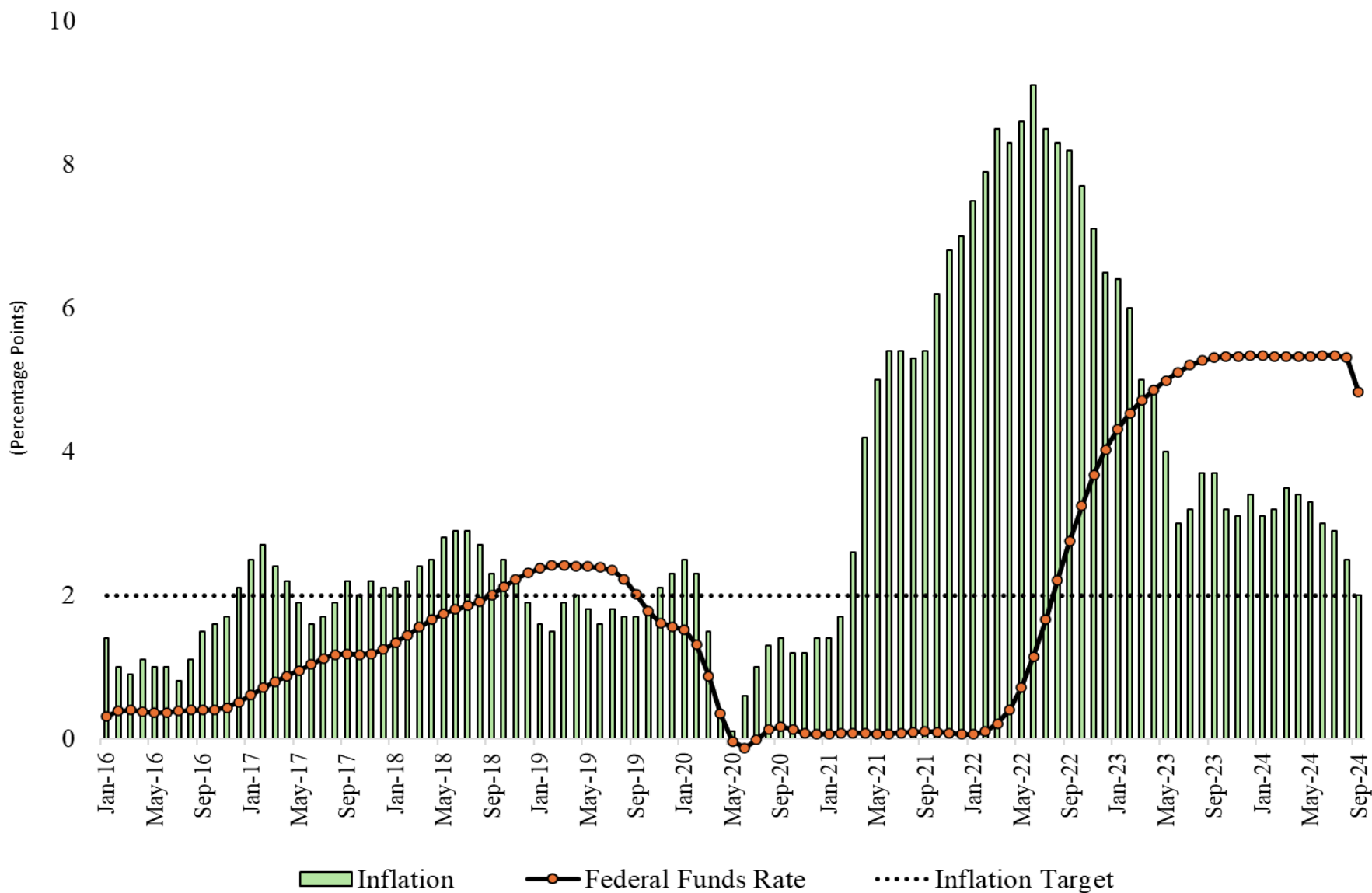
Notes: dollars in millions; amounts may not sum from rounding

What Has Changed Since March

- Two factors typically drive forecast adjustments in September
 - Adjustments to closeout above/below expectations
 - Changes in the economic outlook
- FY 2024 revenues were modestly above expectations
 - Major revenue sources tied to the economy were in line with expectations
 - Record high interest income and anomalously high miscellaneous revenues explain most of the greater than expected revenue
 - September forecast recalibrates revenues resulting in a minor increase to the FY 2025 forecast
- Economic forecast continues to be largely unchanged

