

# REVENUE ESTIMATES AND ECONOMIC OUTLOOK

December 15, 2022

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**Maryland General Fund Revenues**

Fiscal Years 2022 - 2024

\$ Thousands	FY 2023					FY 2024			
	FY 2022 Actual	September Estimate	December Estimate	Difference	Growth	September Estimate	December Estimate	Difference	Growth
<b>INCOME TAXES:</b>									
Individual	13,548,045	14,091,877	14,052,616	(39,261)	3.7%	14,846,299	14,667,670	(178,629)	4.4%
Corporation	1,700,268	1,477,464	1,477,464	-	-13.1%	1,622,505	1,622,505	-	9.8%
<b>Total</b>	<b>15,248,313</b>	<b>15,569,341</b>	<b>15,530,080</b>	<b>(39,261)</b>	<b>1.8%</b>	<b>16,468,804</b>	<b>16,290,175</b>	<b>(178,629)</b>	<b>4.9%</b>
<b>SALES AND USE TAXES</b>	<b>5,966,843</b>	<b>6,150,168</b>	<b>6,150,168</b>	<b>-</b>	<b>3.1%</b>	<b>6,194,835</b>	<b>6,194,835</b>	<b>-</b>	<b>0.7%</b>
<b>STATE LOTTERY</b>	<b>635,075</b>	<b>650,458</b>	<b>636,451</b>	<b>(14,007)</b>	<b>0.2%</b>	<b>650,386</b>	<b>622,942</b>	<b>(27,445)</b>	<b>-2.1%</b>
<b>OTHER REVENUES</b>									
Business Franchise Taxes	264,443	219,156	222,983	3,826	-15.7%	223,039	223,872	832	0.4%
Tax on Insurance Companies	631,380	607,272	648,027	40,756	2.6%	623,013	664,910	41,897	2.6%
Estate and Inheritance Taxes	266,055	250,427	268,741	18,314	1.0%	231,055	229,043	(2,012)	-14.8%
Tobacco Tax	479,158	482,248	463,766	(18,482)	-3.2%	437,477	424,538	(12,938)	-8.5%
Alcoholic Beverages Excise Tax	39,076	33,688	35,911	2,223	-8.1%	33,970	35,890	1,919	-0.1%
District Courts	41,256	46,948	40,269	(6,679)	-2.4%	45,813	42,088	(3,725)	4.5%
Clerks of the Court	36,893	33,304	33,304	-	-9.7%	33,178	33,178	-	-0.4%
Hospital Patient Recoveries	68,829	62,300	62,300	-	-9.5%	63,200	63,200	-	1.4%
Interest on Investments	48,978	75,000	125,000	50,000	155.2%	50,000	50,000	-	-60.0%
Miscellaneous	331,920	403,082	422,228	19,146	27.2%	321,864	335,196	13,332	-20.6%
<b>Total</b>	<b>2,207,988</b>	<b>2,213,424</b>	<b>2,322,528</b>	<b>109,104</b>	<b>5.2%</b>	<b>2,062,611</b>	<b>2,101,916</b>	<b>39,305</b>	<b>-9.5%</b>
<b>Total Current Revenues</b>	<b>24,058,218</b>	<b>24,583,391</b>	<b>24,639,226</b>	<b>55,835</b>	<b>2.4%</b>	<b>25,376,636</b>	<b>25,209,867</b>	<b>(166,769)</b>	<b>2.3%</b>
Extraordinary Revenues <sup>1</sup>	16,311	-	-	-	-100.0%	-	-	-	-
Rental Housing Fund <sup>2</sup>	(30,000)	-	-	-	-	-	-	-	-
Blueprint for Maryland's Future Fund <sup>3</sup>	-	(800,000)	(800,000)	-	-	-	-	-	-
Revenue Volatility Cap <sup>4</sup>	-	(100,000)	(100,000)	-	-	(120,000)	(120,000)	-	20.0%
<b>GRAND TOTAL <sup>5</sup></b>	<b>24,044,529</b>	<b>23,683,391</b>	<b>23,739,226</b>	<b>55,835</b>	<b>-1.3%</b>	<b>25,256,636</b>	<b>25,089,867</b>	<b>(166,769)</b>	<b>5.7%</b>

<sup>1</sup> Amount reflects a payment to the General Fund from the Maryland Technology Development Corporation (TEDCO).

<sup>2</sup> Chapters 336 & 337 of 2022 diverted \$30 million from individual income tax revenues to the Rental Housing Fund.

<sup>3</sup> Chapter 33 of 2022 diverts \$800 million from individual income tax revenues to the Blueprint Fund.

