

# REVENUE ESTIMATES AND ECONOMIC OUTLOOK

September 29, 2022

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Chief

Board of Revenue Estimates

**Maryland General Fund Revenues**  
**Fiscal Years 2022 - 2024**  
(\$ in thousands)

	FY 2022			FY 2023			FY 2024		
	Official Estimate <sup>1</sup>	Actual	Difference	Current Estimate <sup>1</sup>	September Revision	Difference	% Growth	September Estimate	% Growth
<b>INCOME TAXES</b>									
Individual	12,537,593	13,548,045	1,010,452	13,125,770	14,091,877	966,107	4.0%	14,846,299	5.4%
Corporations	1,606,435	1,700,268	93,832	1,661,123	1,477,464	(183,659)	-13.1%	1,622,505	9.8%
<b>Total</b>	<b>14,144,028</b>	<b>15,248,313</b>	<b>1,104,284</b>	<b>14,786,893</b>	<b>15,569,341</b>	<b>782,448</b>	<b>2.1%</b>	<b>16,468,804</b>	<b>5.8%</b>
<b>SALES AND USE TAXES</b>	5,698,831	5,966,843	268,012	5,782,402	6,150,168	367,766	3.1%	6,194,835	0.7%
<b>STATE LOTTERY RECEIPTS</b>	647,263	635,075	(12,188)	629,051	650,458	21,407	2.4%	650,386	0.0%
<b>OTHER REVENUES</b>									
Business Franchise Taxes	244,484	264,443	19,958	212,708	219,156	6,448	-17.1%	223,039	1.8%
Insurance Premium Tax	567,602	631,380	63,778	585,590	607,272	21,682	-3.8%	623,013	2.6%
Estate & Inheritance Taxes	214,330	266,055	51,725	225,071	250,427	25,356	-5.9%	231,055	-7.7%
Tobacco Taxes	532,719	479,158	(53,562)	519,667	482,248	(37,419)	0.6%	437,477	-9.3%
Alcoholic Beverages Excises	33,621	39,076	5,456	32,326	33,688	1,362	-13.8%	33,970	0.8%
District Courts	43,757	41,256	(2,500)	48,767	46,948	(1,819)	13.8%	45,813	-2.4%
Clerks of Court	71,084	36,893	(34,191)	34,822	33,304	(1,518)	-9.7%	33,178	-0.4%
Hospital Patient Recoveries	60,142	68,829	8,687	61,715	62,300	585	-9.5%	63,200	1.4%
Interest on Investments	15,000	48,978	33,978	20,000	75,000	55,000	53.1%	50,000	-33.3%
Miscellaneous	311,403	331,920	20,516	400,044	403,082	3,038	21.4%	321,864	-20.1%
<b>Total</b>	<b>2,094,143</b>	<b>2,207,988</b>	<b>113,845</b>	<b>2,140,710</b>	<b>2,213,424</b>	<b>72,714</b>	<b>0.2%</b>	<b>2,062,611</b>	<b>-6.8%</b>
<b>TOTAL CURRENT REVENUES</b>	<b>22,584,265</b>	<b>24,058,218</b>	<b>1,473,953</b>	<b>23,339,056</b>	<b>24,583,391</b>	<b>1,244,335</b>	<b>2.2%</b>	<b>25,376,636</b>	<b>3.2%</b>
Extraordinary Revenues <sup>2</sup>	-	16,311	16,311	-	-	-	-	-	-
Rental Housing Fund <sup>3</sup>	(30,000)	(30,000)	-	-	-	-	-	-	-
Blueprint for Maryland's Future Fund <sup>4</sup>	-	-	-	(800,000)	(800,000)	-	-	-	-
Revenue Volatility Cap <sup>5</sup>	(80,000)	-	80,000	(100,000)	(100,000)	-	-	(120,000)	-
<b>GRAND TOTAL <sup>6</sup></b>	<b>22,474,265</b>	<b>24,044,529</b>	<b>1,570,264</b>	<b>22,439,056</b>	<b>23,683,391</b>	<b>1,244,335</b>	<b>-1.5%</b>	<b>25,256,636</b>	<b>6.6%</b>

<sup>1</sup> The 2022 Legislative Session resulted in revenue adjustments beyond the March 2022 official estimate; this table has been adjusted accordingly

<sup>2</sup> Amount reflects a payment to the General Fund from the Maryland Technology Development Corporation (TEDCO).

<sup>3</sup> Chapters 336 & 337 of 2022 diverted \$30 million from individual income tax revenues to the Rental Housing Fund.

<sup>4</sup> Chapter 33 of 2022 diverts \$800 million from individual income tax revenues to the Blueprint Fund

<sup>5</sup> Established by Chapters 4 & 550 of 2017 and amended by several succeeding Budget Reconciliation And Financing Acts.