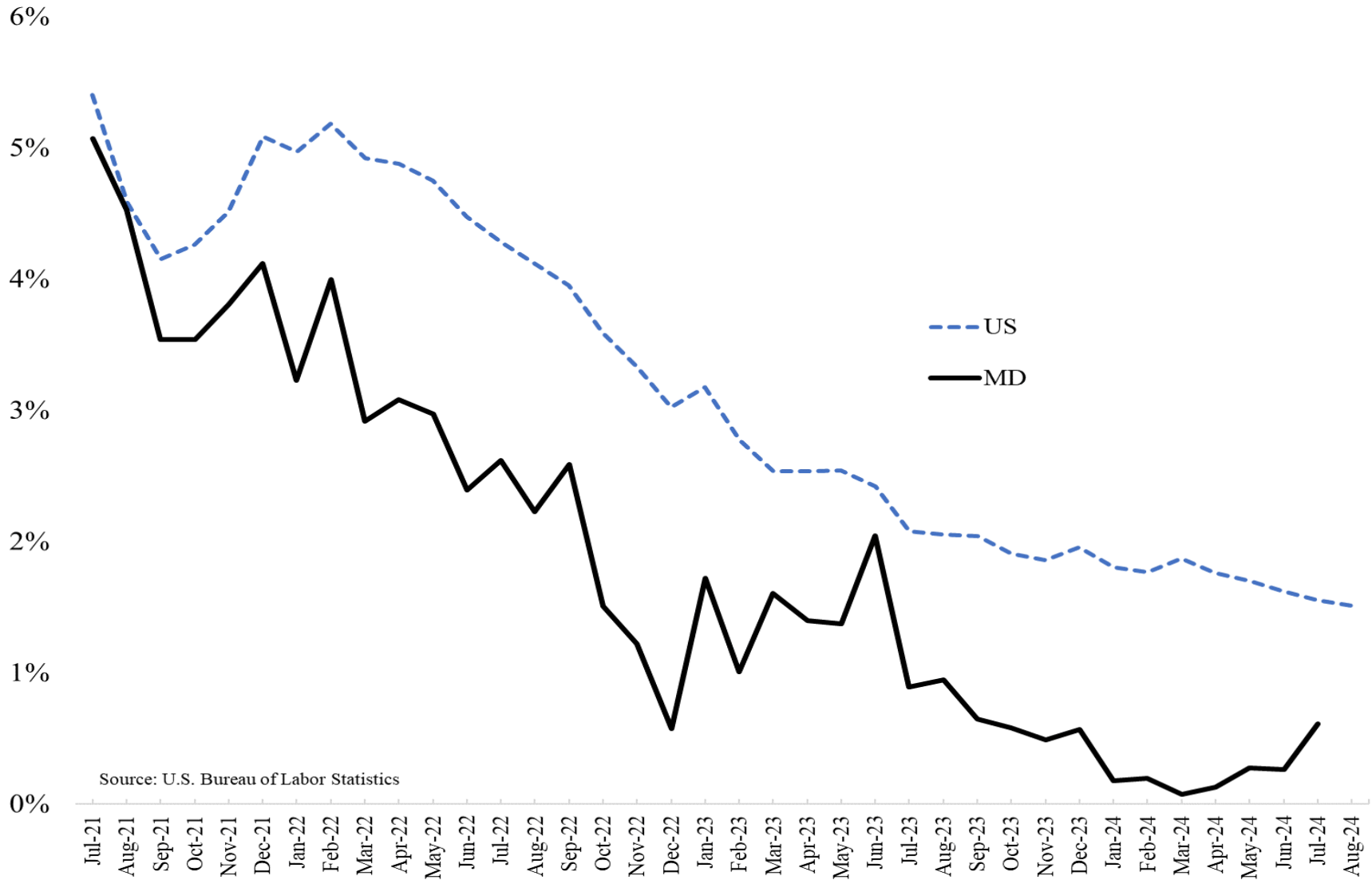


Federal Reserve Cuts Interest Rates as Inflation Approaches its Target



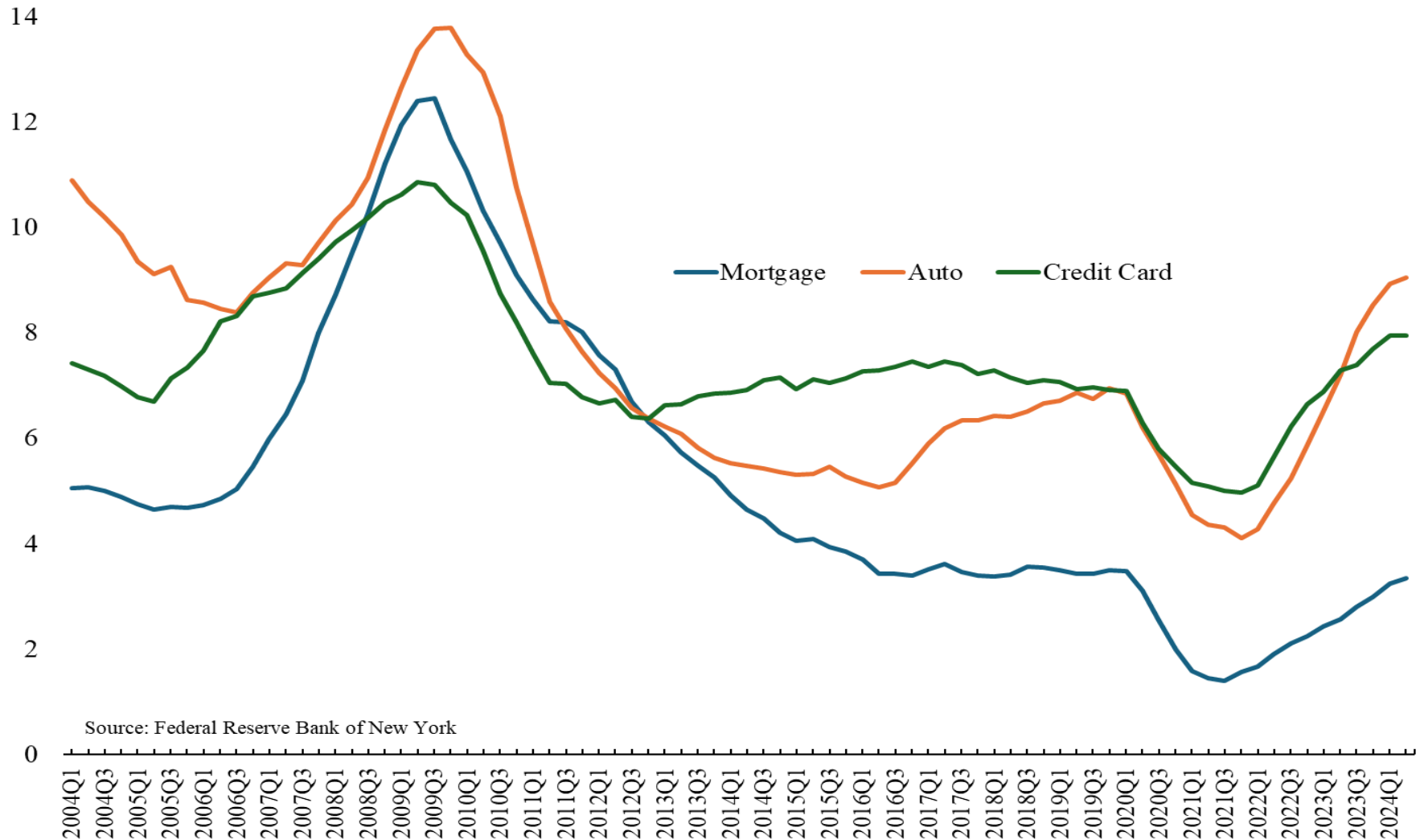
Payroll Employment Growth

Year over Year



Consumer Finances - A Mixed Picture

Percent of Loans Transitioned into Delinquency (30 days delinquent)



