

The background of the slide features a large, semi-transparent seal of the Commonwealth of Massachusetts. The seal is circular and contains a central shield with a cross and a bent arm holding a sword. Above the shield is a crest with a bent arm holding a broadsword. The shield is flanked by two figures: a Native American on the left and a European on the right. The shield is supported by two figures. The seal is surrounded by the Latin motto "SIGILLUM REIPUBLICAE MASSACHUSETTENSIS" and the date "1632".

# Revenue Estimates and Economic Outlook

**March 7, 2024**

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Executive Secretary

**Board of Revenue Estimates**

Table 4  
Maryland General Fund Revenues  
Fiscal Years 2023 - 2025

\$ Thousands	FY 2024					FY 2025			
	FY 2023 Actual	December Estimate	March Estimate	Difference	Growth	December Estimate	March Estimate	Difference	Growth
<b>INCOME TAXES:</b>									
Individual	13,469,498	13,782,021	13,696,400	(85,621)	1.7%	14,421,350	14,286,423	(134,927)	4.3%
Corporation	1,816,002	1,773,416	1,773,416	-	-2.3%	1,746,700	1,746,700	-	-1.5%
<b>Total</b>	<b>15,285,500</b>	<b>15,555,437</b>	<b>15,469,816</b>	<b>(85,621)</b>	<b>1.2%</b>	<b>16,168,050</b>	<b>16,033,123</b>	<b>(134,927)</b>	<b>3.6%</b>
<b>SALES AND USE TAXES</b>	<b>6,005,249</b>	<b>5,944,407</b>	<b>5,909,681</b>	<b>(34,726)</b>	<b>-1.6%</b>	<b>6,095,909</b>	<b>6,095,909</b>	<b>-</b>	<b>3.2%</b>
<b>STATE LOTTERY</b>	<b>655,388</b>	<b>649,651</b>	<b>649,651</b>	<b>-</b>	<b>-0.9%</b>	<b>525,894</b>	<b>525,894</b>	<b>-</b>	<b>-19.0%</b>
<b>OTHER REVENUES</b>									
Business Franchise Taxes	272,398	271,376	271,376	-	-0.4%	274,873	274,873	-	1.3%
Tax on Insurance Companies	682,833	710,325	710,325	-	4.0%	727,362	727,362	-	2.4%
Estate and Inheritance Taxes	303,713	247,617	247,617	-	-18.5%	275,927	275,927	-	11.4%
Tobacco Tax	448,657	416,570	416,570	-	-7.2%	402,352	402,352	-	-3.4%
Alcoholic Beverages Excise Tax	37,171	36,553	36,553	-	-1.7%	37,083	37,083	-	1.4%
District Courts	38,634	36,490	36,490	-	-5.5%	34,789	34,789	-	-4.7%
Clerks of the Court	28,245	23,696	23,696	-	-16.1%	22,804	22,804	-	-3.8%
Hospital Patient Recoveries	72,075	63,200	63,200	-	-12.3%	80,036	80,036	-	26.6%
Interest on Investments	312,526	300,000	300,000	-	-4.0%	100,000	100,000	-	-66.7%
Miscellaneous	330,291	358,510	358,510	-	8.5%	313,632	313,632	-	-12.5%
<b>Total</b>	<b>2,526,543</b>	<b>2,464,336</b>	<b>2,464,336</b>	<b>-</b>	<b>-2.5%</b>	<b>2,268,858</b>	<b>2,268,858</b>	<b>-</b>	<b>-7.9%</b>
<b>Total Current Revenues</b>	<b>24,472,681</b>	<b>24,613,830</b>	<b>24,493,483</b>	<b>(120,347)</b>	<b>0.1%</b>	<b>25,058,710</b>	<b>24,923,784</b>	<b>(134,927)</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>24,643,830</b>	<b>24,523,483</b>	<b>(120,347)</b>	<b>3.6%</b>	<b>24,918,710</b>	<b>24,783,784</b>	<b>(134,927)</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 March Changes

	Fiscal Year 2024		Fiscal Year 2025	
	\$ Change From Est	% Growth Rate	\$ Change From Est	% Growth Rate
Personal Income Tax	(\$85.6)	1.7%	(\$134.9)	4.3%
Corporate Income Tax	\$0.0	-2.3%	\$0.0	-1.5%
Sales Tax	(\$34.7)	-1.6%	\$0.0	3.2%
Other	\$0.0	-2.1%	\$0.0	-10.3%
Total – Ongoing Revenues	(\$120.3)	0.1%	(\$134.9)	1.8%

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

# March Forecast

- Macroeconomic forecast virtually unchanged
  - Moderate, slowing growth rates with no recession
- Personal income tax forecast reduction is mainly due to slowing withholding collections
  - Modest reduction to estimated payments which are also weaker than expected
- Modest reduction to sales and tax revenues in FY 2024 only