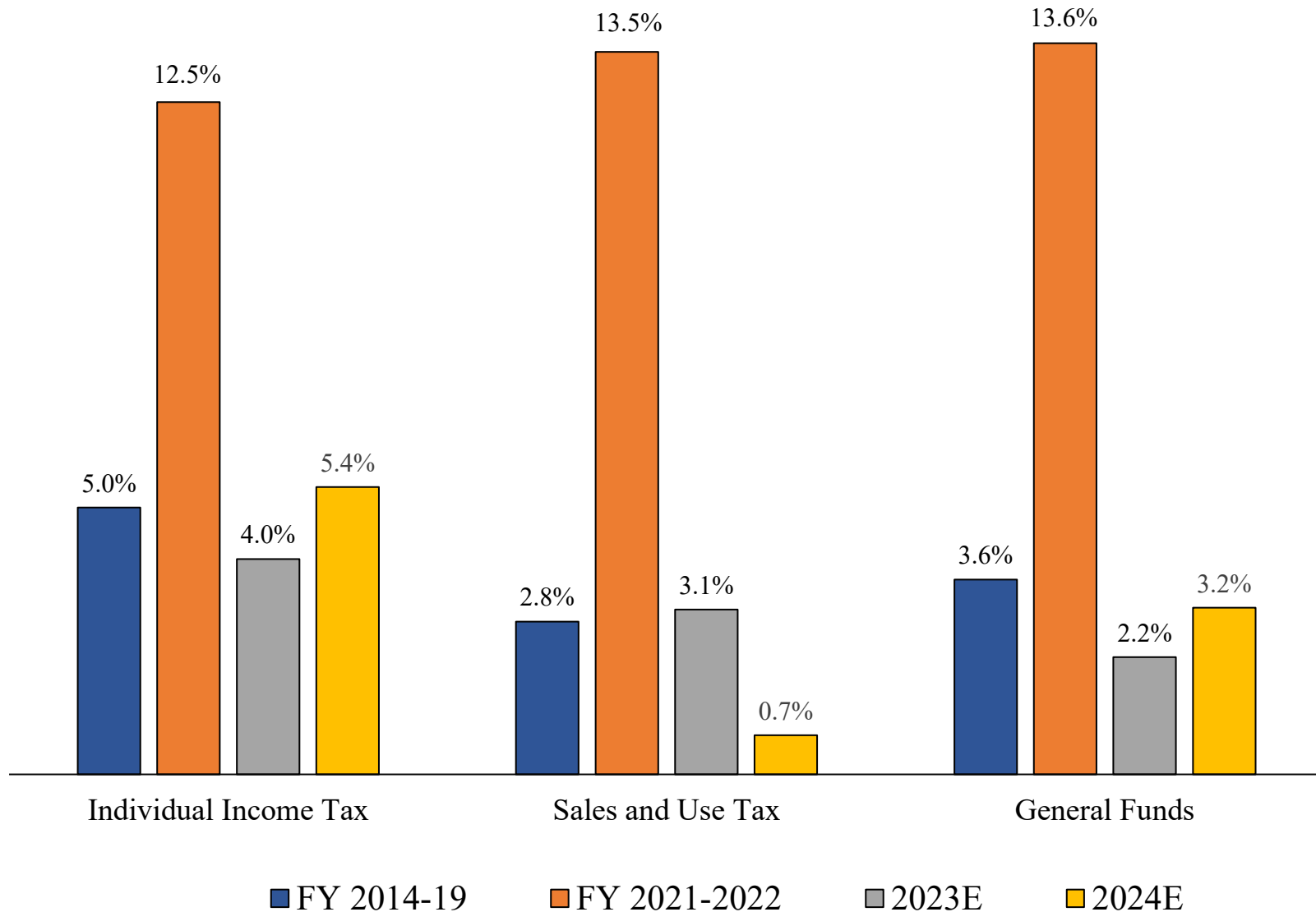
<sup>6</sup> In FY 2022, \$870.3 million of specified income tax revenues was transferred to the Rainy Day Fund and Fiscal Responsibility Fund per the requirements of the Revenue Volatility Cap.