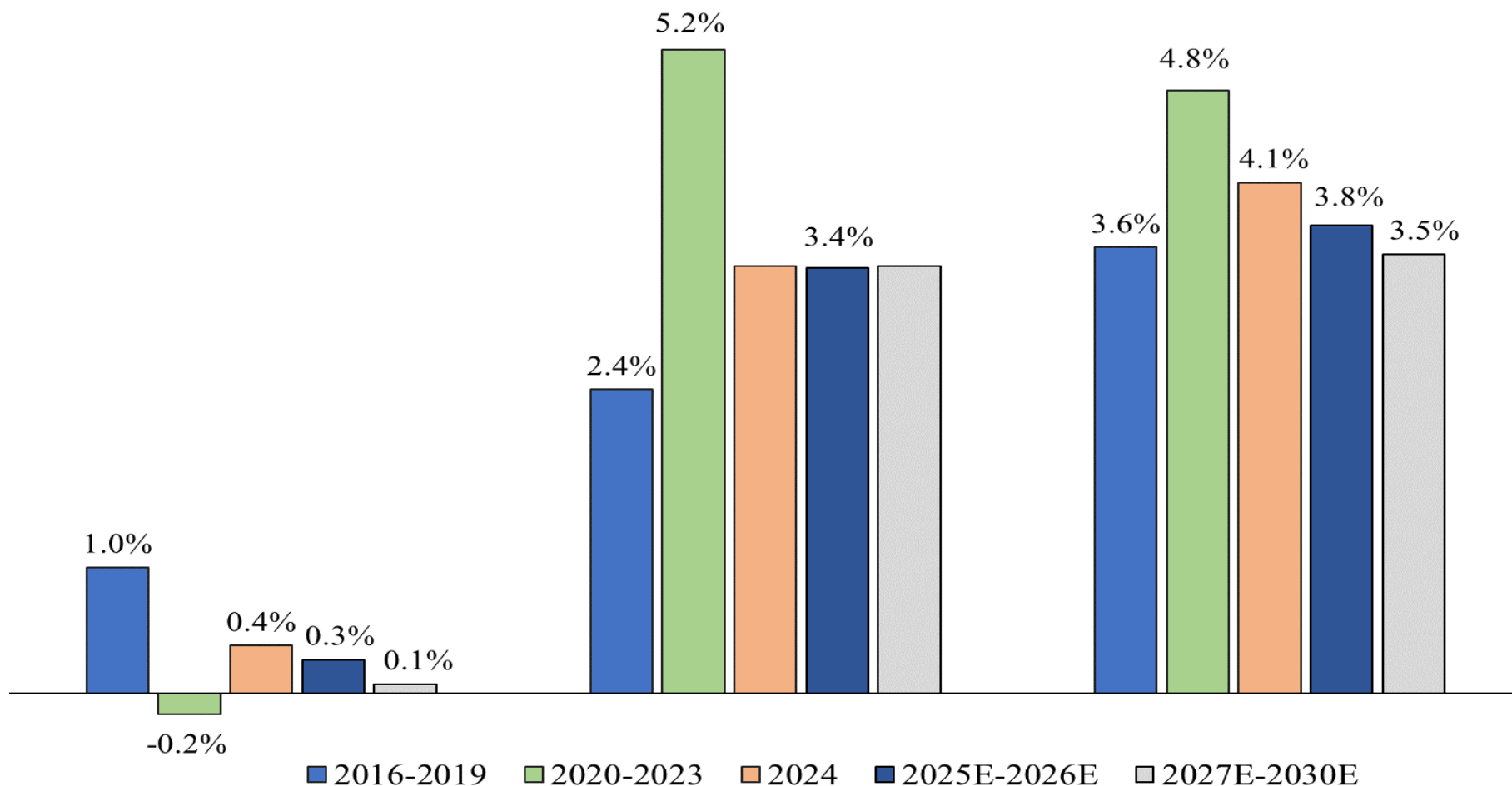
Key Economic Indicator Components

Actual and Forecast

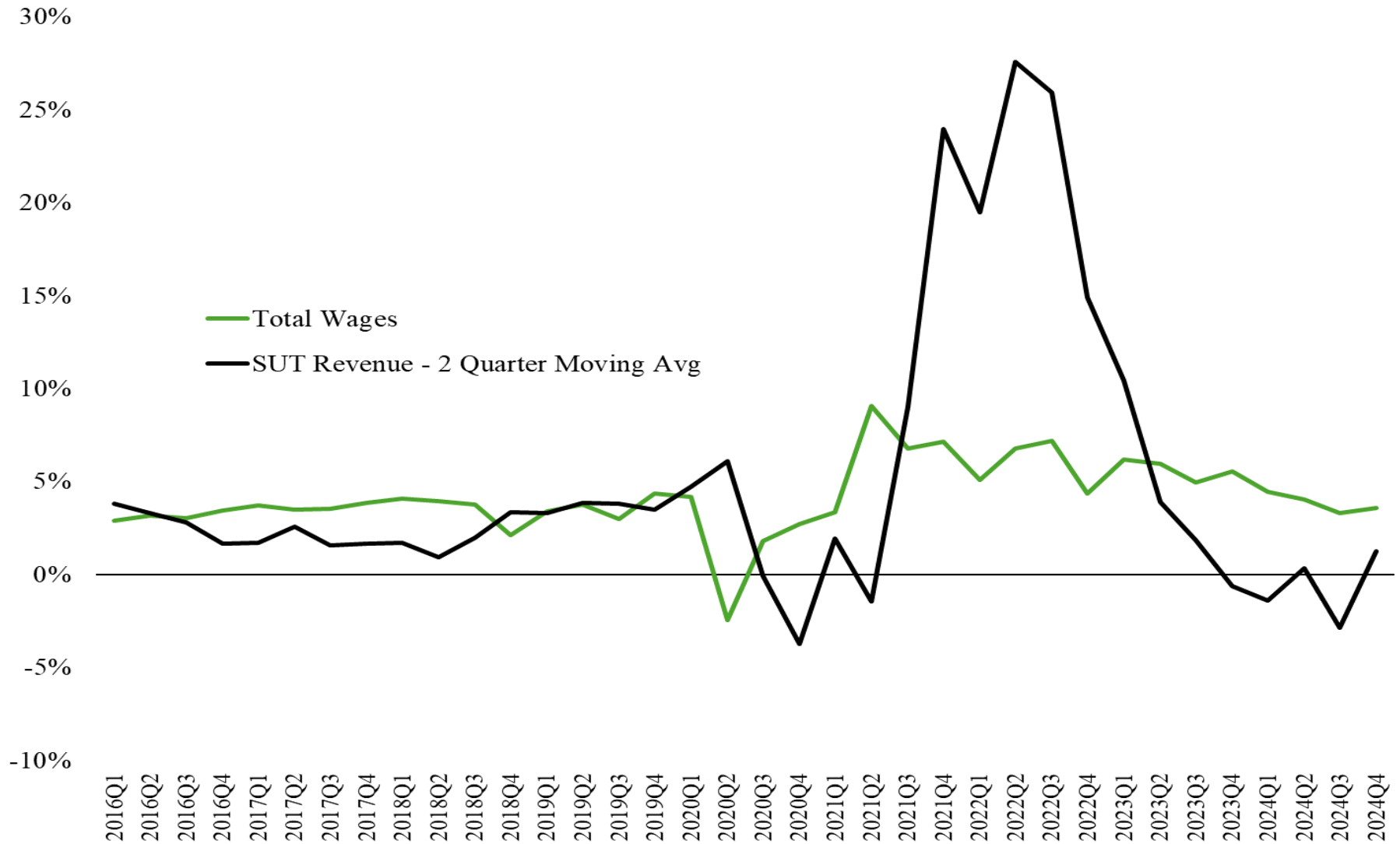
Employment

Average Wage

Total Wages

