



STATE OF WASHINGTON  
ECONOMIC AND REVENUE FORECAST COUNCIL  
*Capitol Plaza Building, PO Box 40912 • Olympia, Washington 98504-0912 • (360) 570-6100*

December 10, 2008

**TO:** Representative Jim McIntire, Chair  
Senator Joseph Zarelli  
Senator Craig Pridemore  
Representative Ed Orcutt  
Victor Moore, OFM, Director  
Cindi Holmstrom, DOR, Director

**FROM:** Eric Swenson, Senior Economic Forecaster

**SUBJECT:** DECEMBER 10, 2008 REVENUE COLLECTION REPORT

General Fund-State (GFS) tax payments in the November 11, 2008 - December 10, 2008 collection period fell short of the November forecast. Receipts for the month were \$36.4 million (2.3 percent) lower than expected. Though there was a \$49.1 (5.4%) million shortfall in Revenue Act receipts, Non-Revenue Act payments exceeded the forecast by \$12.7 million (1.8%).

#### **Revenue Act Collections**

- Adjusted for special factors (\$4.1 million in large audit payments in the November 11 - December 10 collection period of last year), Revenue Act receipts this period, which primarily reflect October 2008 business activity, were 3.9 percent below the year-ago level. Last month adjusted Revenue Act receipts were down 5.6 percent year-over-year.
- Adjusted year-over-year Revenue Act payments have declined 5.1 percent on average over the last three months of collections and have declined 2.8 percent on average over the last six months of collections. Adjusted second quarter activity declined of 0.8 percent year-over-year while adjusted third quarter activity saw a 2.7 percent decline.
- Preliminary industry detail of tax payments for the November 11 - December 10 period from electronic filers shows widespread weakness:
  - Tax payments by firms in the retail trade sector were 12.0 percent below the year-ago level. Last month the sector saw a decline of 8.6 percent. Tax receipts from the retail trade sector have declined year-over-year in ten of the last eleven months.
  - Ten of the twelve 3-digit NAICS retail sectors reported declines this month. The sectors with the largest declines were motor vehicle dealers (-28.7 percent), furniture stores (-17.9 percent), apparel and accessories stores (-13.2 percent), sporting goods, toys, books and music stores (-11.7 percent), building materials/garden supply retailers (-9.8 percent) and electronics and appliances (-9.8 percent). The auto sector, the largest retail trade category, has now reported a year-over-year decline in tax payments for eleven consecutive months.
  - The retailing sectors that reported gains were drug and health stores (3.6 percent) and gas stations and convenience stores (0.1 percent).

- Non-retailing sectors reported a 2.7 percent overall decrease in tax payments. Last month, collections from non-retailing sectors had decreased 1.2 percent. The construction sector reported an 8.2 percent decrease in tax payments this month after a 5.0 percent decrease in the prior month.

### **Other Collections**

- Non-Revenue Act tax payments were \$12.7 million above the estimate for the month. Property tax payments were \$12.6 million above the forecast (but since this mainly reflects the timing of the receipt of the semiannual payments, this will probably result in a negative variance next month). "Other" revenues were \$9.7 million above the forecast, due mainly to a \$10.7 million dollar variance in transfers of unclaimed property to the General Fund. Liquor sales and liter taxes were also above their forecast by \$602 thousand. Real estate excise tax came in \$9.5 million below the estimate and cigarette taxes missed their estimate by \$543 thousand.
- The year-over-year decline in taxable real estate activity deepened in November. November real estate tax receipts excluding penalties and interest were 40.8 percent below the year-ago level. September receipts had declined 30.4 percent year-over-year. Taxable real estate activity has declined twenty-two of the last twenty-four months on a year-over-year basis.
- The weakness in real estate activity is evident both in the number of transactions and in the value per transaction. A breakdown of the number of transactions and value per transaction is not available for November but for the month of October the number of transactions was 21.1 percent below the year-ago level and the average value per transaction declined 25.0 percent. Transactions have declined on a year-over-year basis thirty-four of the past thirty-five months. The value per transaction has declined on a year-over-year basis for thirteen of the last fourteen months.
- Department of Licensing GFS collections, which primarily reflect payment of various licenses and fees, were \$14 thousand above the forecasted November value, while November timber excise tax transfers to the GFS were \$49 thousand below their forecasted value. The November transfer of Lottery funds had been completed by the time of the November forecast.