## Summary of September Changes

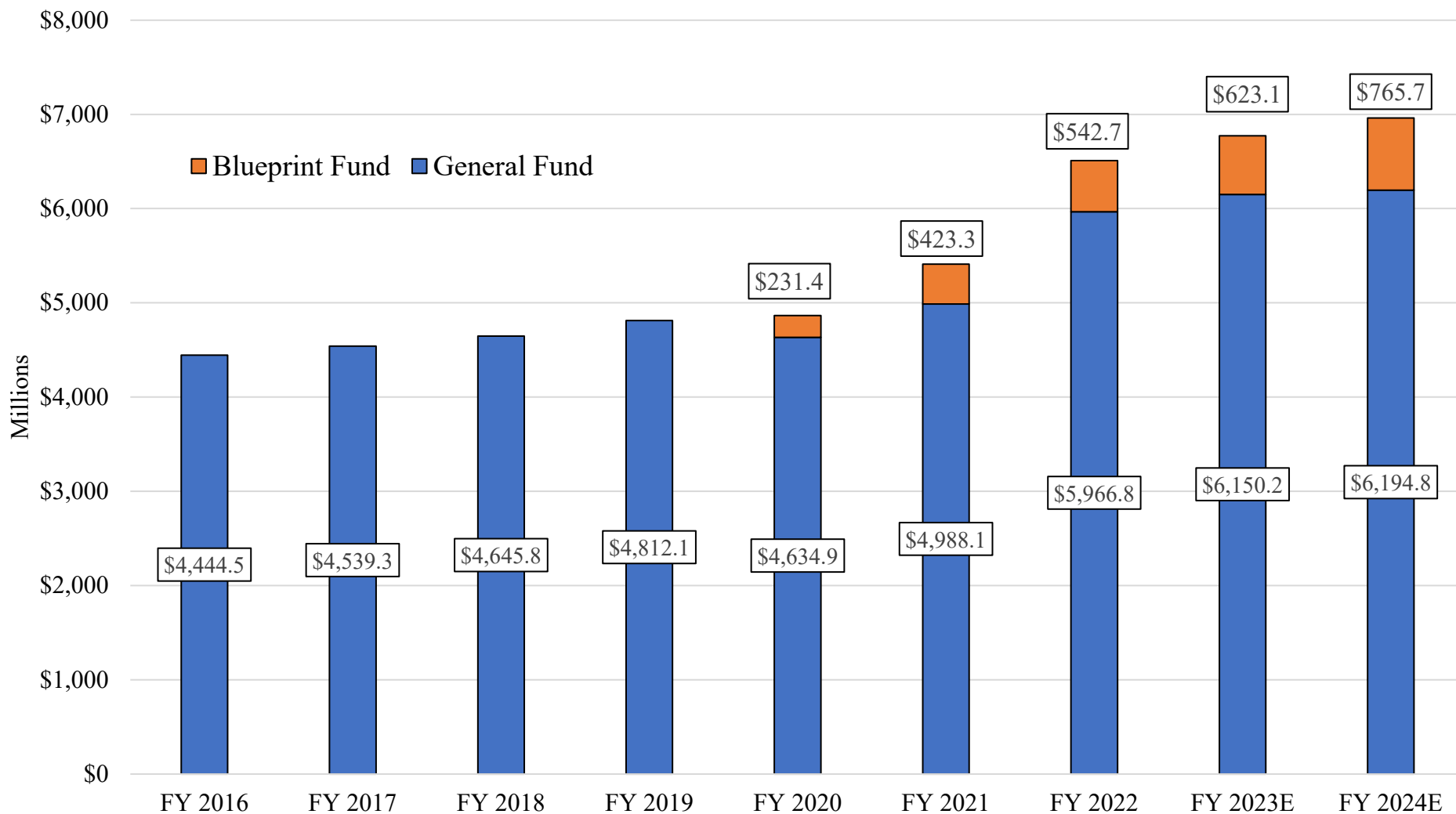
	Fiscal Year 2022		Fiscal Year 2023		Fiscal Year 2024	
	\$ Change From Est	% Growth From Prior Year	\$ Change From Est	% Growth From Prior Year	\$ Change From Est	% Growth From Prior Year
Personal Income Tax	\$1,010	15.7%	\$966	4.0%	\$837	5.4%
Corporate Income Tax	\$94	16.3%	(\$184)	-13.1%	(\$41)	9.8%
Sales Tax	\$268	19.6%	\$368	3.1%	\$380	0.7%
Other	\$198	5.7%	\$94	-30.6%	\$30	32.0%
Total	\$1,570	15.4%	\$1,244	-1.5%	\$1,205	6.6%

Notes: dollars in millions; amounts may not sum from rounding; Mar22 estimate adj for 2022 Session