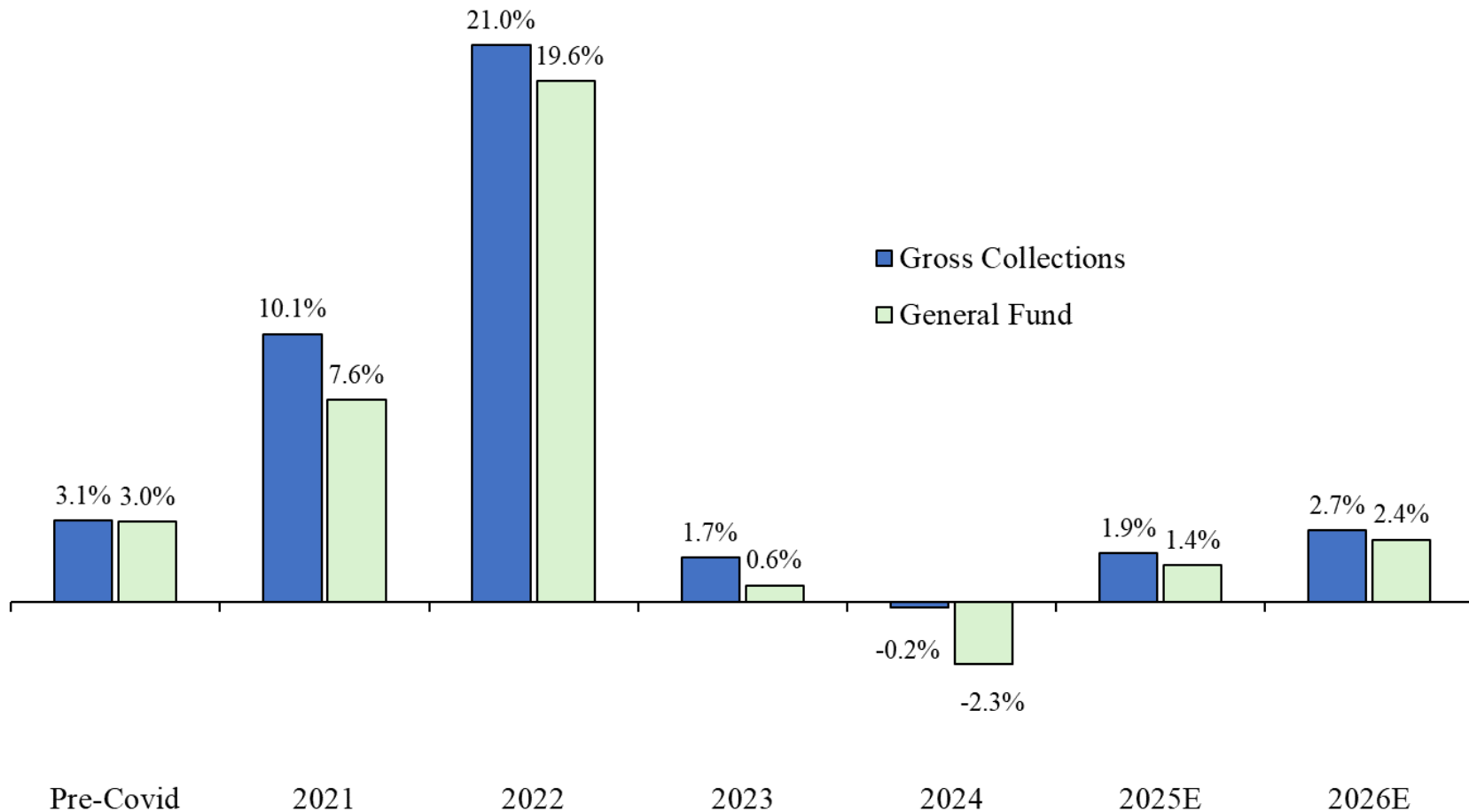


Sales Tax Revenues Have Lagged Wage Growth



Sales Tax Revenues

Total Collections and General Fund Growth

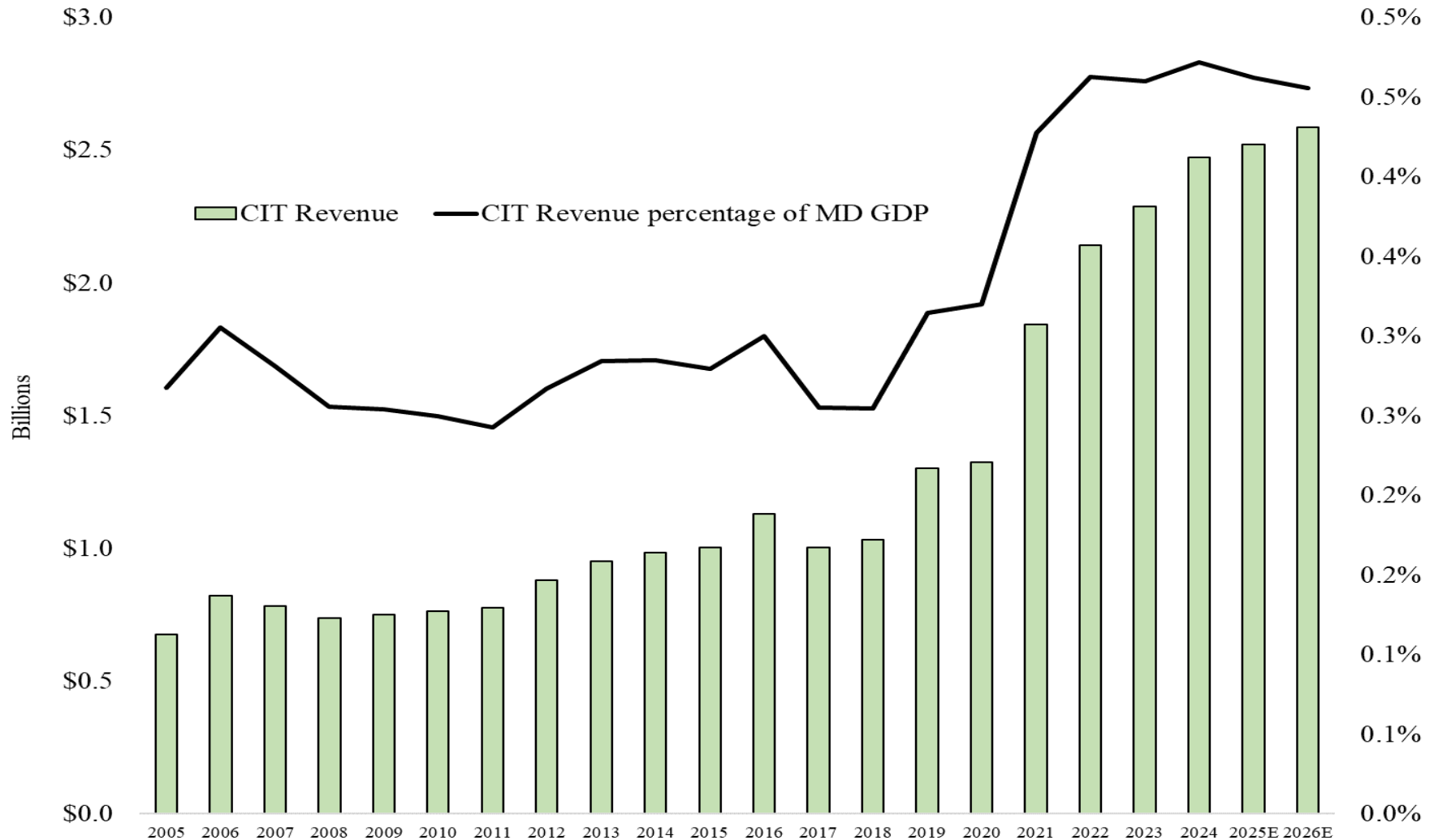