The cumulative July 11-December 10, 2008 sum of the major General Fund-State collections presented in this report is 5.3 percent below its year-ago value.

The attached Table 1 compares collections with the November 2008 forecast for the November 11, 2008 - December 10, 2008 collection period. Table 2 compares revised collection figures with the preliminary numbers reported in last month's collection report.

**TABLE 1**  
**Revenue Collection Report**  
**December 10, 2008 Collections Compared to the November 2008 Forecast**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference Amount</u>	<u>Percent</u>
<b>November 11 - December 10, 2008</b>				
Department of Revenue-Total	\$1,602,329	\$1,565,903	(\$36,426)	-2.3%
Revenue Act** (1)	907,926	858,807	(49,120)	-5.4%
Non-Revenue Act(2)	694,403	707,096	12,693	1.8%
Liquor Sales/Liter	13,209	13,812	602	4.6%
Cigarette	4,030	3,487	(543)	-13.5%
Property (State School Levy)	599,189	611,756	12,568	2.1%
Estate	122	72	(50)	-40.7%
Real Estate Excise	46,682	37,142	(9,540)	-20.4%
Timber (state share)	1,557	1,508	(49)	-3.2%
Other	29,613	39,318	9,705	32.8%
Department of Licensing (2)	244	257	14	5.6%
Lottery (5)	11,092	11,092	0	0.0%
Total General Fund-State***	\$1,613,665	\$1,577,252	(\$36,413)	-2.3%
<b>Cumulative Variance Since the November Forecast (November 11, 2008 - December 10, 2008)</b>				
Department of Revenue-Total	\$1,602,329	1,565,903	(36,426)	-2.3%
Revenue Act** (3)	\$907,926	858,807	(49,120)	-5.4%
Non-Revenue Act(4)	694,403	707,096	12,693	1.8%
Liquor Sales/Liter	13,209	13,812	602	4.6%
Cigarette	4,030	3,487	(543)	-13.5%
Property (State School Levy)	599,189	611,756	12,568	-2.1%
Estate	122	72	(50)	-40.7%
Real Estate Excise	46,682	37,142	(9,540)	-20.4%
Timber (state share)	1,557	1,508	(49)	-3.2%
Other	29,613	39,318	9,705	32.8%
Department of Licensing (4)	244	153	(91)	-37.4%
Lottery (5)	11,092	11,092	0	0.0%
Total General Fund-State***	\$1,613,665	\$1,577,148	(\$36,517)	-2.3%

1 Collections November 11 - December 10, 2008. Collections primarily reflect October 2008 activity of monthly taxpayers.

2 November 2008 collections.

3 Cumulative collections, estimates and variance since the November 2008 forecast; (November 11 - December 10, 2008) and revisions to history.

4 Cumulative collections, estimates and variance since the November forecast; (November 2008) and revisions to history.

5 Lottery transfers to the General Fund

\* Based on the November 2008 economic and revenue forecast.