# Revenue Growth is Expected to Moderate



# Distribution of Sales Tax Revenues



Sources: Comptroller of Maryland; Bureau of Revenue Estimates

# Forecast Assumptions and Risks

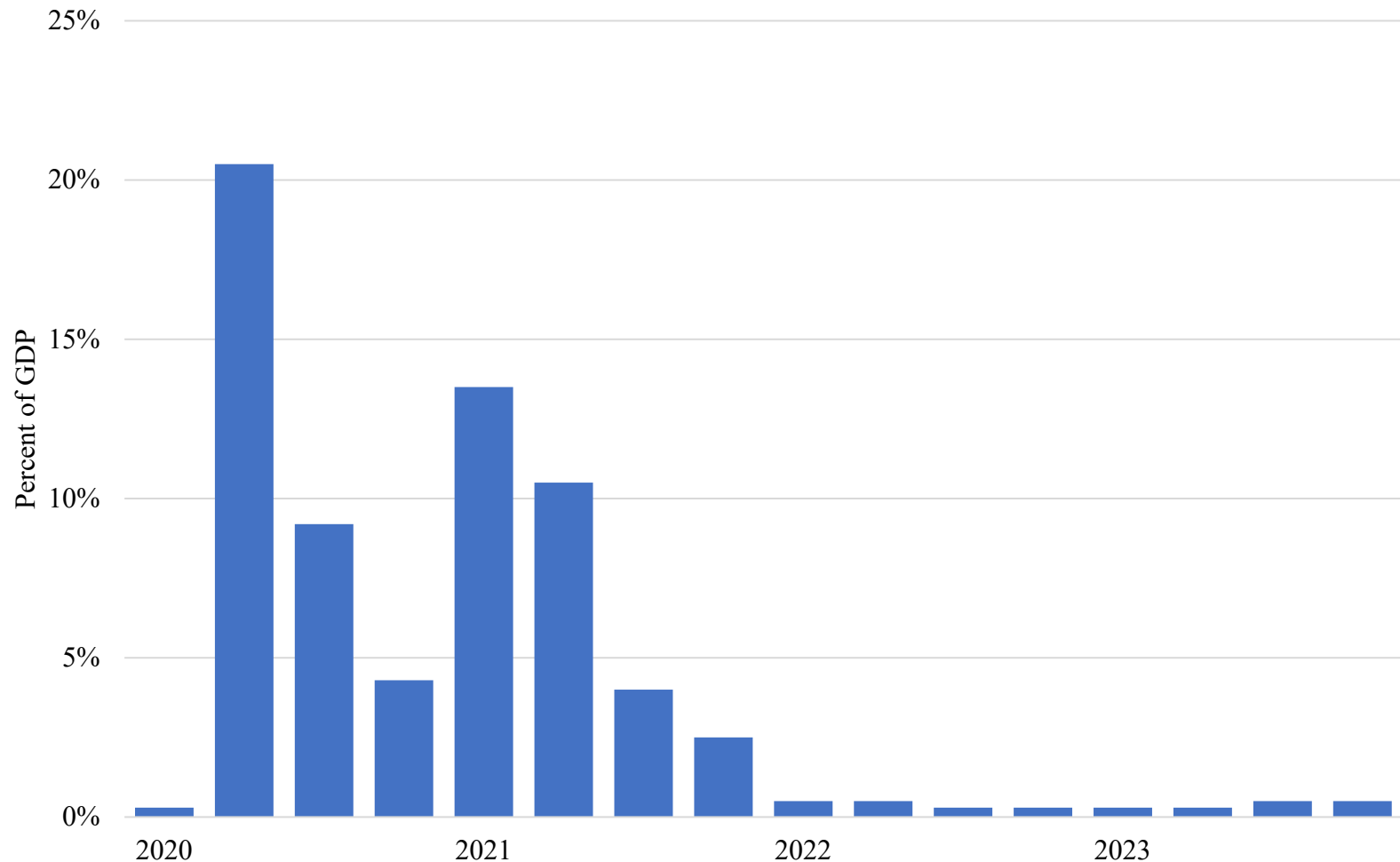
- Recent above average revenue growth mainly reflected the impact of federal stimulus and is not expected to continue
- Forecast is largely consistent with March forecast, but slower economic growth primarily in fiscal 2023
- Federal Reserve reduces inflation without causing a recession
- Volatile income sources that have recently increased may work against us if economic conditions deteriorate

# Federal Economic Policy Has Recently Shifted

- Federal Reserve has shifted its focus from supporting the economy to reducing inflation
- Benchmark interest rate has increased five times since March 2022 and are increases are expected to continue
- Goal is to engineer a “soft landing” – reducing inflation without causing substantial harm to the economy and labor market
- Federal Reserve stated its strong commitment to bringing inflation down to 2% and doing so will likely require a period of below-trend economic growth
- We are too early in this process to know if the Federal Reserve can reduce inflation without causing a recession.