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

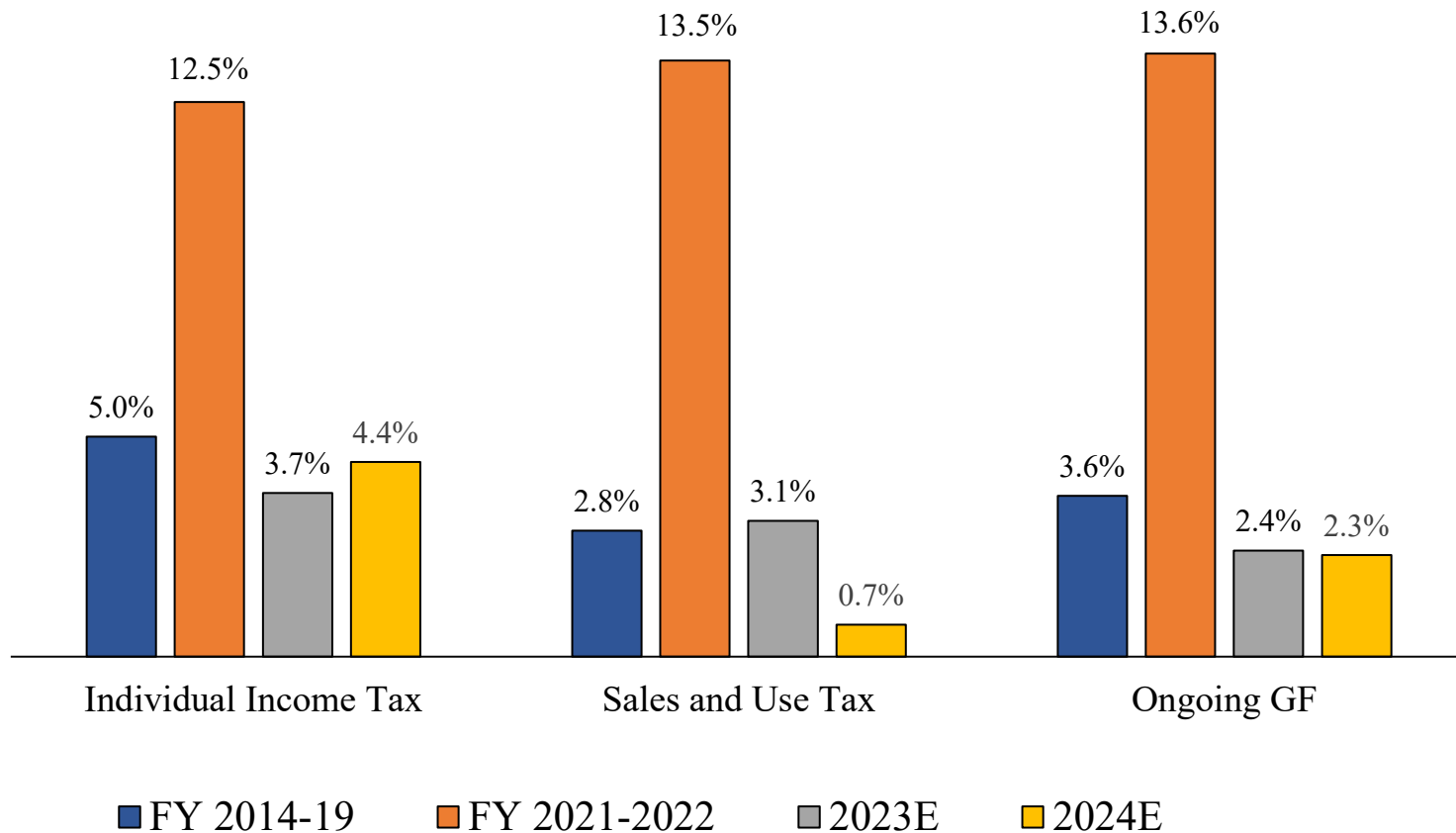
<sup>5</sup> In FY 2022, \$870.3 million of specified income tax revenues was transferred to the Rainy Day Fund and Fiscal Responsibility Fund per the requirements of the Revenue Volatility Cap.

## Summary of December Changes

	Fiscal Year 2023		Fiscal Year 2024	
	\$ Change From Est	% Growth From Prior Year	\$ Change From Est	% Growth From Prior Year
Personal Income Tax	(\$39.3)	3.7%	(\$178.6)	4.4%
Corporate Income Tax	\$0	-13.1%	\$0	9.8%
Sales Tax	\$0	3.1%	\$0	0.7%
Other	\$95.1	4.1%	\$11.9	-7.9%
Total – Ongoing Revenues	\$55.8	2.4%	(\$166.8)	2.3%

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

# Revenue Growth is Moderating



# Economic Outlook

- Economy has slowed compared to recent, unusually strong growth but labor market and consumer spending continue to grow
- Risk of recession remains elevated and is a downside risk to our forecast
- Inflation has declined modestly, but remains well-above historic norms
  - Persistent inflation requires that the Federal Reserve continue to tighten monetary policy
  - This will continue to slow economic growth
- As in previous forecasts, the December forecast has significant slowdown in growth beginning in calendar 2023

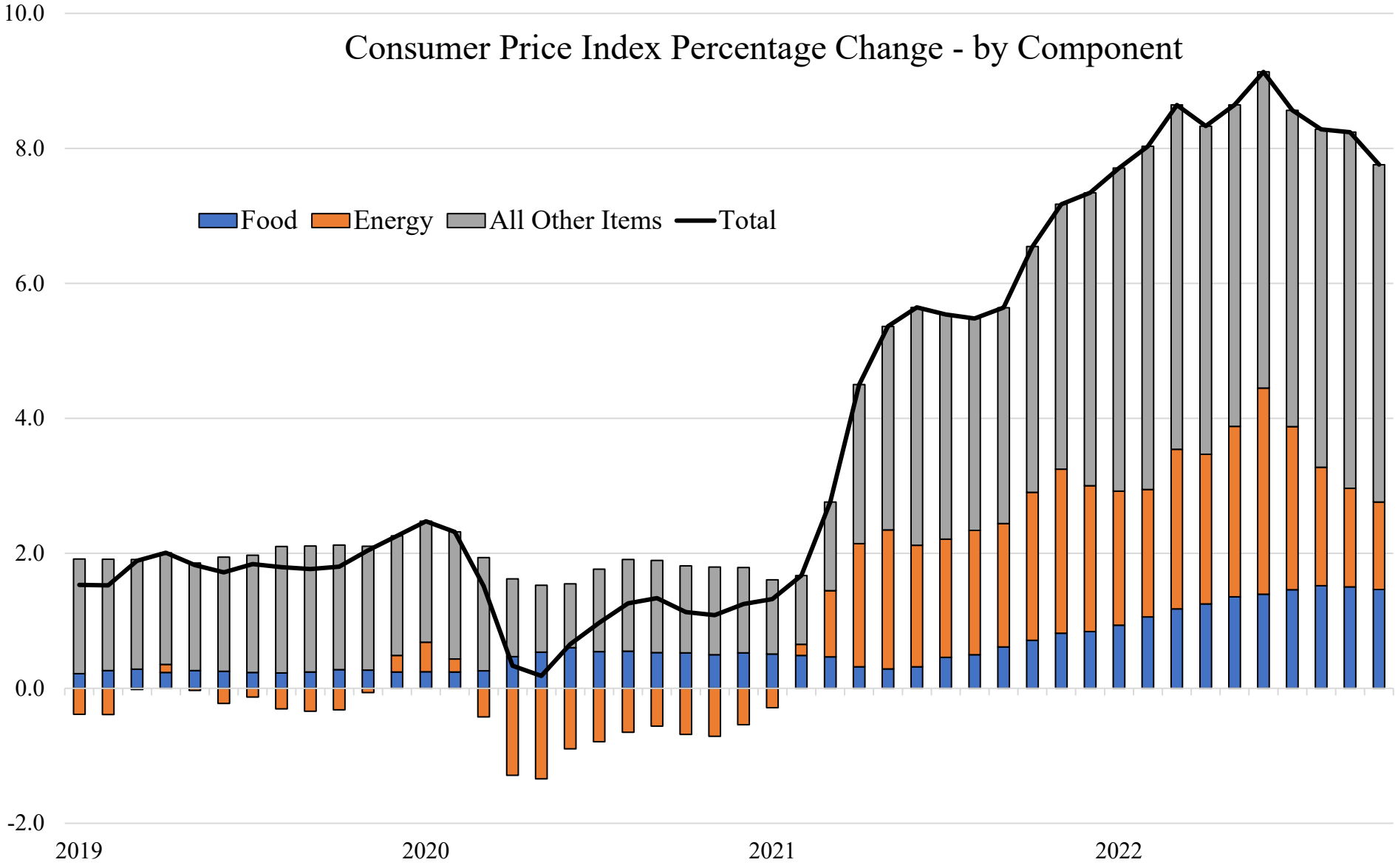
# What Has Changed Since September?