Note: Does not include cannabis revenues

Source: Bureau of Revenue Estimates

Corporate Income Tax Revenue

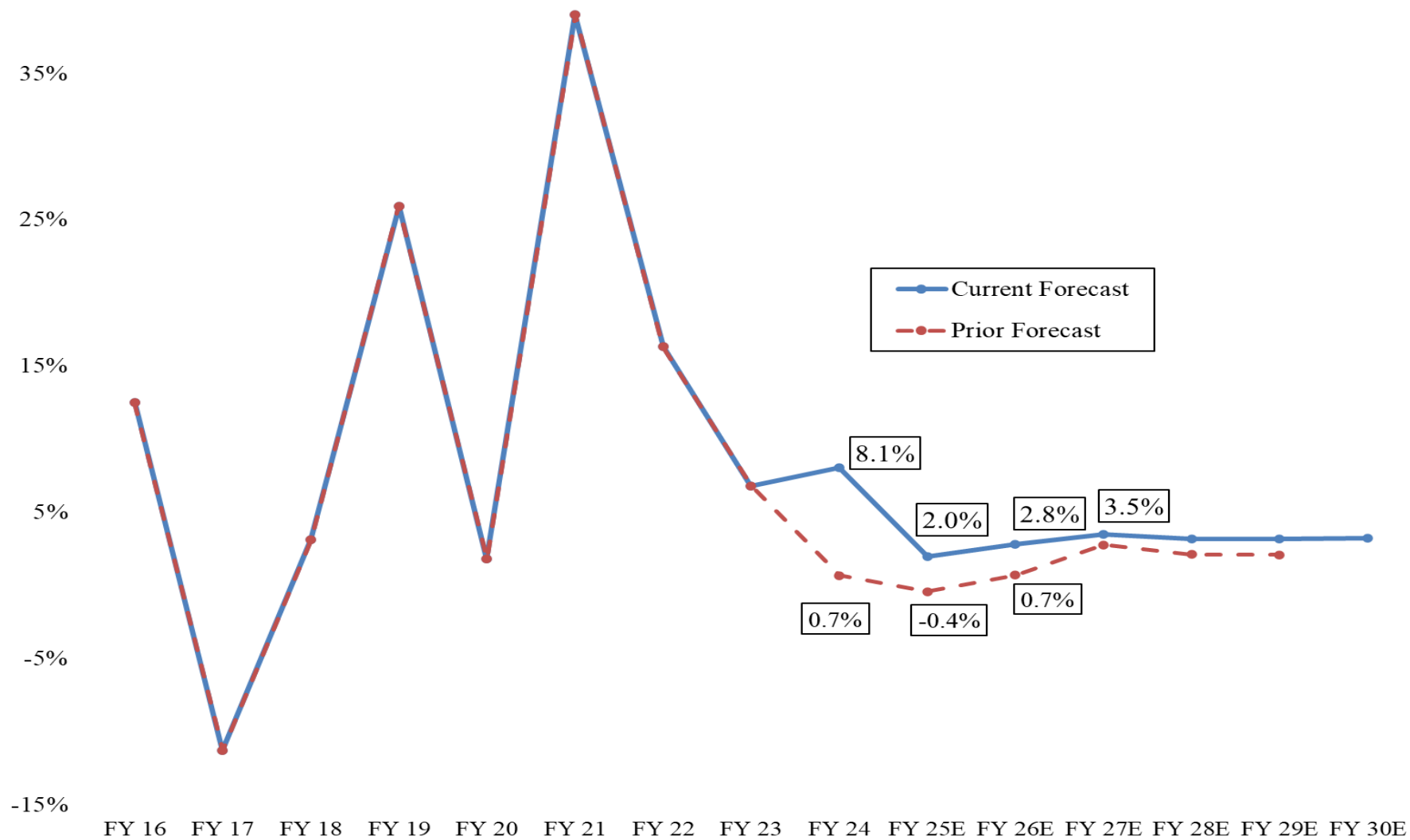
Total Collections and Ratio to Maryland GDP