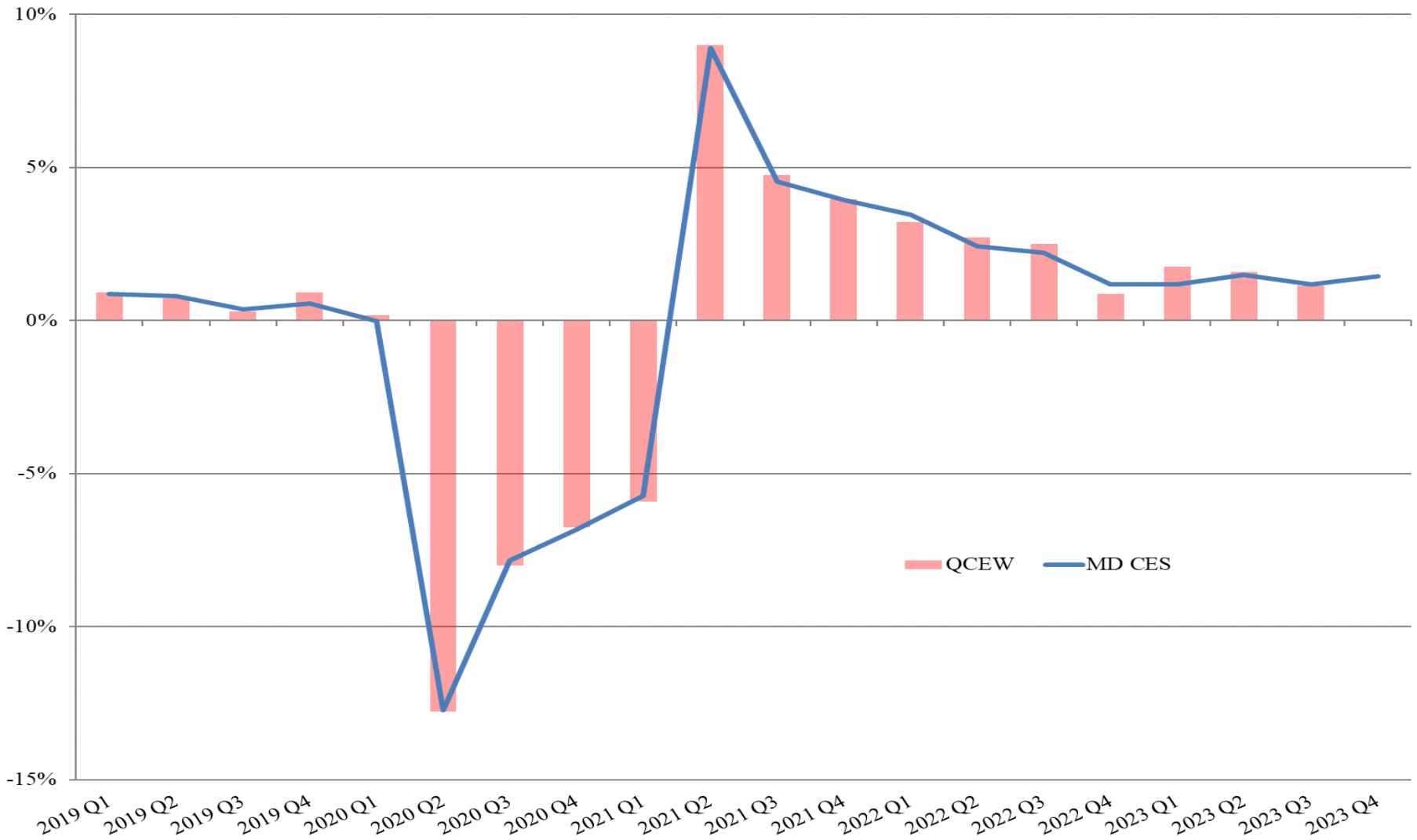
# March Forecast

- There is a disconnect between our economic data and revenue data
  - Tax collections show sharp deceleration in withholding income tax revenues
  - Economic data does not reflect this slowing
  - Withholding can be noisy in shorter periods of time
  - Forecast adopts “middle-ground” approach given uncertainty of most recent tax data and lack of slowdown in economic data
- There is significant downside risk to the forecast if withholding continues to weaken