- Our year-to-date revenue is performing as expected in September
- Economic forecasts for U.S. and Maryland now have lower near-term expectations for growth
- September forecast adopted a more conservative outlook than other forecasts, minimizing the impact on the December forecast
  - Sales and Use, Corporate Income Tax, and Withholding revenue projections are unchanged
- Updated capital gains forecast projects greater decreases, particularly in tax year 2022 through 2023

# Forecast Risks

- Risk of recession remains elevated and poses downside risk to our forecast, particularly in FY 2024
- Volatile income sources remain elevated and could decrease more than expected if economic conditions deteriorate
- Labor market continues to add jobs, but recent layoff announcements cloud the picture
  - Maryland layoff notices in calendar 2022 are in line with “normal” years, but include a significant portion within the Professional, Scientific, and Technical Industries
- Although major revenue sources do not show a concerning slowdown, other revenues have recently slowed more than expected
- Recent improvements to consumer finances show signs of reversing

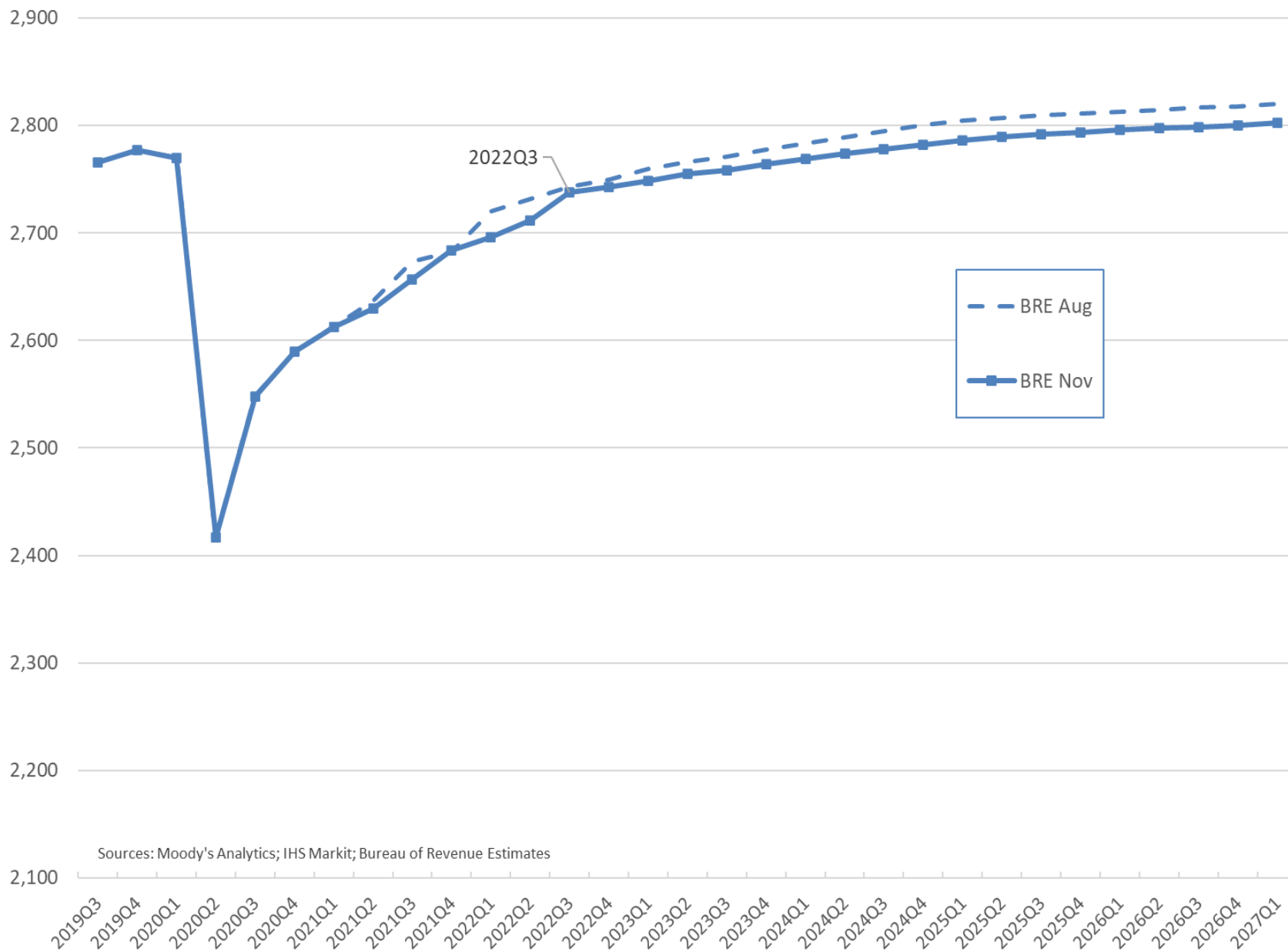
# Consumer Price Index Percentage Change - by Component