Source: Bureau of Revenue Estimates

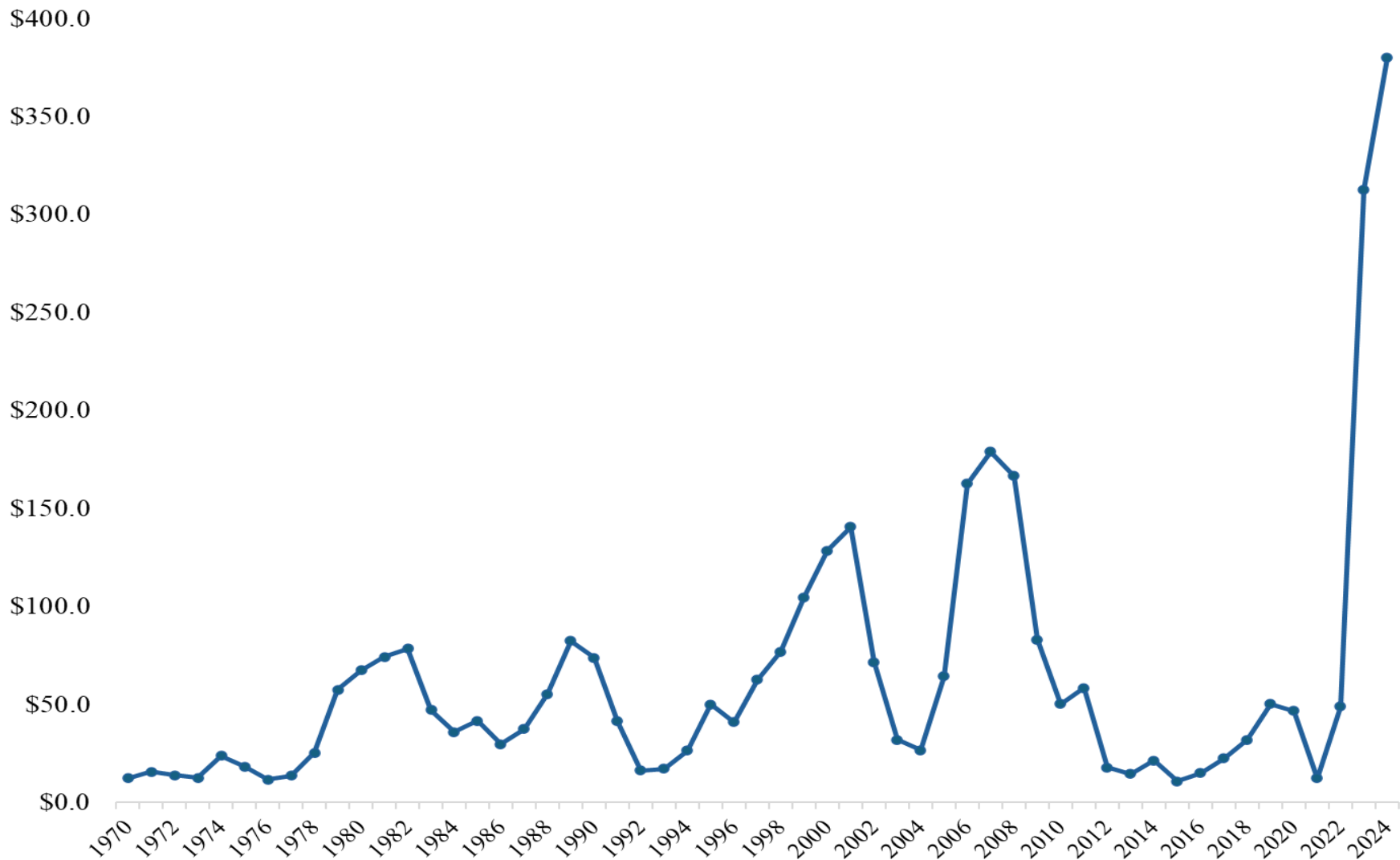
Corporate Income Tax

Gross Receipts Forecast



General Fund Interest Income by Fiscal Year

\$ in Millions



Source: Bureau of Revenue Estimates

Interest Income Forecast

- Record amount of general fund interest income in FY 2024, exceeding the estimate by \$77.3 million
- Three factors mostly determine interest income:
 - Dollar value of the State's investable portfolio that earns interest
 - The interest rate earned by these investments
 - The share of interest income distributed to general funds
- The Budget Reconciliation and Financing Act (BRFA) of 2024 redirects certain special fund interest income to the general fund
- Need to accurately estimate both the change in "baseline interest income" and the additional interest income from the BRFA