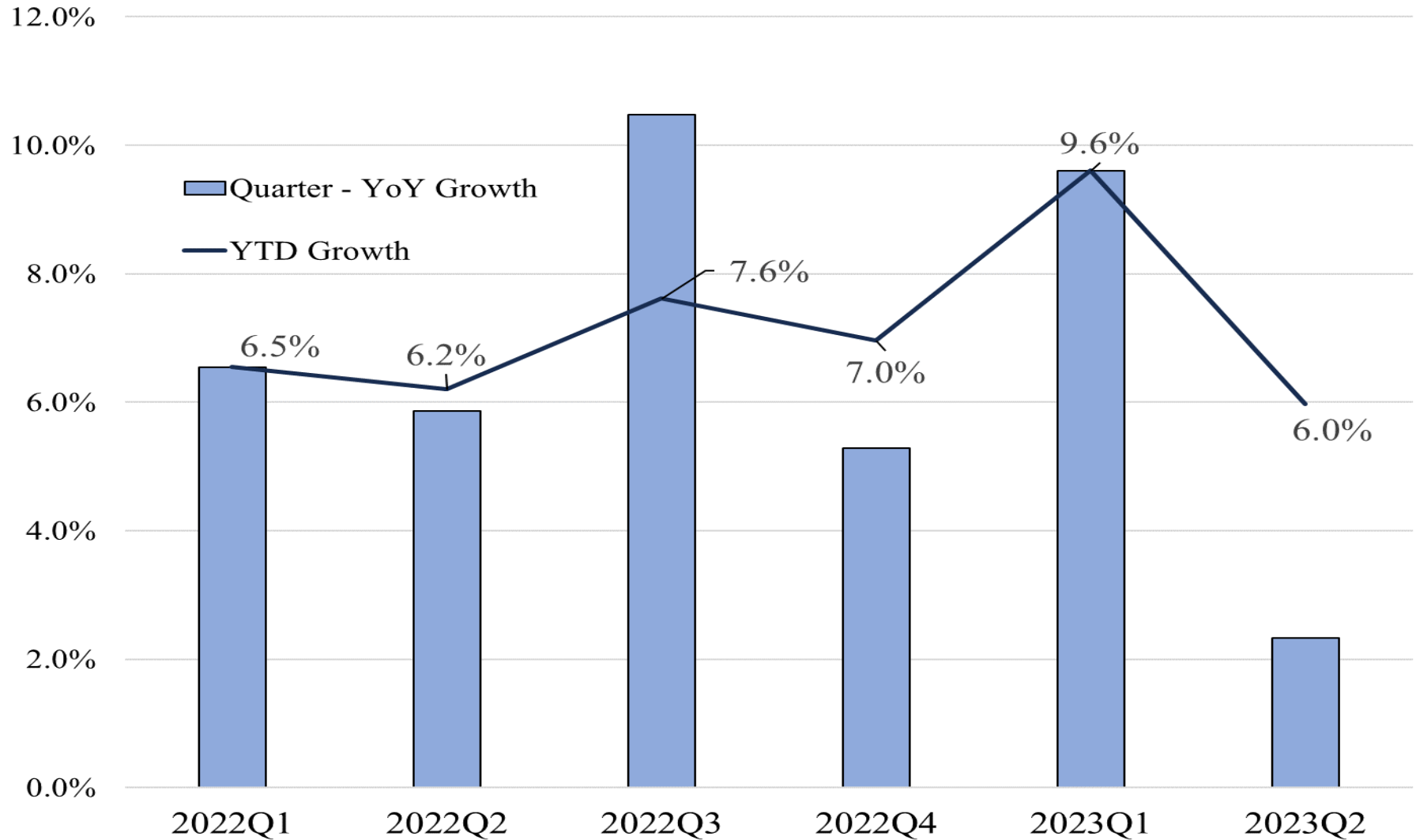
# Recent MD Employment Growth has been Consistent