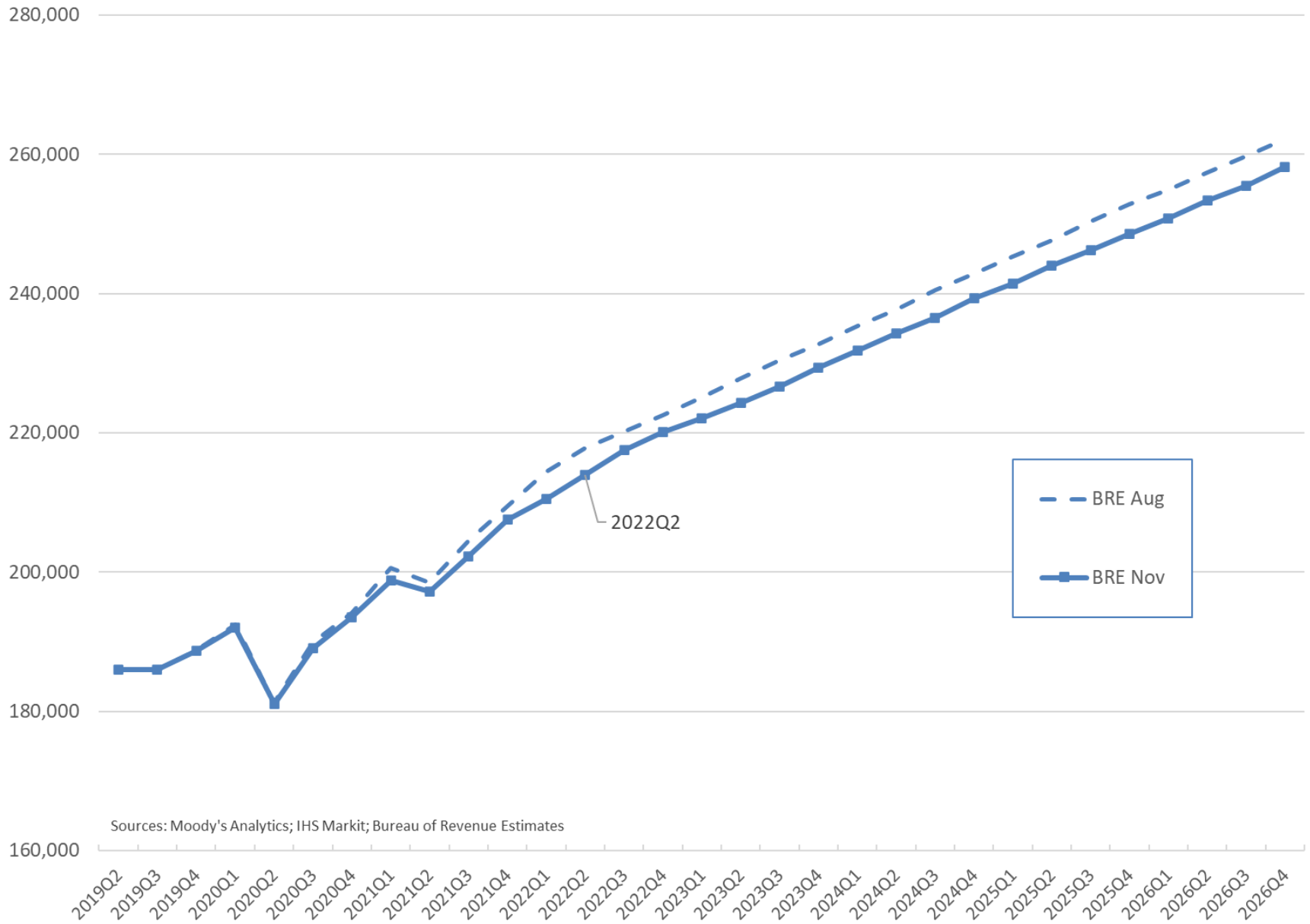
Source: U.S. Bureau of Labor Statistics; Bureau of Revenue Estimates



