



STATE OF WASHINGTON  
ECONOMIC AND REVENUE FORECAST COUNCIL  
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June 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:** Steve Lerch, Interim Director

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

General Fund-State (GFS) tax payments improved slightly in the May 11, 2008 - June 10, 2008 collection period. Receipts for the month were \$9.7 million (0.6 percent) higher than expected. Revenue Act (sales, B&O, use and public utility tax payments) receipts, property and liquor tax payments were above the estimate for the month while real estate excise, estate, timber excise, cigarette and the "other" category were less than expected. This month's positive variance increases the cumulative variance since the February 2008 forecast to \$37.7 million (+0.8 percent). This variance, however, is distorted by special factors (an unusually large and unexpected unclaimed property transfer two months ago). **Excluding special factors, collections are cumulatively \$4.0 million (-0.1 percent) below the forecast for the four months since the February 2008 forecast.**

### Revenue Act Collections

- Revenue growth improved from last month but remains weak. Revenue Act receipts this period (primarily April 2008 business activity) were 3.0 percent above the year-ago level. Last month Revenue Act receipts declined 0.7 percent.
- Revenue Act growth has averaged only 2.5 percent in the first four months of calendar 2008. This reflects a sharp deceleration from the 5.9 percent average growth in the last six months of calendar 2007 and the 8.9 percent average growth in the first half of 2007.
- Preliminary industry detail of tax payments for the May 11-April 10 period from electronic filers continues to show weakness in most sectors.
  - Tax payments by firms in the retail trade sector were 3.0 percent below the year-ago level. Tax payments from the retail trade sector decreased 4.5 percent last month, and have declined year-over-year, four of the last five months.
  - Five of the twelve 3-digit NAICS retail sectors reported declines this month including: motor vehicle dealers (-11.0 percent), building materials/garden supply retailers (-11.2 percent), furniture stores (-6.3 percent), general merchandise stores (-0.2 percent) and apparel and accessory stores (-1.9 percent). The auto sector, the largest retail trade category has reported a year-over-year decline in tax payments for five consecutive months.
  - Three retailing sectors reported strong gains: food and beverage stores were up 15.1 percent, non-store retailers reported a 12.3 percent increase and payments from gas stations & convenience stores increased 12.3 percent.

- Non-retailing sectors reported a 6.7 percent overall increase in tax payments; last month non-retailing sectors increased only 2.3 percent. The construction sector reported a 9.9 percent increase in tax payments this month; last month the construction sector saw only a 2.3 percent increase.

### **Other Collections**

- Non-Revenue Act tax payments were \$1.3 million below the estimate for the month. Property taxes (+\$19.2 million) and liquor taxes (+587,000) were above the estimate, however, this was more than offset by weaker than expected real excise tax payments (-\$9.8 million), estate taxes (-\$217,000), cigarette taxes (-\$401,000), timber excise taxes (-\$265,000) and “other” (-\$10.4 million).
- The large property tax variance is likely partially due to a shift in the payment pattern and will likely be at least partially offset next month.
- The large shortfall in the “other” category is primarily due to a shortfall in public utility district privilege tax payments; it too is believed to be due to a shift in the payment pattern and will likely be at least partially offset next month.
- There has been no improvement in real estate activity. May 2008 taxable real estate activity was 46.4 percent below the year-ago level. Last month activity declined 55.5 percent and two months ago it fell 37.5 percent. Real estate activity has declined on a year-over-year basis, seventeen of the last nineteen months.
- The weakness in activity continues to be primarily due to a decline in transactions. A breakdown of the number of transactions and value per transaction is not available for May but for the month of April the number of transactions was 22.3 percent below the year-ago level while the average value per transaction declined 42.7 percent. Transactions have declined on a year-over-year basis twenty-eight of the past twenty-nine months. The value per transaction has declined on a year-over-year basis for seven of the last eight months.
- Department of Licensing GFS collections, which primarily reflect payment of various licenses and fees, were \$294,000 million less than expected this month. DOL collections are \$675,000 million above the forecast cumulatively since the February forecast.

The attached Table 1 compares collections with the February 2008 forecast for the May 11- June 10, 2008 collection period and cumulatively since the February 2008 forecast. Table 2 compares revised collection figures with the preliminary numbers reported in last month’s collection report.