## Year over Year Growth



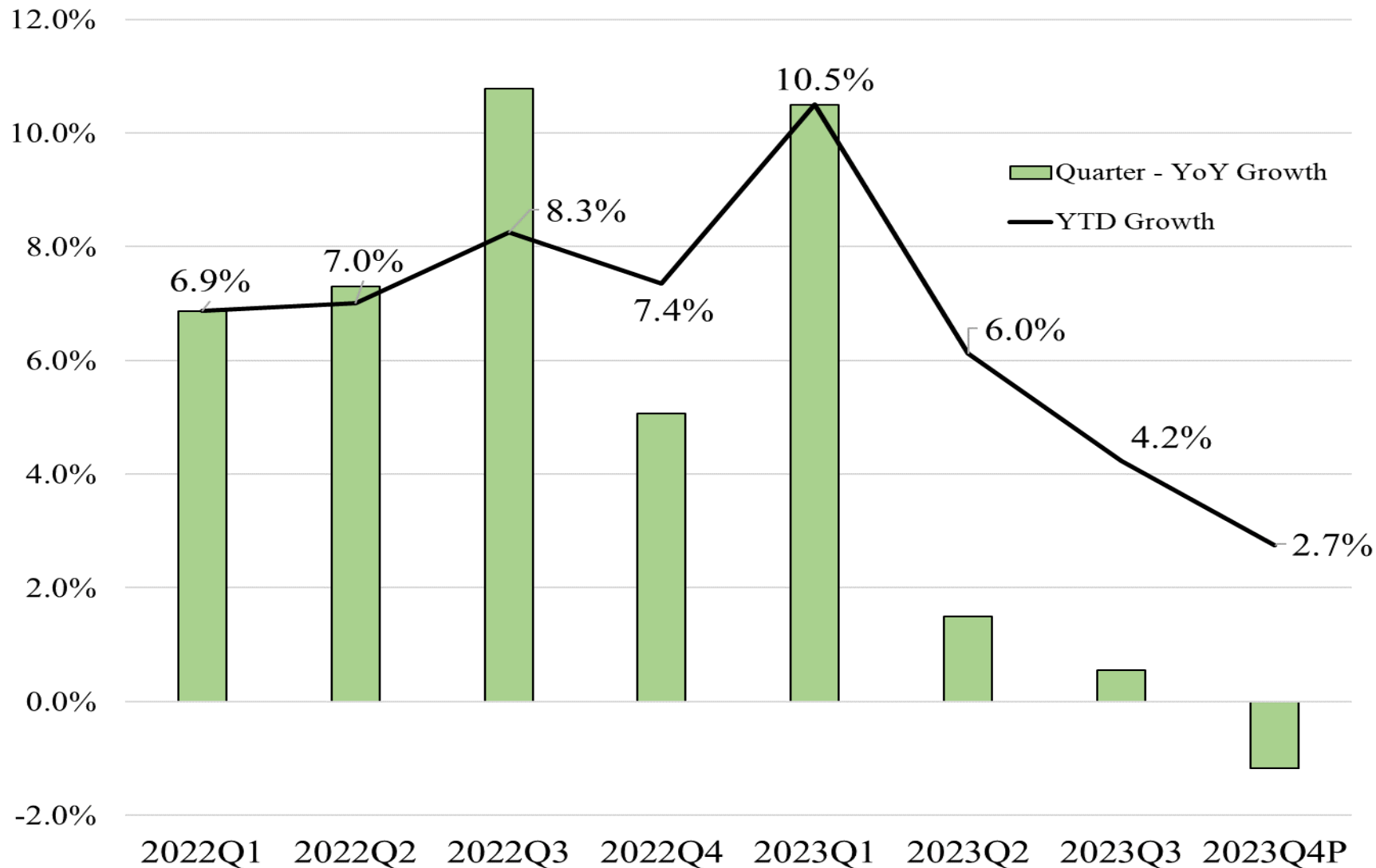
# Attributable Withholding Data

## December Forecast



# Attributable Withholding Data

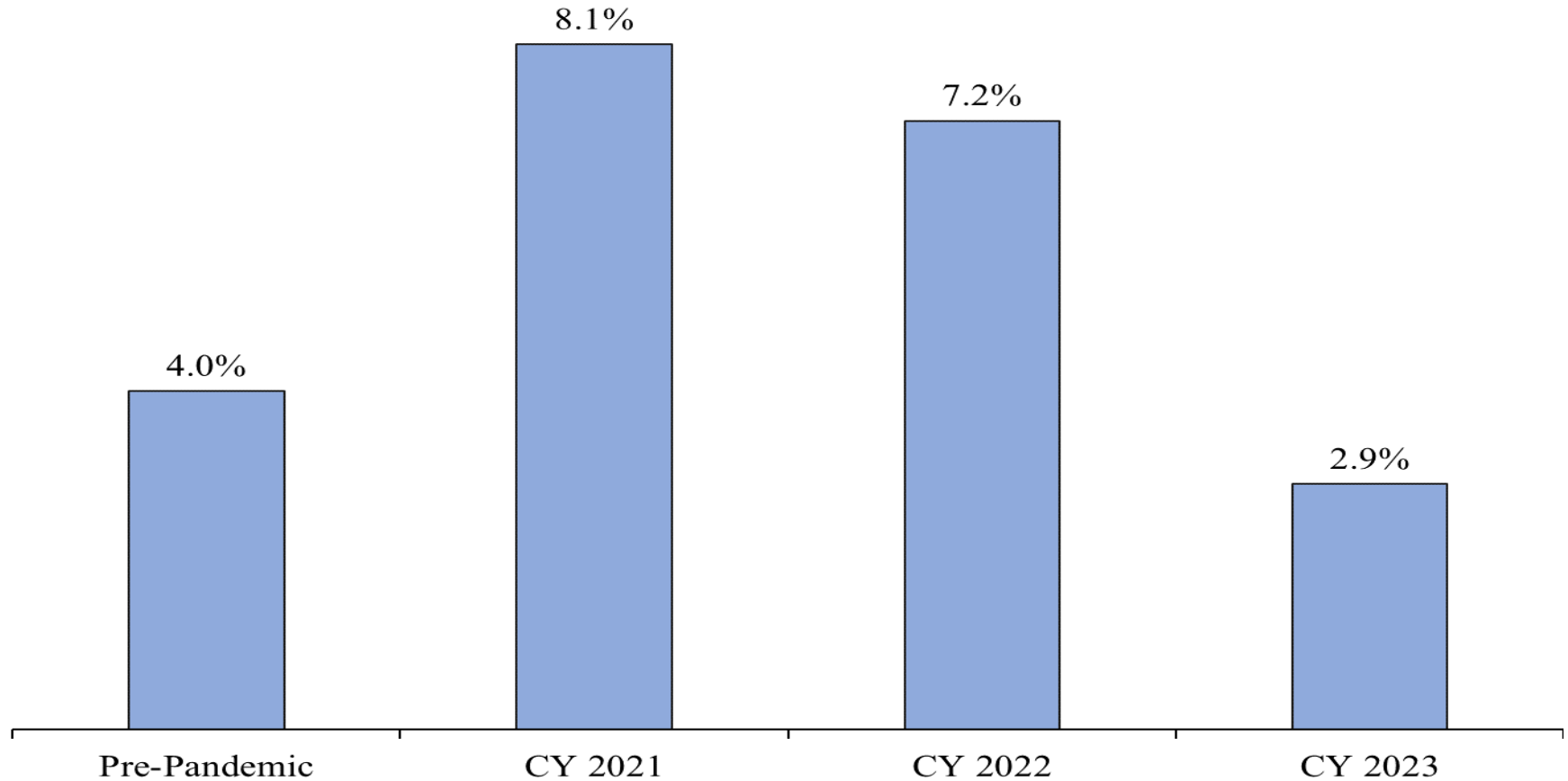
## March Forecast





# Withholding Has Decelerated Rapidly

## Attributable Growth Rates by Calendar Year



Note: Growth rates are attributable growth rates for companies who file in the current and prior year. CY 2023 is preliminary data.