# Impact of Fiscal Stimulus is Fading

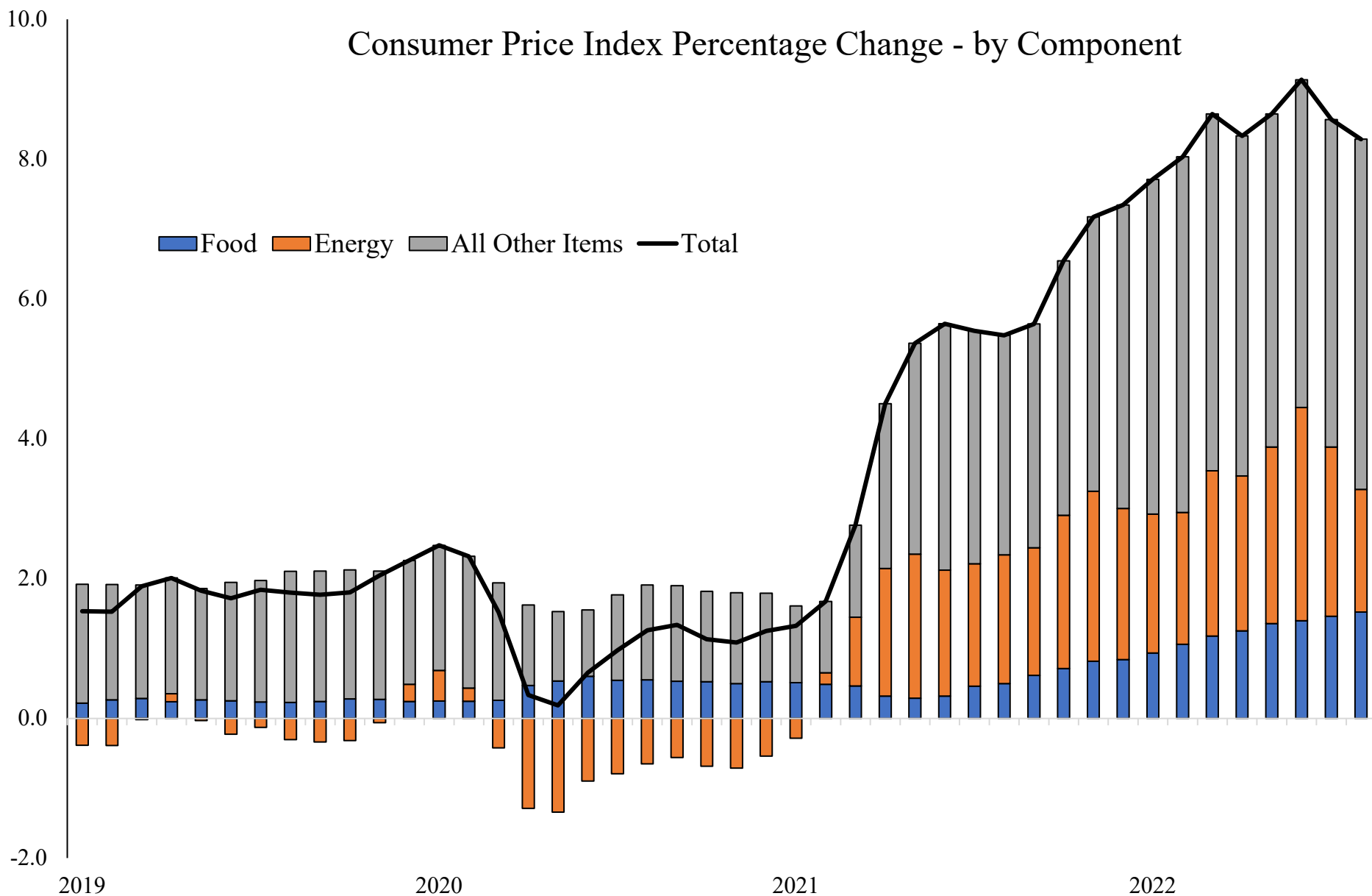
## Federal Economic Assistance and Infrastructure Spending