## Forecast of Jobs in Maryland (000s)

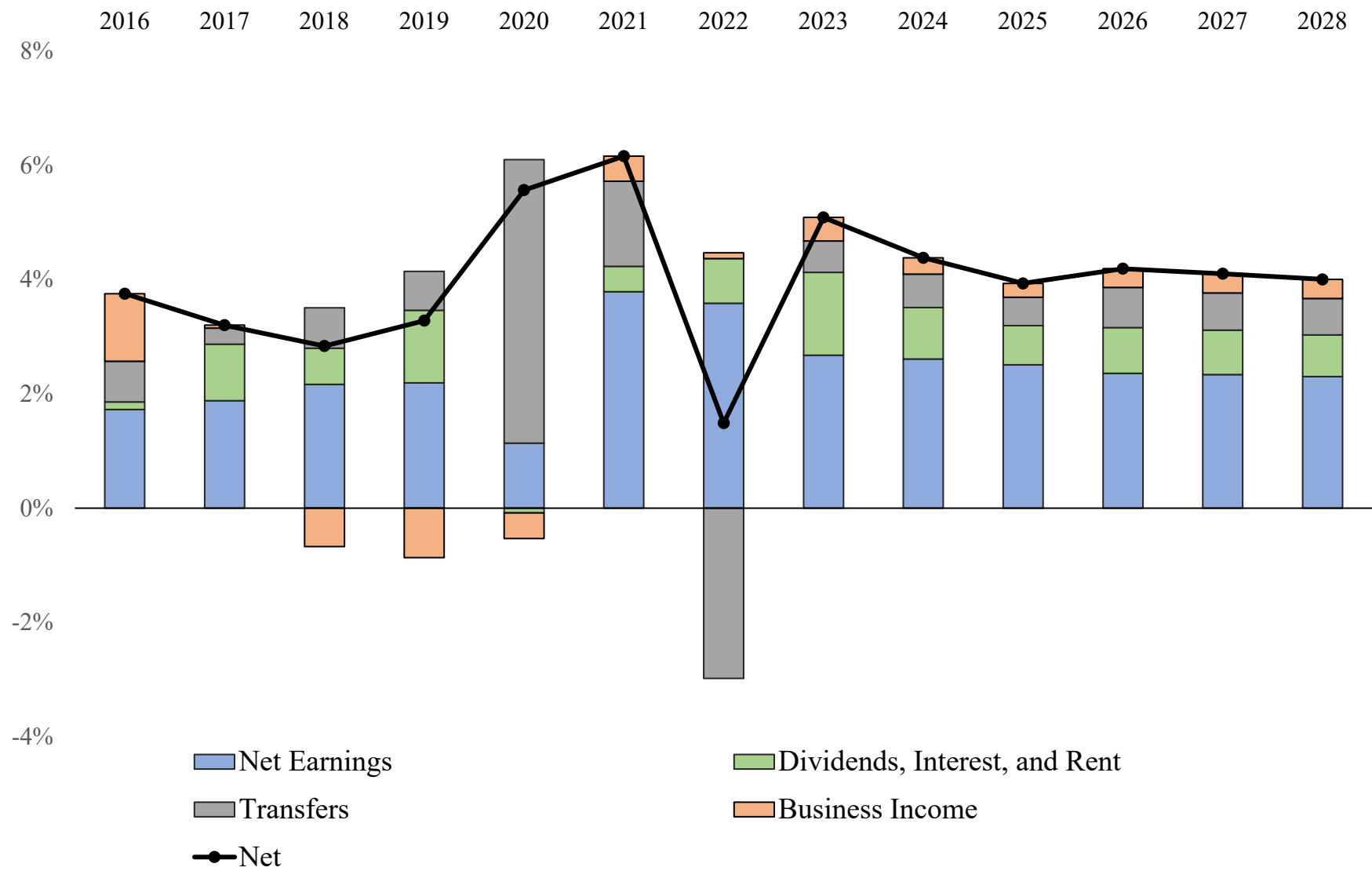


### Forecasts of Total Maryland Wages (millions)



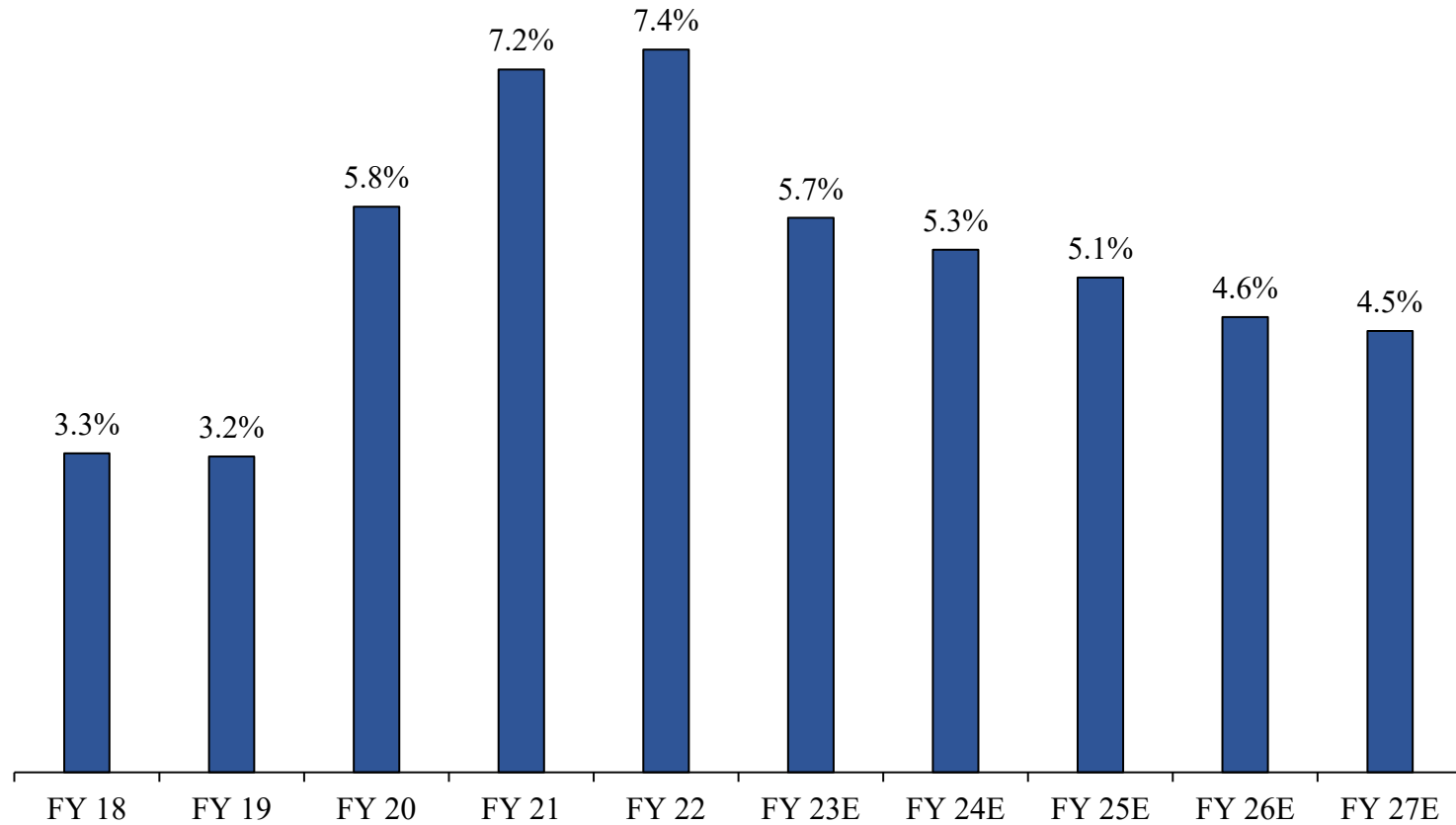
Sources: Moody's Analytics; IHS Markit; Bureau of Revenue Estimates