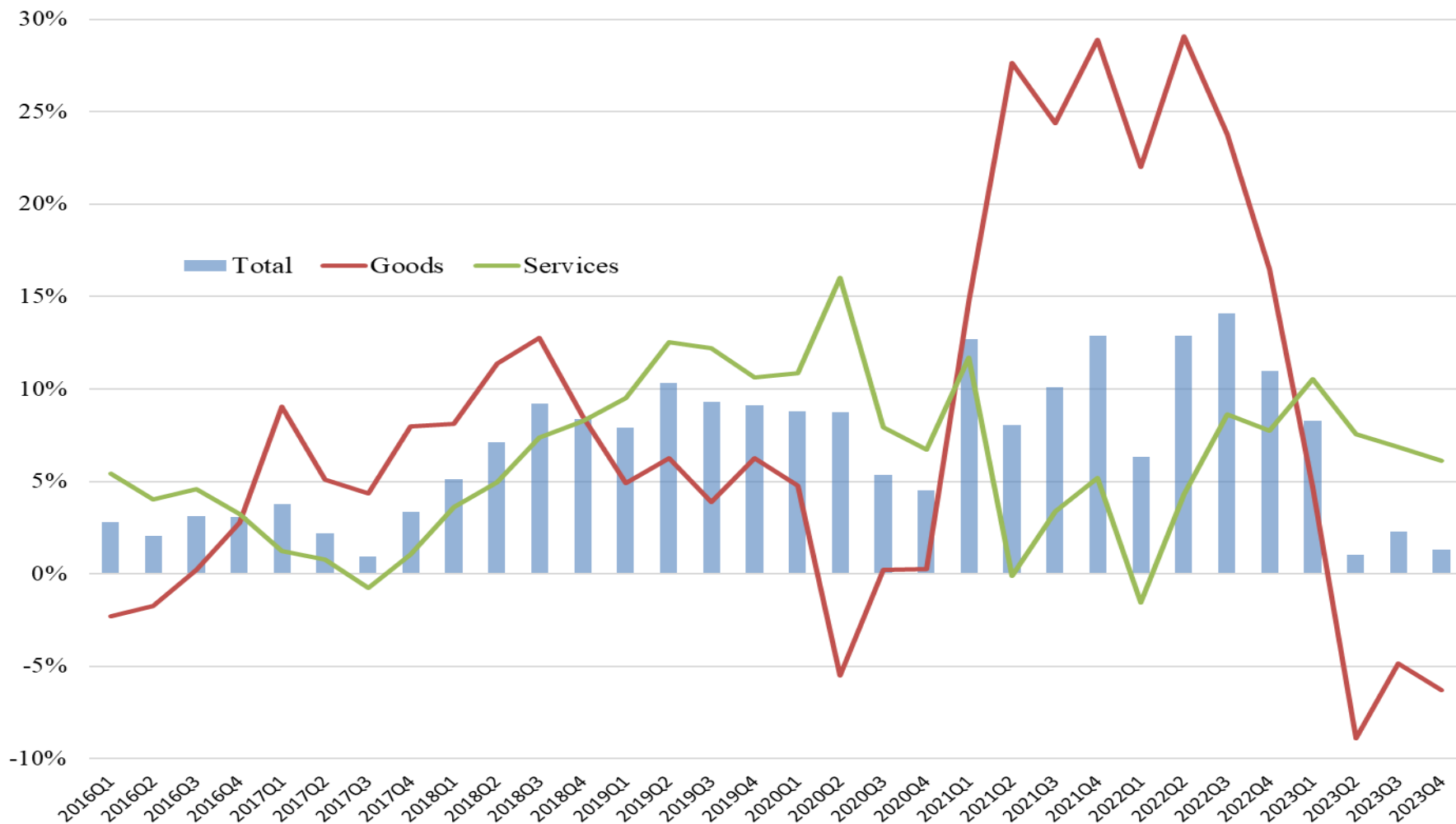
Source: Bureau of Revenue Estimates

# Change in Federal Economic Policies

	Then:	Now:
Fiscal Policy	Trillions of dollars in economic assistance to promote economic growth	Continuing Resolution Funding
Monetary Policy	Full range of policies to support economic growth	Raise interest rates to intentionally slow the economy
Other Impacts		Unfavorable post-pandemic shocks: <ul style="list-style-type: none"><li>• Lack of recovery in labor force participation</li><li>• Shift in domestic migration patterns</li></ul>