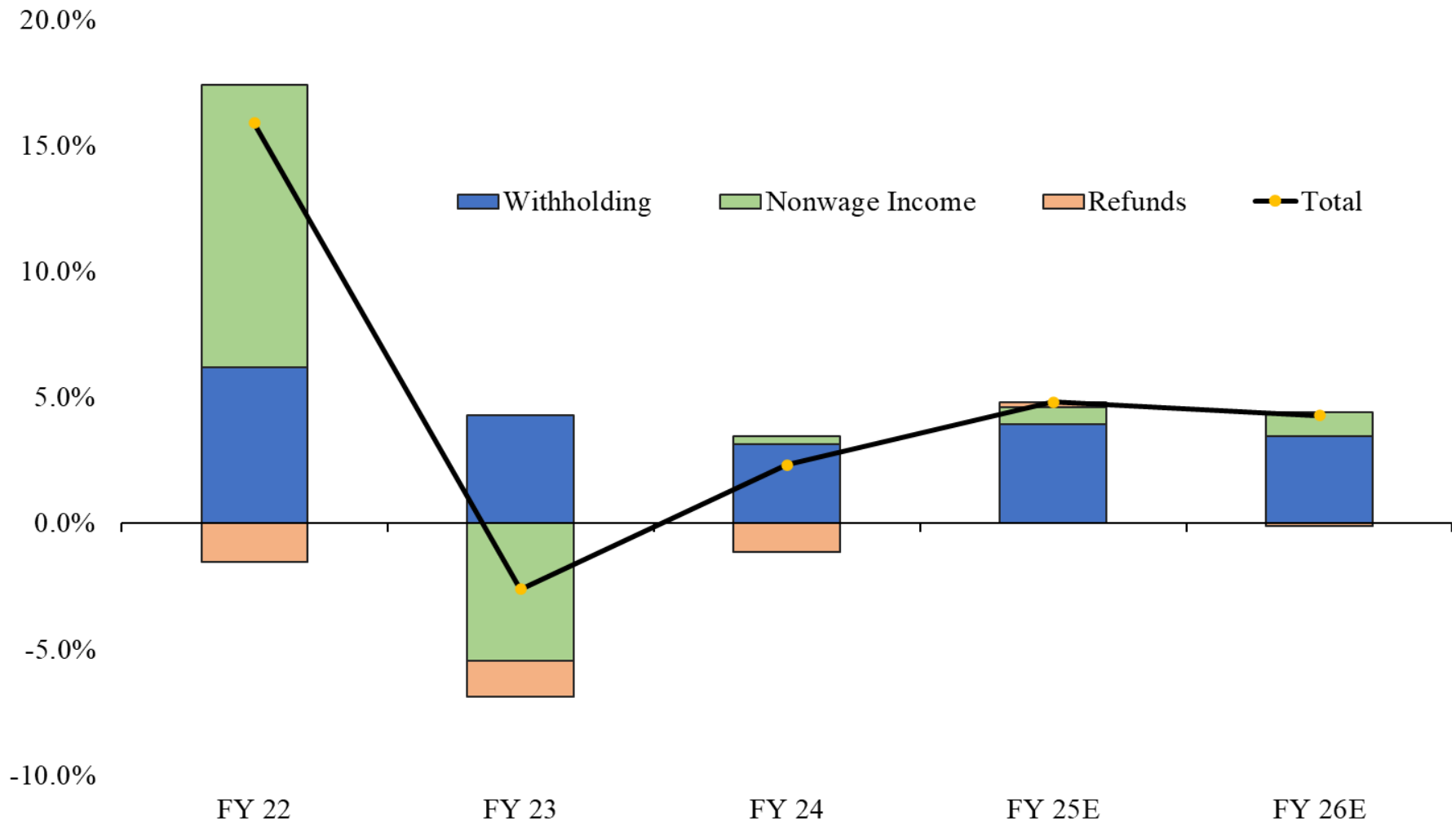
Personal Income Tax

- Personal income tax was slightly under the estimate in FY 2024
- Tax year 2024 withholding revenues have been stronger than expected
- Moderate increase in capital gains forecast
- In FY 2025 gross revenue growth rate is the same as March forecast but refunds are expected to be lower, increasing the net growth rate
- Forecast has a rebound in growth rates compared to the last two fiscal years