### Personal Income Forecast by Component

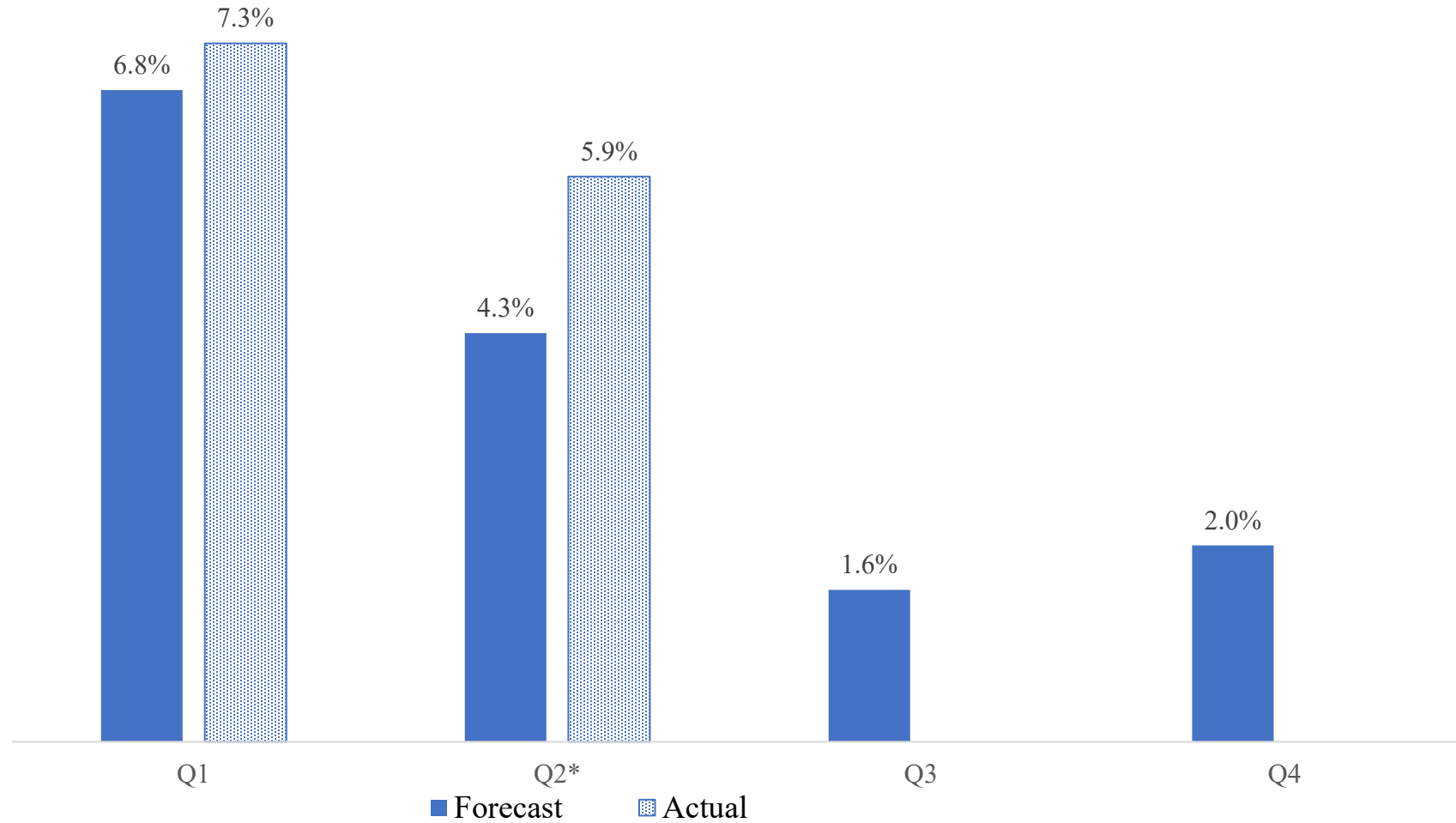


Source: Bureau of Revenue Estimates

## Withholding Revenue by Fiscal Year



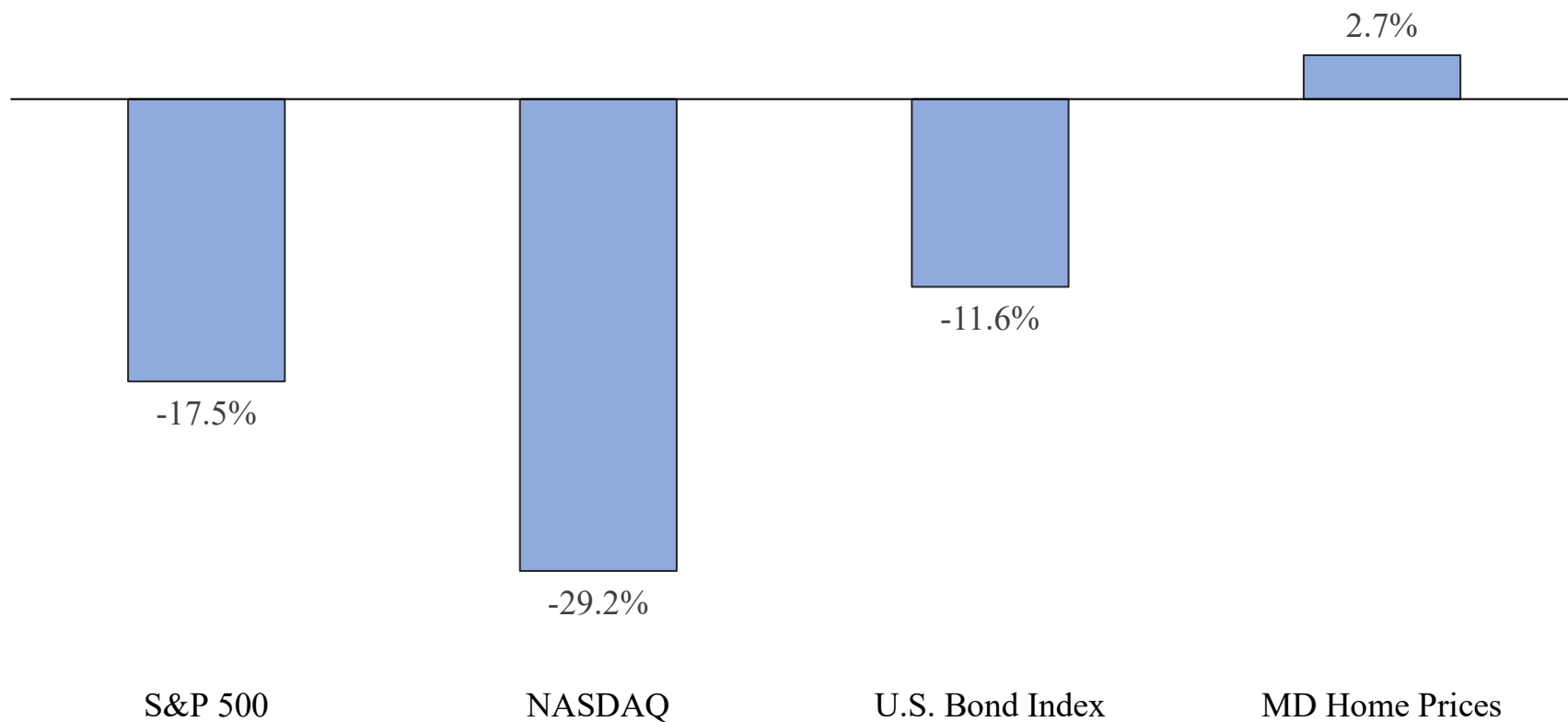
## FY 2023 Sales and Use - Total Collections Forecast by Quarter