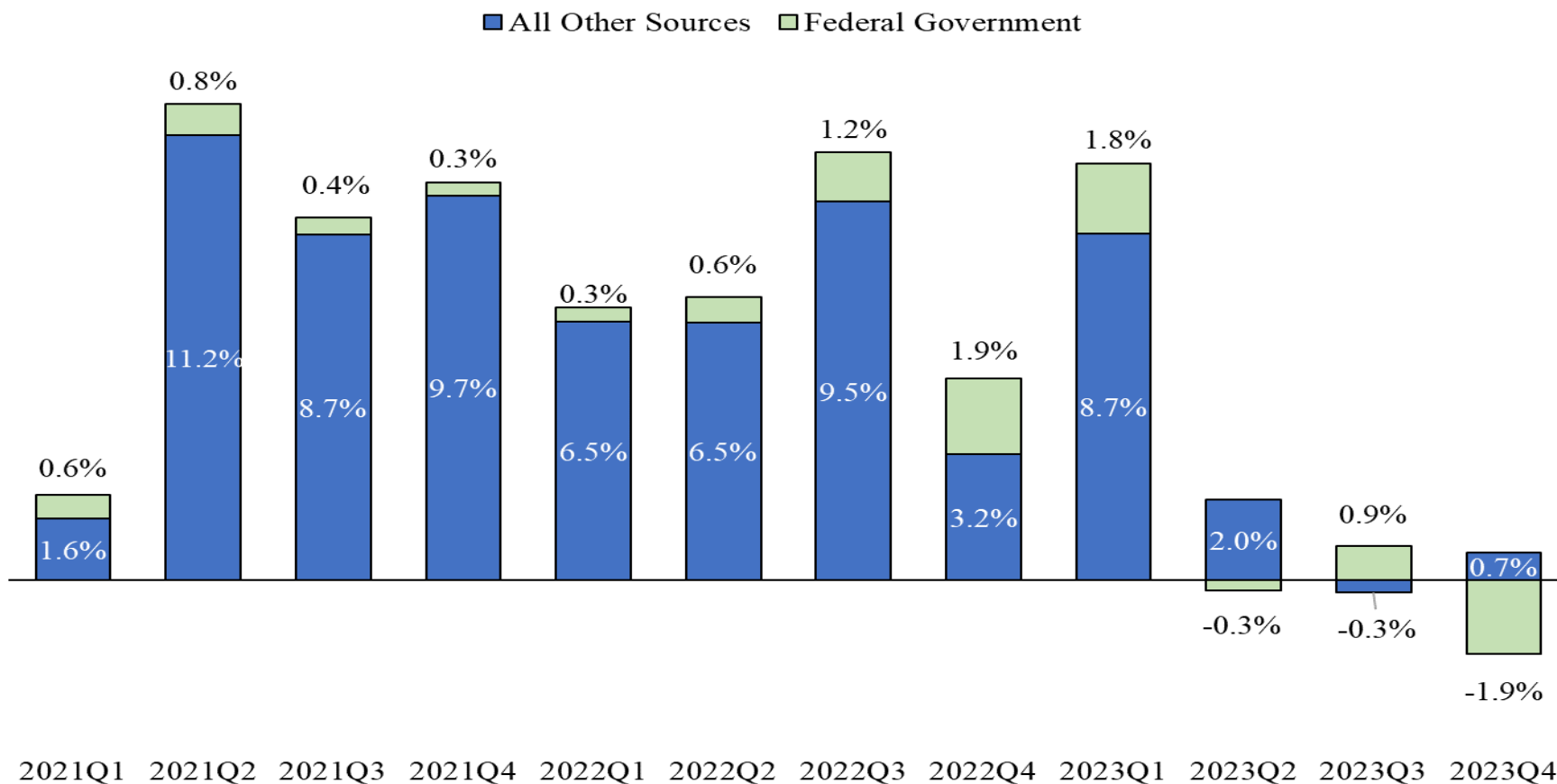
# Federal Purchases of Intermediate Goods and Services