\*\*The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

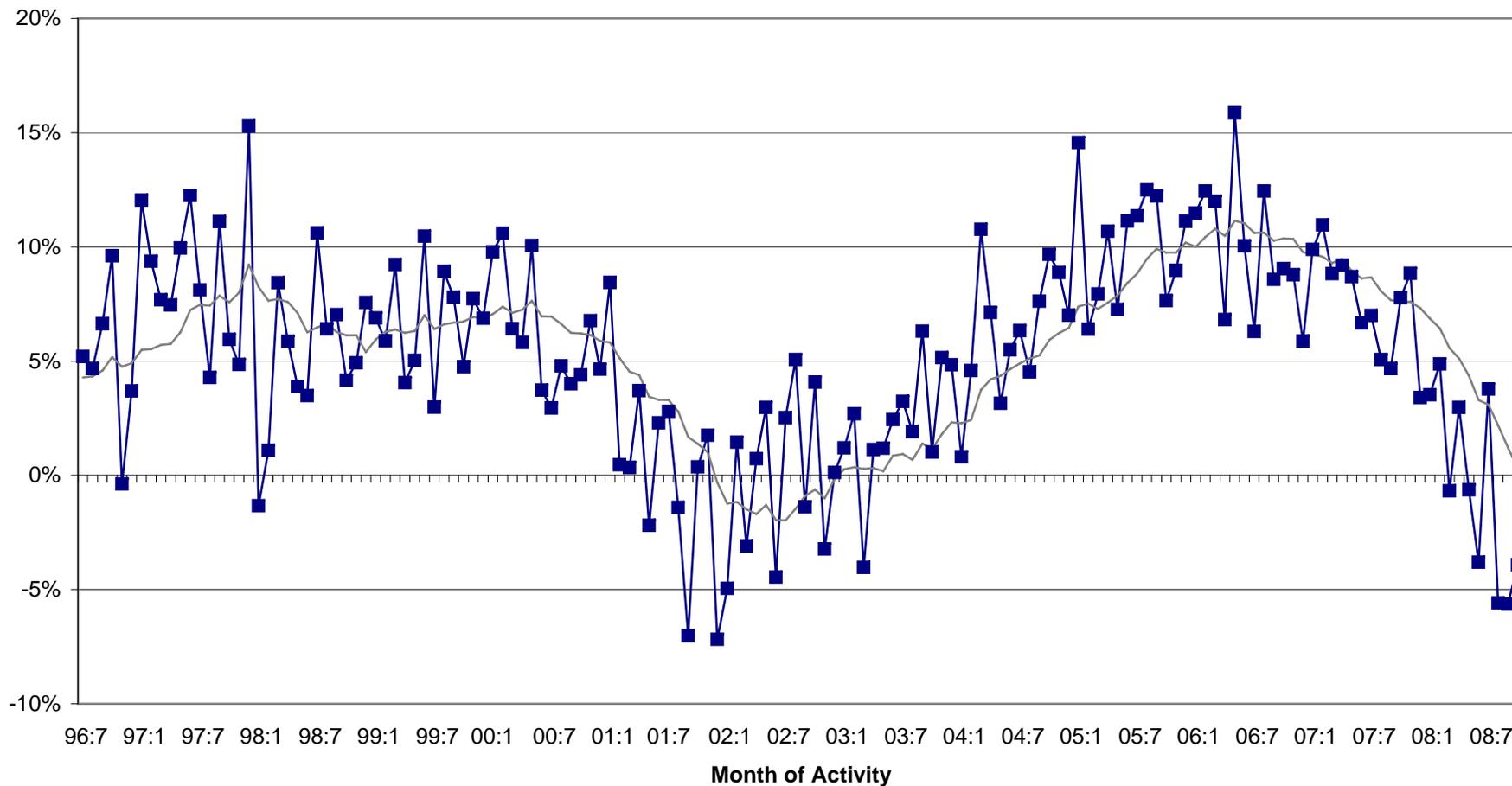
\*\*\* Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

**TABLE 2**  
**December 10, 2008 Collection Report - Revised Data**  
**Thousands of Dollars**

Period/Source	Collections Preliminary	Revised	Difference	
			Amount	Percent
<b>October 11 - November 10, 2008</b>				
Department of Revenue-Total	\$947,715	\$947,715	\$0	0.0%
Revenue Act (1)	896,300	896,300	0	0.0%
Non-Revenue Act(2)	51,415	51,415	0	0.0%
Liquor Sales/Liter	14,432	14,432	0	0.0%
Cigarette	4,470	4,470	0	0.0%
Property (State School Levy)-net	(15,964)	(15,964)	0	0.0%
Estate	6	6	0	0.0%
Real Estate Excise	44,268	44,268	0	0.0%
Timber (state share)	0	0	0	0.0%
Other	4,203	4,203	0	0.0%
Department of Licensing (2)	509	404	(105)	-20.7%
Lottery (2)	0	0	0	0.0%
Total General Fund-State***	948,224	948,119	(\$105)	0.0%

# Revenue Act Collections

Year-over-Year Percent Change



■ Percent Change from Year-Ago Month — Average Growth (12-mo. Moving average)

\*Growth adjusted for new legislation and unusually large assessment payments, refunds etc.