Source: IHS Markit, Bureau of Revenue Estimates



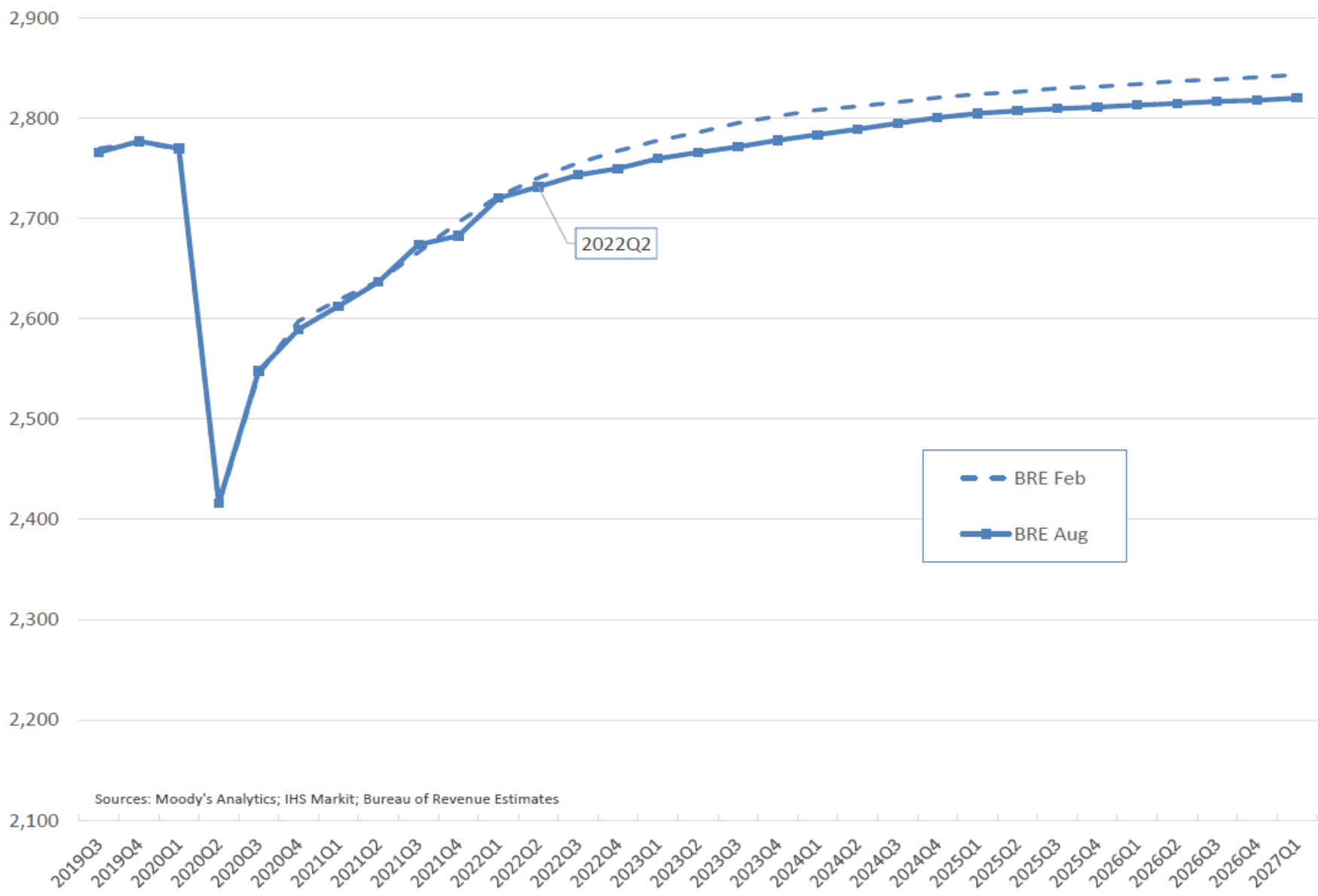
## Consumer Price Index Percentage Change - by Component



## State Revenues and Labor Market Growth is Moderating but not Declining

- Consumer spending has held up while the labor market continues to add jobs and is returning to pre-pandemic levels
- BRE is carefully monitoring economic data revenues sources for signs of weakening
- Uncertainty over the economic outlook has increased but economic data and State revenue data do not at present indicate a broad-based slowdown

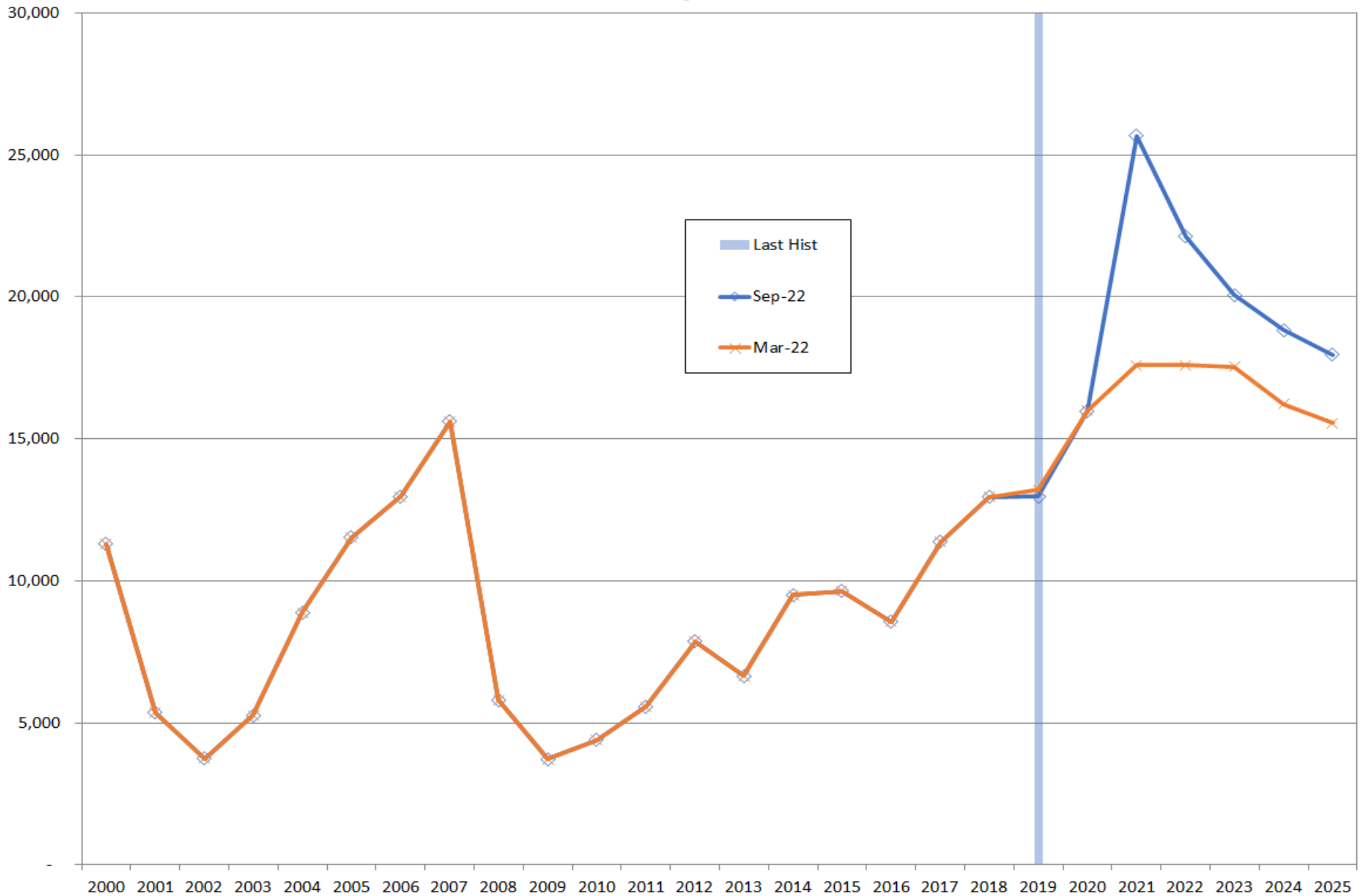
### Forecast of Jobs in Maryland (000s)