Note: Quarter 2 actuals reflect October and November only

Source: Bureau of Revenue Estimates

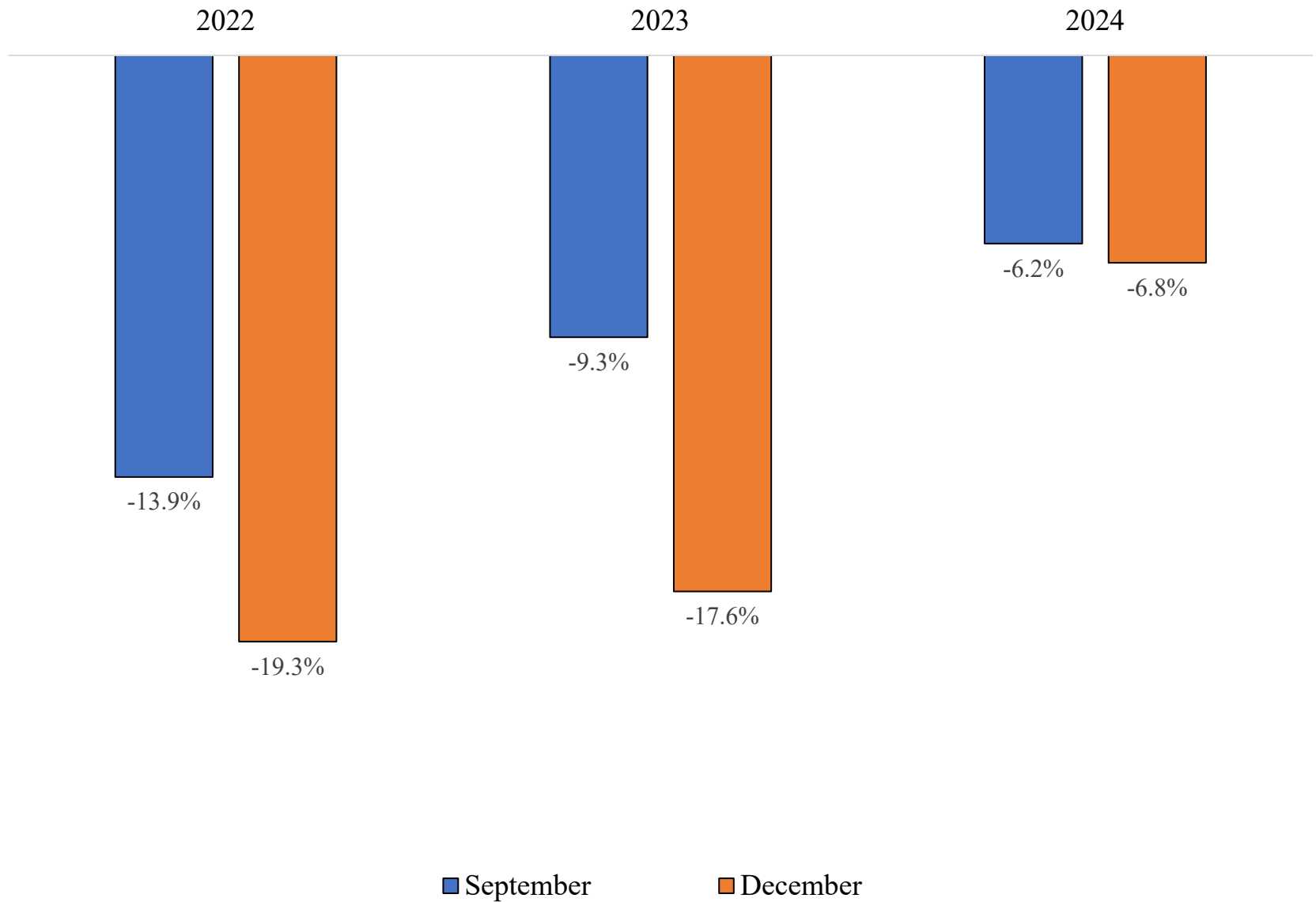
# Most Asset Prices Have Declined Significantly



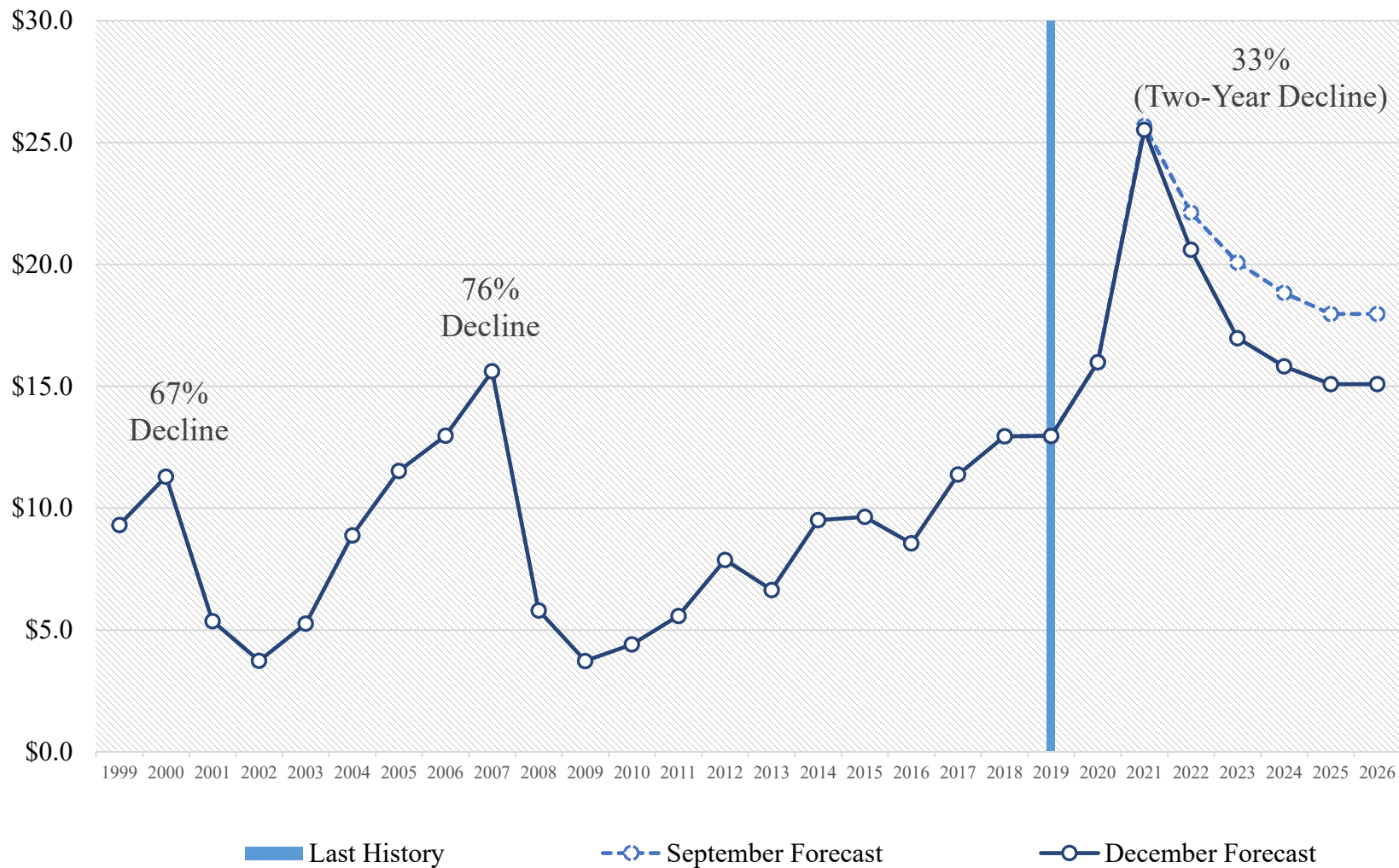
Note: Reflects year-to-date change as of 12/11/2022 except Maryland home prices which are YoY Change in the month of October