### **Economic News**

- The US economy continues to weaken. The US economy lost 49,000 jobs in May. May was the fifth straight month payroll jobs have declined. The US unemployment rate, increased from 5.0 percent in April to 5.5 percent in May. The US unemployment rate has not been this high since 2004.
- Consumer’s confidence in the economy continues to fall. The Conference Board reported that its Index of Consumer Confidence declined again in May. The index has now declined five consecutive months and nine of the last ten months. The Index is now 48.9 percent below its July 2007 level (its cyclical high) and it is at its lowest level since October 1992.
- On the brighter side, the Conference Board also reported that its Index of Leading Indicators increased in April. This was the second increase in a row. It had declined the previous five months.
- The Washington economy lost 1,800 payroll jobs in April 2008, but despite the drop, the state’s seasonally adjusted unemployment rate, fell from 4.8 percent in March to 4.7 percent in April.

**Table 1**  
**Revenue Collection Report**  
**June 10, 2008 Collections Compared to the February 2008 Forecast**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
<b>May 11 - June 10, 2008</b>				
Department of Revenue-Total	\$1,552,187	\$1,562,199	\$10,012	0.6%
Revenue Act** (1)	849,893	861,203	11,309	1.3%
Non-Revenue Act(2)	702,294	700,996	(1,297)	-0.2%
Liquor Sales/Liter	11,571	12,158	587	5.1%
Cigarette	4,326	3,925	(401)	-9.3%
Property (State School Levy)	602,766	621,975	19,209	3.2%
Estate	203	(14)	(217)	-107.1%
Real Estate Excise	53,979	44,147	(9,832)	-18.2%
Timber (state share)	1,251	986	(265)	-21.2%
Other	28,197	17,820	(10,377)	-36.8%
Department of Licensing (2)	5,137	4,843	(294)	-5.7%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$1,557,324	\$1,567,042	\$9,718	0.6%
<b>Cumulative Variance Since the February Forecast (Feb. 11, 2008 - June 10, 2008)</b>				
Department of Revenue-Total	\$4,457,741	4,494,773	37,033	0.8%
Revenue Act** (3)	3,503,853	3,515,057	11,204	0.3%
Non-Revenue Act(4)	953,888	979,716	25,828	2.7%
Liquor Sales/Liter	46,247	46,351	105	0.2%
Cigarette	15,994	15,382	(612)	-3.8%
Property (State School Levy)	627,870	645,483	17,613	2.8%
Estate	811	537	(274)	-33.8%
Real Estate Excise	193,861	171,496	(22,365)	-11.5%
Timber (state share)	2,820	2,549	(271.5)	-9.6%
Other	66,286	97,918	31,632	47.7%
Department of Licensing (4)	9,637	10,312	675	7.0%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$4,467,377	\$4,505,085	\$37,708	0.8%

1 Collections May 11 - June 10, 2008. Collections primarily reflect April 2008 activity of monthly taxpayers.

2 May 2008 collections.

3 Cumulative collections, estimates and variance since the February 2008 forecast; (Feb. 11 - June 10, 2007) and revisions to history.

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

5 Lottery transfers to the General Fund

\* Based on the February 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  
 May 10, 2008 Collection Report - Revised Data  
 Thousands of Dollars

Period/Source	Collections		Difference	
	Preliminary	Revised	Amount	Percent
<b>April 11 - May 10, 2008</b>				
Department of Revenue-Total	\$930,211	\$930,211	\$0	0.0%
Revenue Act (1)	819,602	819,602	(0)	-0.0%
Non-Revenue Act(2)	110,610	110,610	(0)	-0.0%
Liquor Sales/Liter	11,609	11,609	(0)	-0.0%
Cigarette	4,032	4,032	(0)	-0.0%
Property (State School Levy)-net	7,504	7,504	(0)	-0.0%
Estate	400	400	0	0.0%
Real Estate Excise	45,293	45,293	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	41,773	41,773	0	0.0%
Department of Licensing (2)	608	457	(151)	-24.8%
Lottery (2)	0	0	0	NA
<b>Total General Fund-State***</b>	<b>930,819</b>	<b>930,669</b>	<b>(\$150)</b>	<b>-0.0%</b>

**Cumulative Receipts: Feb. 11 - May 10, 2008 & Revisions to History**

Department of Revenue-Total	\$1,798,216	\$1,798,216	(\$0)	-0.0%
Revenue Act (3)	1,637,916	1,637,916	0	0.0%
Non-Revenue Act(4)	160,299	160,299	0	0.0%
Liquor Sales/Liter	22,134	22,134	0	0.0%
Cigarette	7,873	7,873	(0)	-0.0%
Property (State School Levy)-net after transf	(12,501)	(12,501)	0	-0.0%
Estate	441	441	0	0.1%
Real Estate Excise	81,590	81,590	(0)	-0.0%
Timber (state share)	1,563	1,563	0	NA
Other	59,199	59,199	0	0.0%
Department of Licensing (4)	711	560	(151)	-21.2%
Lottery (4)	0	0	0	NA
<b>Total General Fund-State***</b>	<b>\$1,798,926</b>	<b>\$1,798,776</b>	<b>(\$150)</b>	<b>-0.0%</b>

Preliminary. Reported in the May 10, 2008 collection report.