# Volatile Revenue Sources Are an Increasing Share of the General Fund

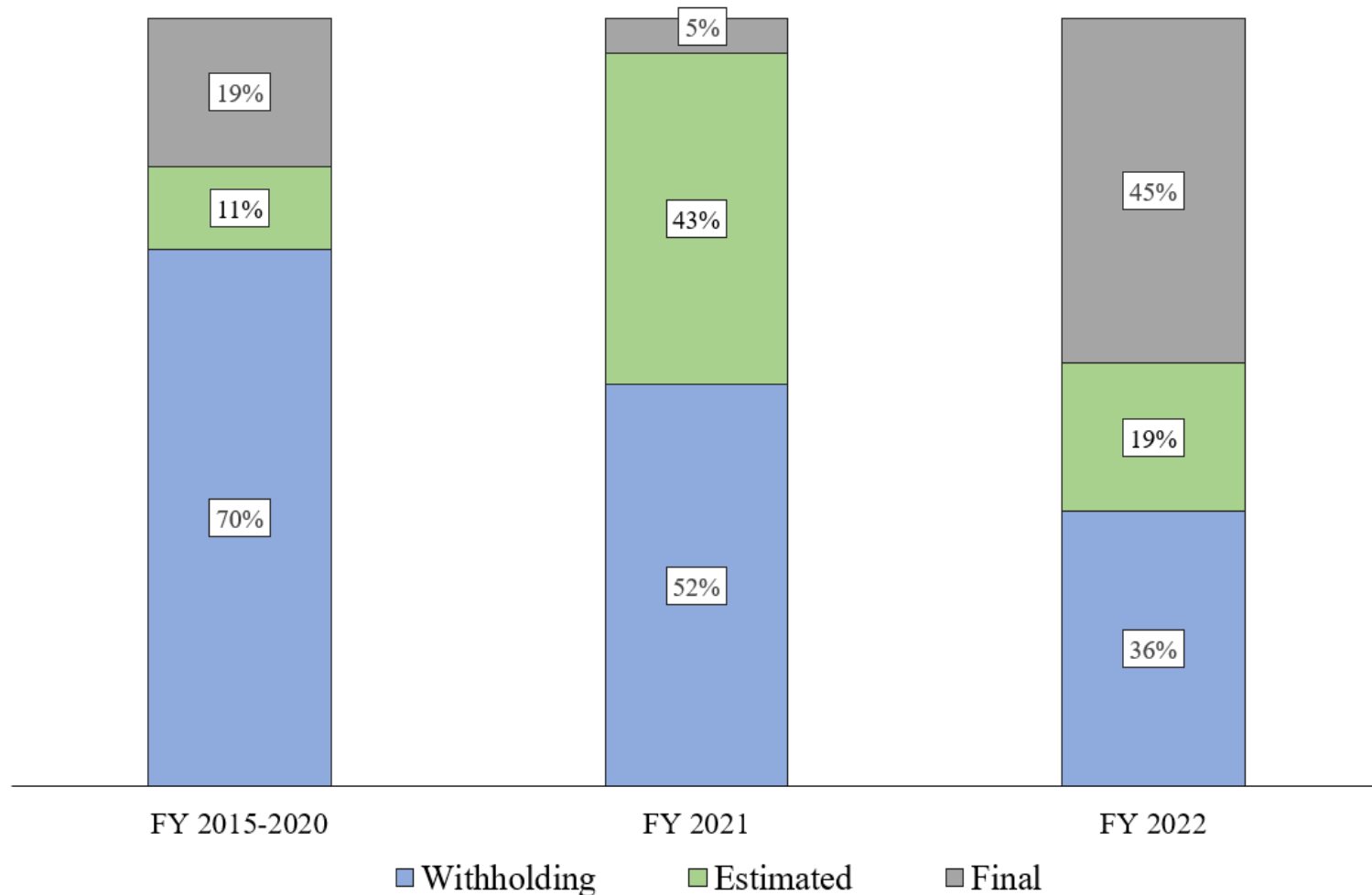
- Wages do not typically decline without significant job losses
- Non-wage income is not as stable and can decline precipitously in a short span of time
- Non-wage income data is harder to monitor
- Our largest tax source has shifted from being overwhelmingly wage based to more non-wage based income