Source: Bureau of Revenue Estimates

## Capital Gains Forecast By Tax Year

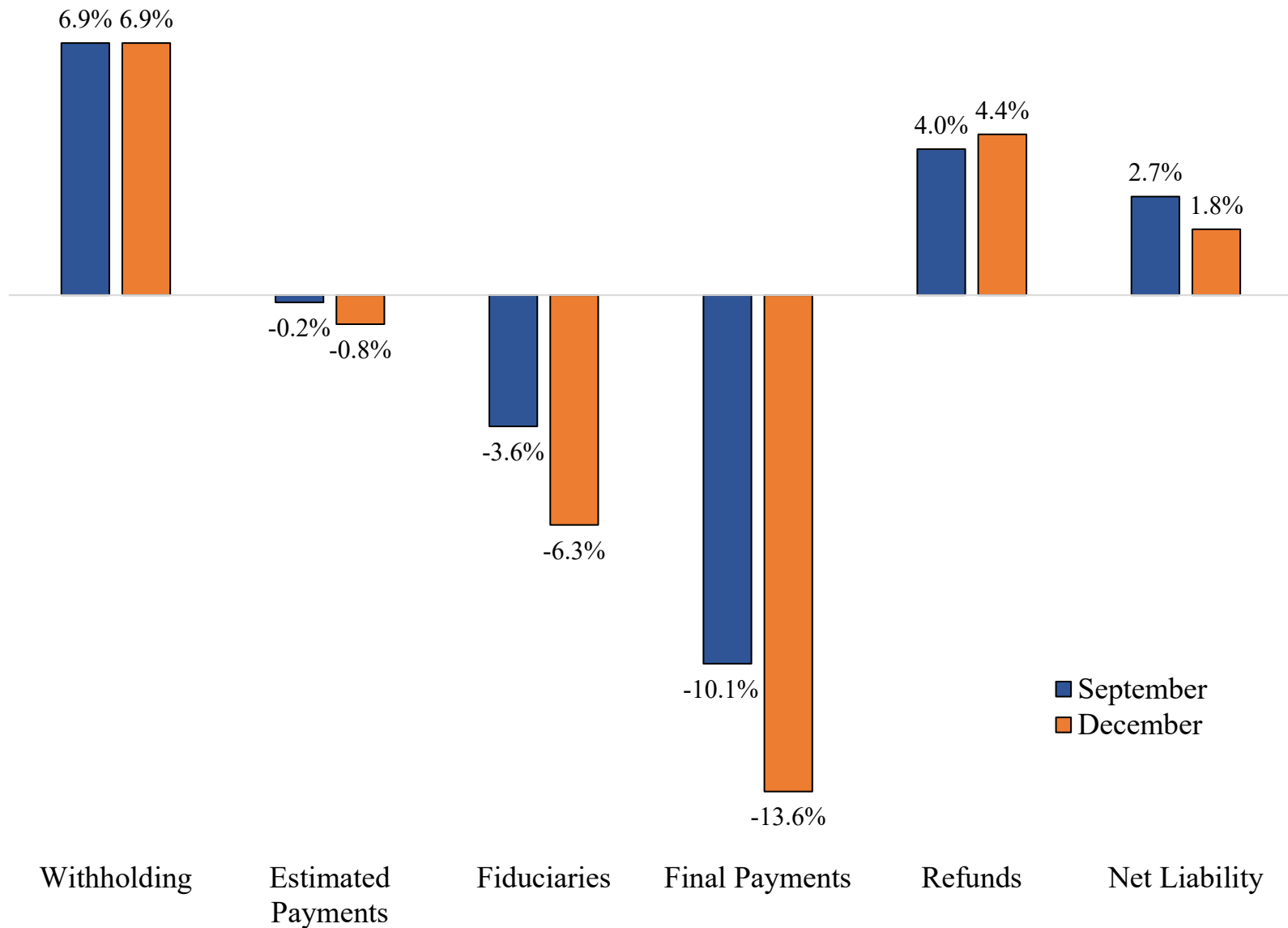


## Capital Gains Forecast by Tax Year (\$ in Billions)





## Tax Year 2022 Personal Income Tax Comparison



# In Summary

- Economy has slowed compared to recent, unusually strong growth but labor market and consumer spending continue to grow
  - As in previous forecasts, the December forecast has significant slowdown in growth
  - FY 2023 revenues are performing as expected in September
- Risk of recession poses downside risk to forecast
  - Inflation has recently moderated, but must decrease significantly more before the Federal Reserve can stop interest rate increases
- Nonwage income is at very high levels and remains a risk
  - Typically, these peaks are not sustainable for extended periods of time
  - Magnitude and timing of any downturn is particularly difficult to estimate
  - Nonwage income downturns typically occur rapidly but then also grow back rapidly

# Thank You

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