1 Collections Feb. 11 - May 10, 2008. Collections primarily reflect March 2008 business activity of monthly taxpayers and q1, 2008 activity of quarterly filers.

2 April 1-30, 2008 collections.

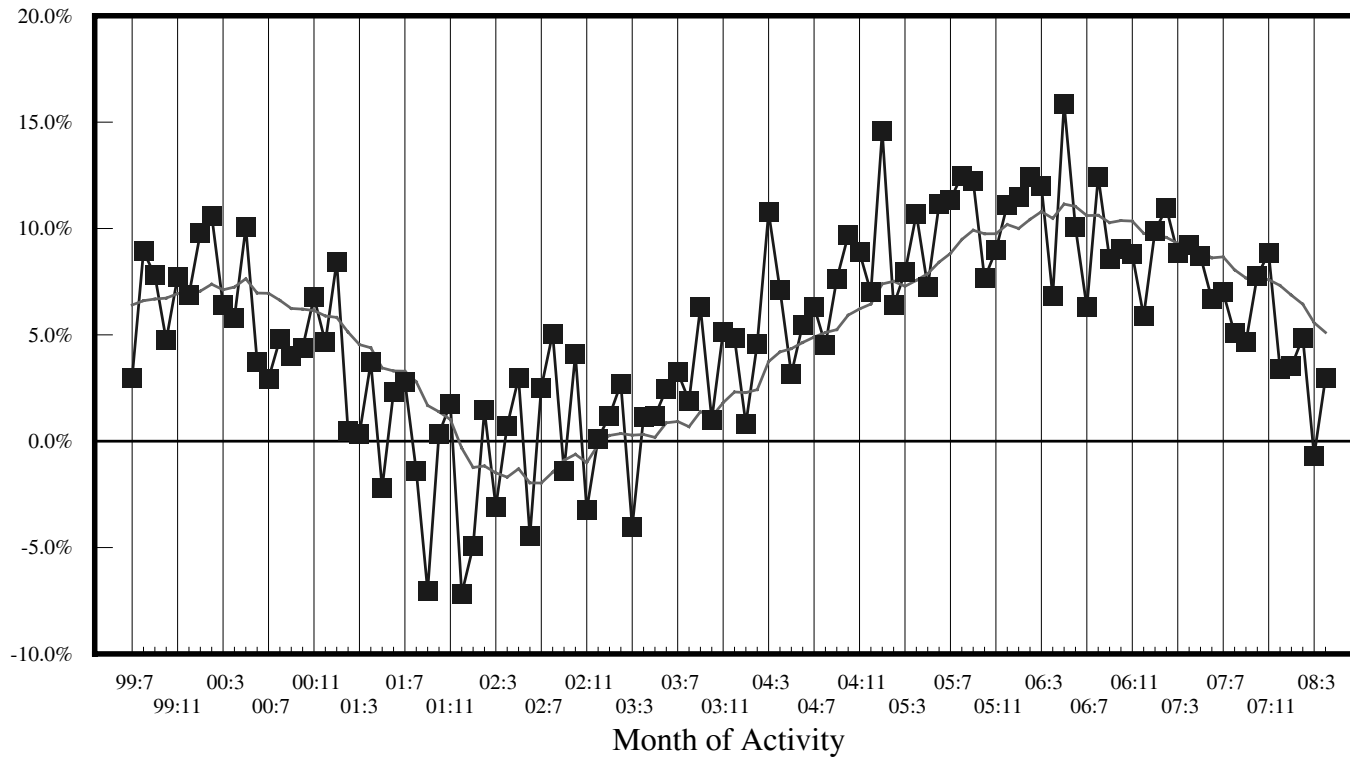
3 Cumulative receipts since the February 2008 forecast: Feb. 11-May 10,2008 & revisions to history.

4 Cumulative receipts since the February 2008 forecast ( Jan. - March 08) & revisions to history.

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

# Revenue Act Net Collections

Year-over-Year Percent Change



■ Percent change from year-ago month  
— Average Growth ( twelve month moving average.)

\*growth adjusted for new legislation and unusually large assessment payments/refunds etc.