## Year over Year Growth



# Withholding Slowdown is Broad-based

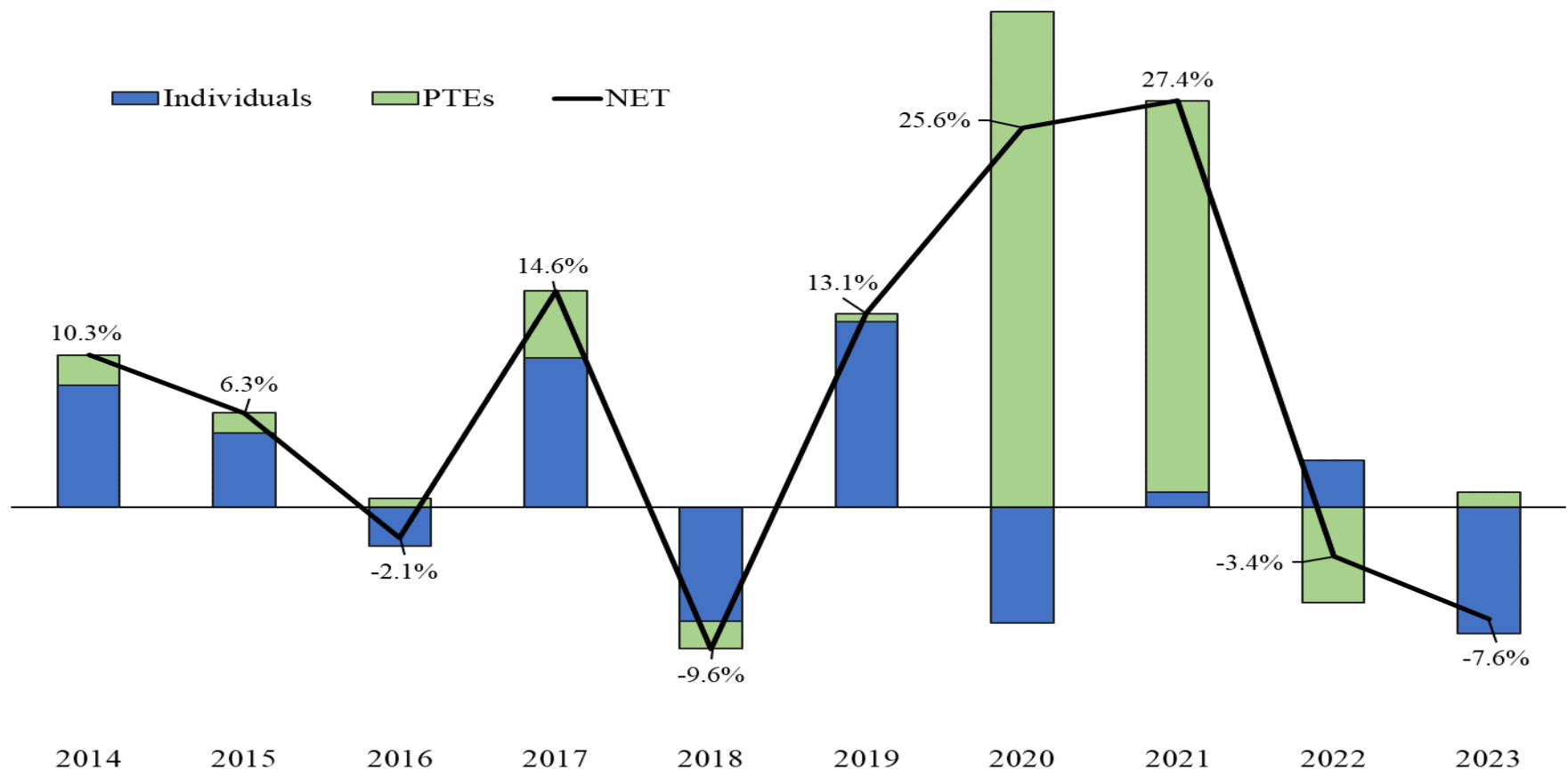
## Contribution to Growth by Source



Note: Federal government reflects certain accounts only and does not reflect comprehensive data