# Taxable Capital Gains

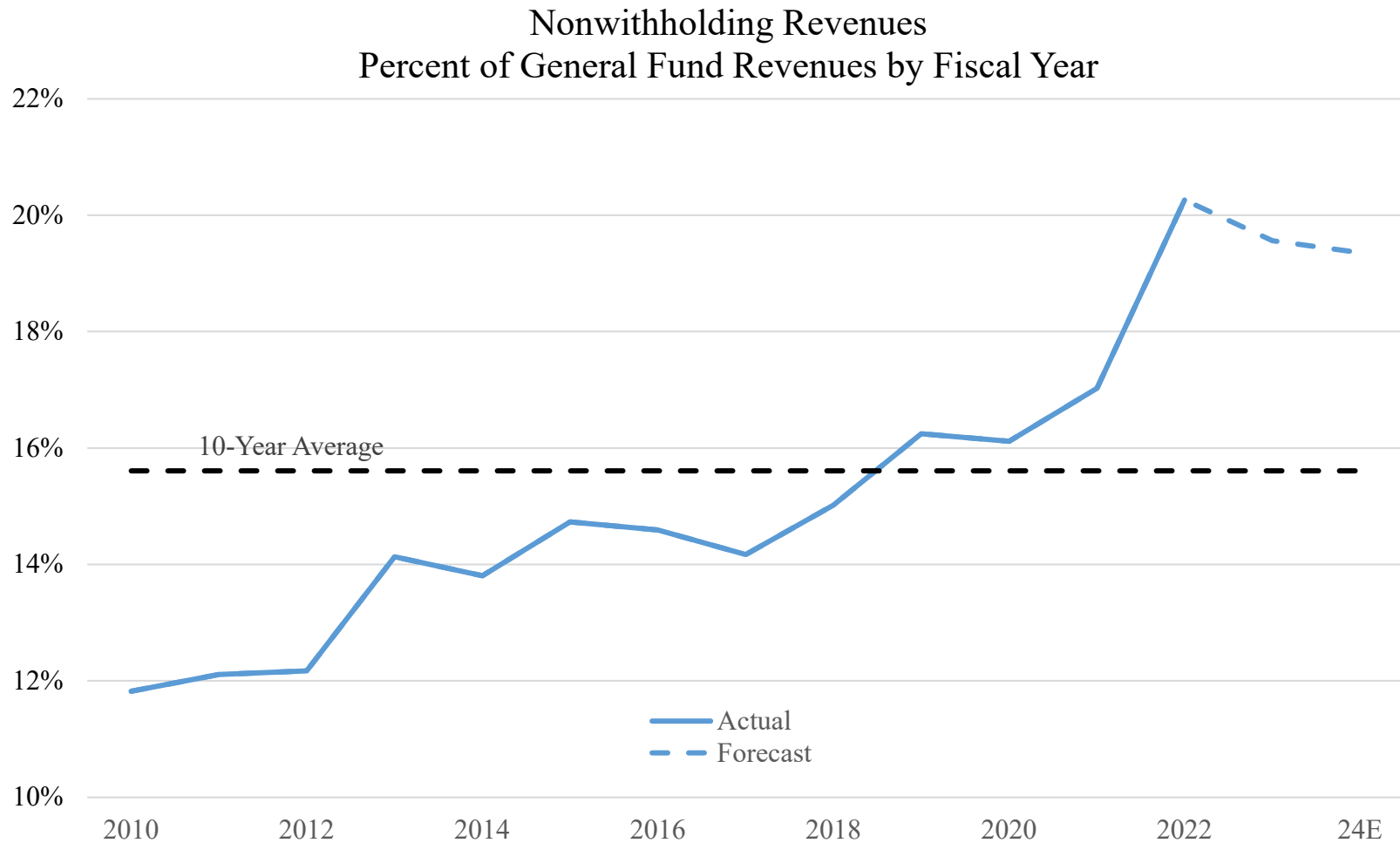


# Estimated and Final Payments are Driving Recent Individual Income Tax Revenues

Contribution to Personal Income Tax Growth



# State Revenue Sources are Now More Volatile



Note: FY 2023 does not reflect impact of \$800 million PIT transfer  
Source: Bureau of Revenue Estimates

# Thank You

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