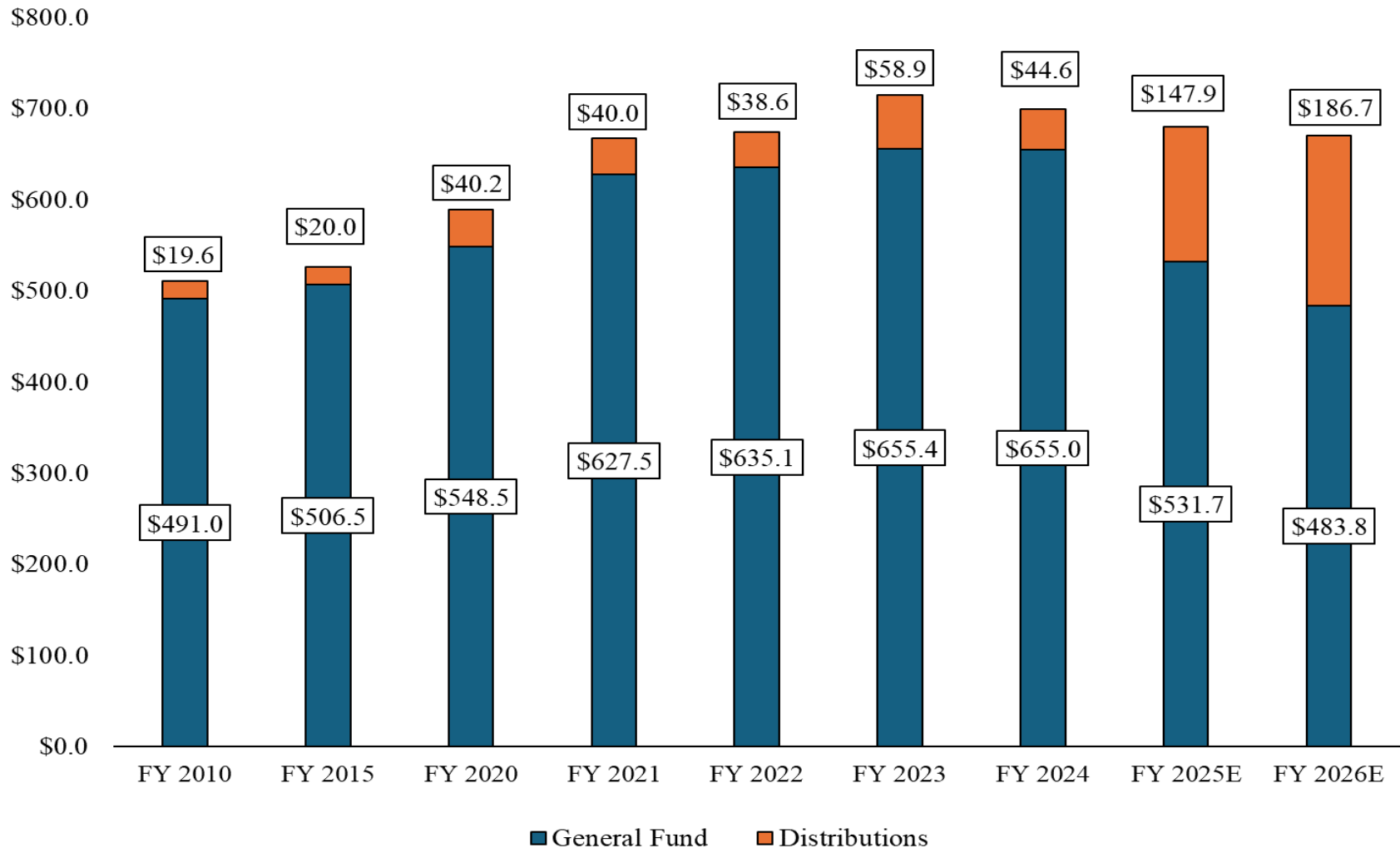
Personal Income Tax Revenue Growth

Contribution to Growth by Component



Lottery Revenues – GF Decreases as Distributions Rise

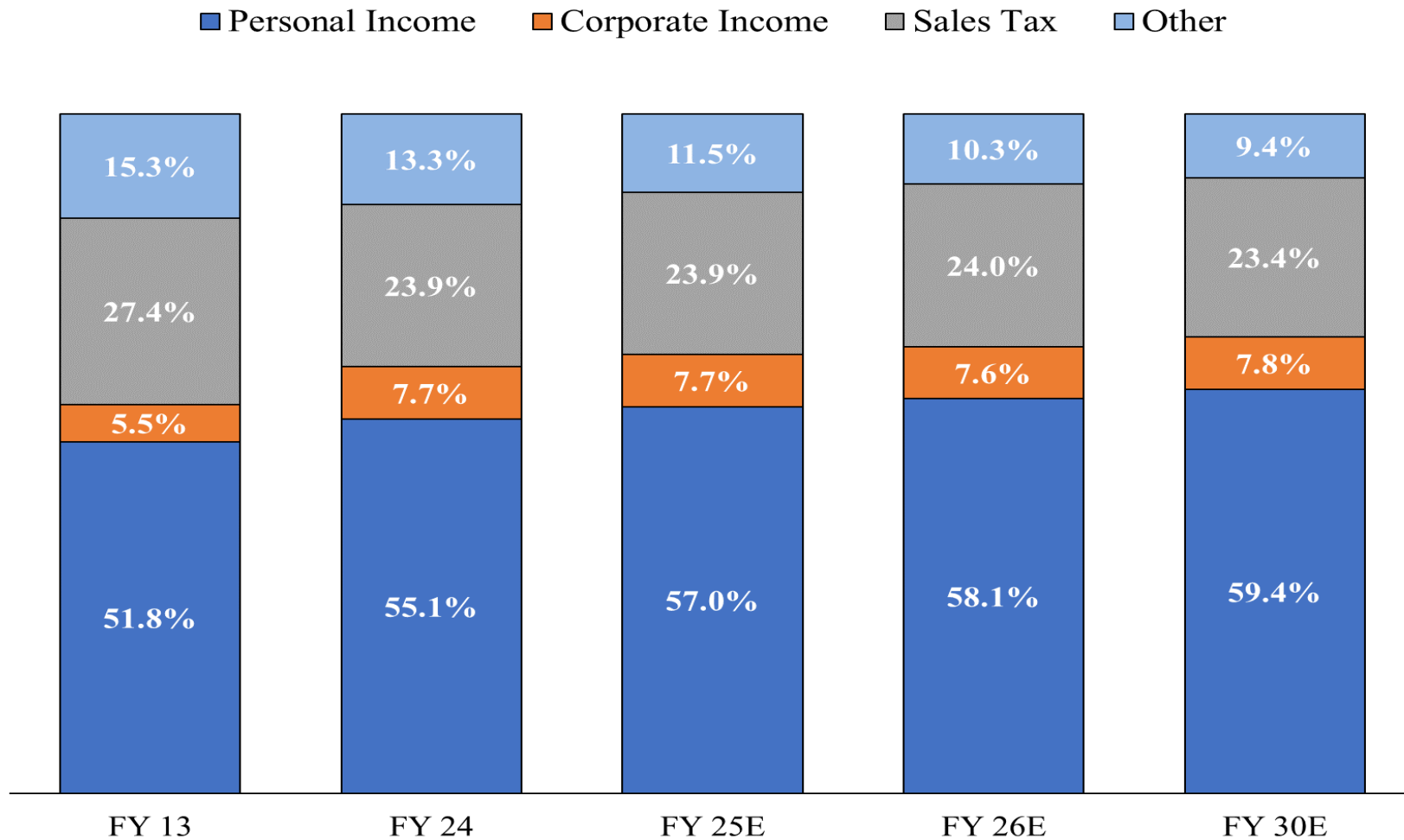
\$ in Millions



Source: Bureau of Revenue Estimates

Forecast Recalibration is an Extension of Long-term Trends

Share of ongoing GF revenues by Source



Forecast Summary and Risks

- Economy continues to slow but does not show signs of entering a recession
 - Significant turning point with Federal Reserve lowering interest rates but the mission is not accomplished yet
- The September forecast:
 - Continues to incorporate moderate, but positive, growth rates
 - Is a recalibration of where we will receive revenues
 - In total is a slight increase for FY 2025
- Federal government tax and spending decisions remain an elevated risk
 - Inability to consistently and predictably fund federal government operations
 - Congressional and presidential elections
 - Significant decisions loom in calendar 2025
 - Debt limit expiration, again
 - Tax Cuts and Jobs Act – personal income tax provisions expire at the end of calendar 2025





Thank You

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