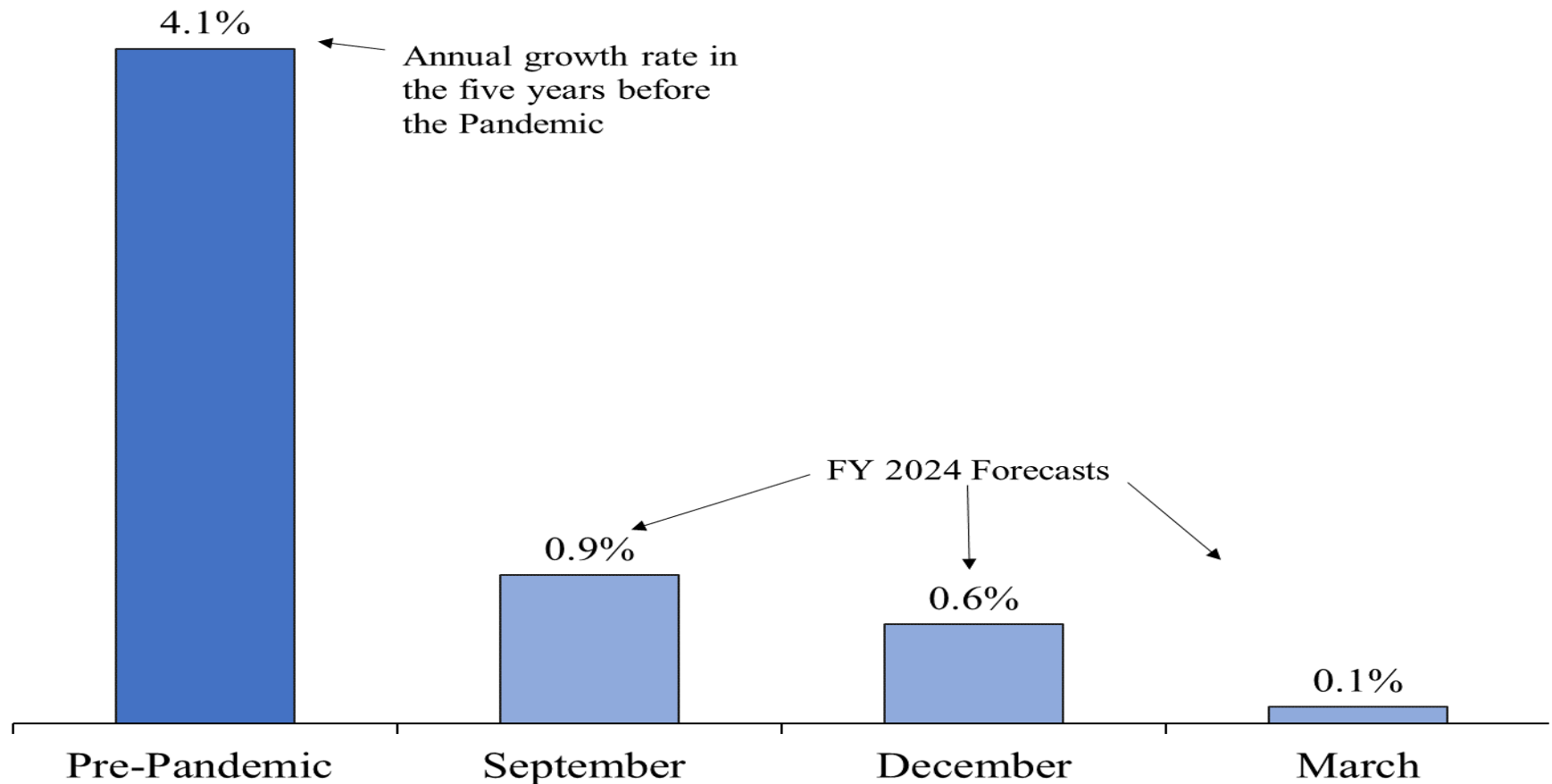
# Estimated Payments Have Weakened

## Percent Growth by Tax Year and Contribution to Change by Source



Source: Bureau of Revenue Estimates

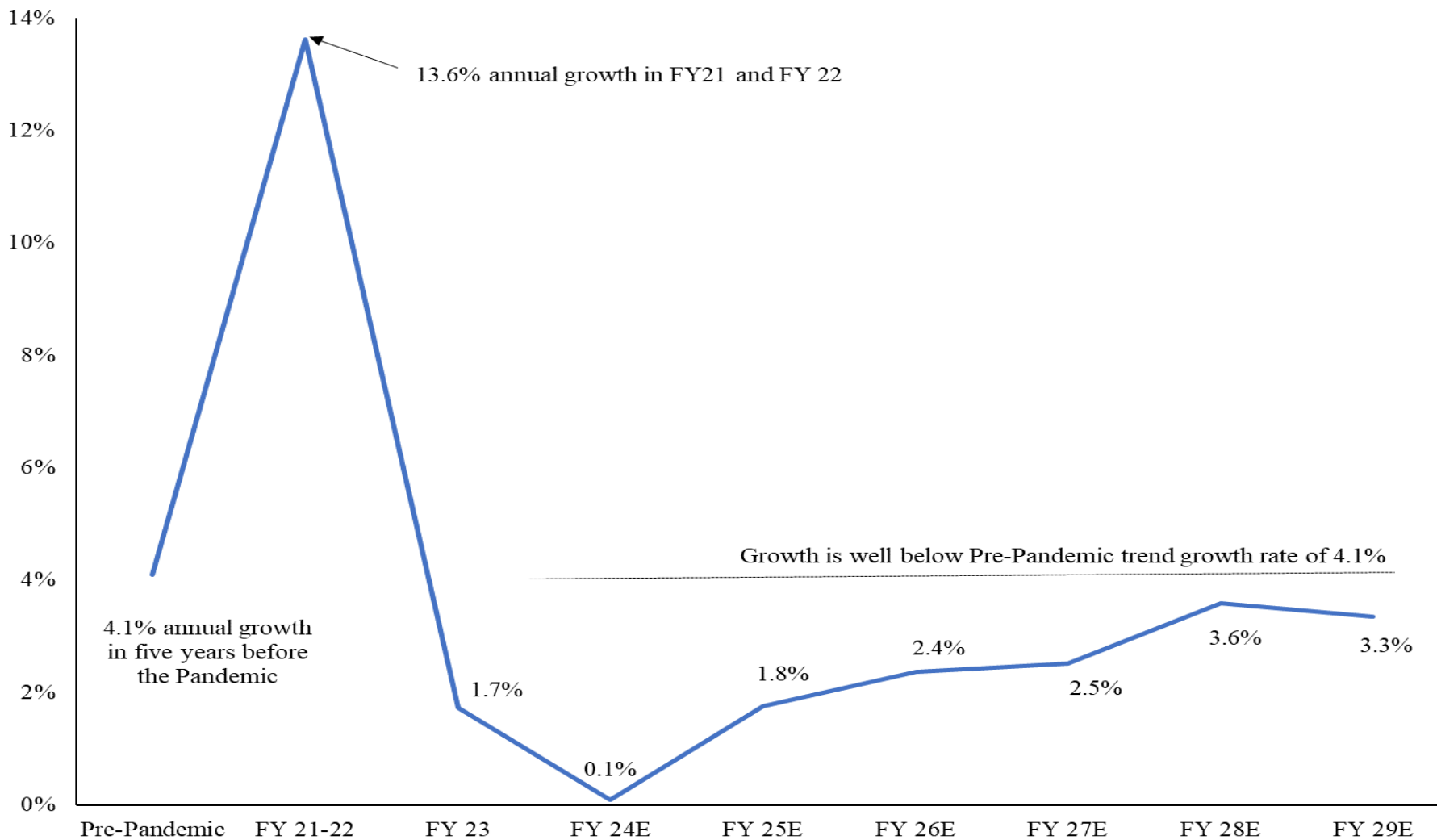
# Comparison of FY 2024 Ongoing GF Forecasts and Pre-Pandemic Actual Growth Rates



Source: Bureau of Revenue Estimates

# Revenue Growth is Below Trend Growth Rate

## Ongoing General Fund Growth Rates by Fiscal Year



## In Summary

- Tax data shows wage growth is slowing but is not yet conclusive
- Economic data shows continued job growth and low unemployment
- The forecast adopts a middle course with modest reductions given the discrepancy between our tax data and economic indicators
- Federal government has outsized impacts on Maryland
- There is downside risk if the tax data continues to be weak







# Thank You

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