



STATE OF WASHINGTON  
ECONOMIC AND REVENUE FORECAST COUNCIL  
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November 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:** NOVEMBER 10, 2008 REVENUE COLLECTION REPORT

General Fund-State (GFS) tax payments in the October 11, 2008 - November 10, 2008 collection period once again fell short of the September forecast. Receipts for the month were \$52.8 million (4.4 percent) lower than expected. While there was a \$60.4 million shortfall in Revenue Act receipts, however, Non-Revenue Act payments exceeded the forecast by \$7.4 million (7.0%).

#### **Revenue Act Collections**

- Adjusted for special factors (a \$6.5 million audit payment in October), Revenue Act receipts this period, which primarily reflect September and third quarter 2008 business activity, were 5.6 percent below the year-ago level. Last month adjusted Revenue Act receipts were also down 5.6 percent year-over-year.
- Adjusted year-over-year Revenue Act payments have declined 1.8 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 October 11 - November 10 period from electronic filers shows widespread weakness:
  - Tax payments by firms in the retail trade sector were 8.6 percent below the year-ago level. Last month the sector saw a decline of 7.3 percent. Tax receipts from the retail trade sector have declined year-over-year in nine of the last ten months.
  - Eight of the twelve 3-digit NAICS retail sectors reported declines this month. The sectors with the largest declines were motor vehicle dealers (-20.7 percent), furniture stores (-11.8 percent), building materials/garden supply retailers (-12.0 percent), apparel and accessories stores (-9.4 percent) and sporting goods, toys, books and music stores (-6.1 percent). The auto sector, the largest retail trade category, has now reported a year-over-year decline in tax payments for ten consecutive months.
  - Three retailing sectors reported moderate-to-strong gains: gas stations and convenience stores (4.7 percent), nonstore retailers (5.8 percent) and drug and health stores (3.7 percent).

- Non-retailing sectors reported a 1.2 percent overall decrease in tax payments. Last month, collections from non-retailing sectors had decreased 3.7 percent excluding non-recurring audit payments. The construction sector reported an 5.0 percent decrease in tax payments this month after a 8.8 percent decrease in the prior month.

### **Other Collections**

- Non-Revenue Act tax payments were \$7.4 million above the estimate for the month. Only real estate excise tax (-\$5.8 million) and liquor sales and liter taxes (-\$0.1 million) were below their estimates. The largest positive variance was from “other” revenues, due mainly to a \$9 million dollar variance in transfers of unclaimed property to the General Fund.
- The year-over-year decline in taxable real estate activity deepened in October. October 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 October but for the month of September the number of transactions was 12.8 percent below the year-ago level and the average value per transaction declined 20.2 percent. Transactions have declined on a year-over-year basis thirty-three of the past thirty-four months. The value per transaction has declined on a year-over-year basis for twelve of the last thirteen months.
- Department of Licensing GFS collections, which primarily reflect payment of various licenses and fees, were \$94 thousand above the forecasted October value. There were no timber excise tax transfers to GFS scheduled for this month.

The cumulative July 11-November 10, 2008 sum of the major General Fund-State collections presented in this report is 6.6 percent below its year-ago value.

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

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

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference Amount</u>	<u>Percent</u>
<b>October 11 - November 10, 2008</b>				
Department of Revenue-Total	\$1,188,330	\$1,135,361	(\$52,968)	-4.5%
Revenue Act** (1)	1,082,752	1,022,351	(60,401)	-5.6%
Non-Revenue Act(2)	105,578	113,011	7,432	7.0%
Liquor Sales/Liter	12,381	12,282	(99)	-0.8%
Cigarette	4,448	4,815	367	8.3%
Property (State School Levy)	9,176	9,434	258	2.8%
Estate	12	132	120	1008.2%
Real Estate Excise	42,776	36,963	(5,813)	-13.6%
Timber (state share)	0	0	0	0.0%
Other	36,785	49,385	12,600	34.3%
Department of Licensing (2)	335	429	94	28.0%
Lottery (5)	0	0	0	0.0%
Total General Fund-State***	\$1,188,665	\$1,135,790	(\$52,874)	-4.4%
<b>Cumulative Variance Since the September Forecast (September 11, 2008 - October 10, 2008)</b>				
Department of Revenue-Total	\$2,184,360	2,083,076	(101,284)	-4.6%
Revenue Act** (3)	\$2,022,565	1,918,650	(103,915)	-5.1%
Non-Revenue Act(4)	161,795	164,426	2,631	1.6%
Liquor Sales/Liter	26,877	26,715	(163)	-0.6%
Cigarette	8,802	9,284	482	5.5%
Property (State School Levy)	(4,390)	(6,530)	(2,140)	-48.7%
Estate	24	138	114	479.0%
Real Estate Excise	87,794	81,231	(6,563)	-7.5%
Timber (state share)	0	0	0	0.0%
Other	42,688	53,588	10,901	25.5%
Department of Licensing (4)	844	749	(95)	-11.2%
Lottery (5)	0	0	0	0.0%
Total General Fund-State***	\$2,185,204	\$2,083,825	(\$101,378)	-4.6%

1 Collections October 11 - November 10, 2008. Collections primarily reflect September 2008 activity of monthly taxpayers and Q3,2008 activity of quarterly taxpayers.

2 October 2008 collections.

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

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

5 Lottery transfers to the General Fund

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

Period/Source	Collections		Difference	
	Preliminary	Revised	Amount	Percent
<b>September 11 - October 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%
<b>Total General Fund-State**</b>	<b>948,224</b>	<b>948,119</b>	<b>(\$105)</b>	<b>0.0%</b>

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

1 Collections September 11 - October 10, 2008. Collections primarily reflect August 2008 business activity of monthly taxpayers.

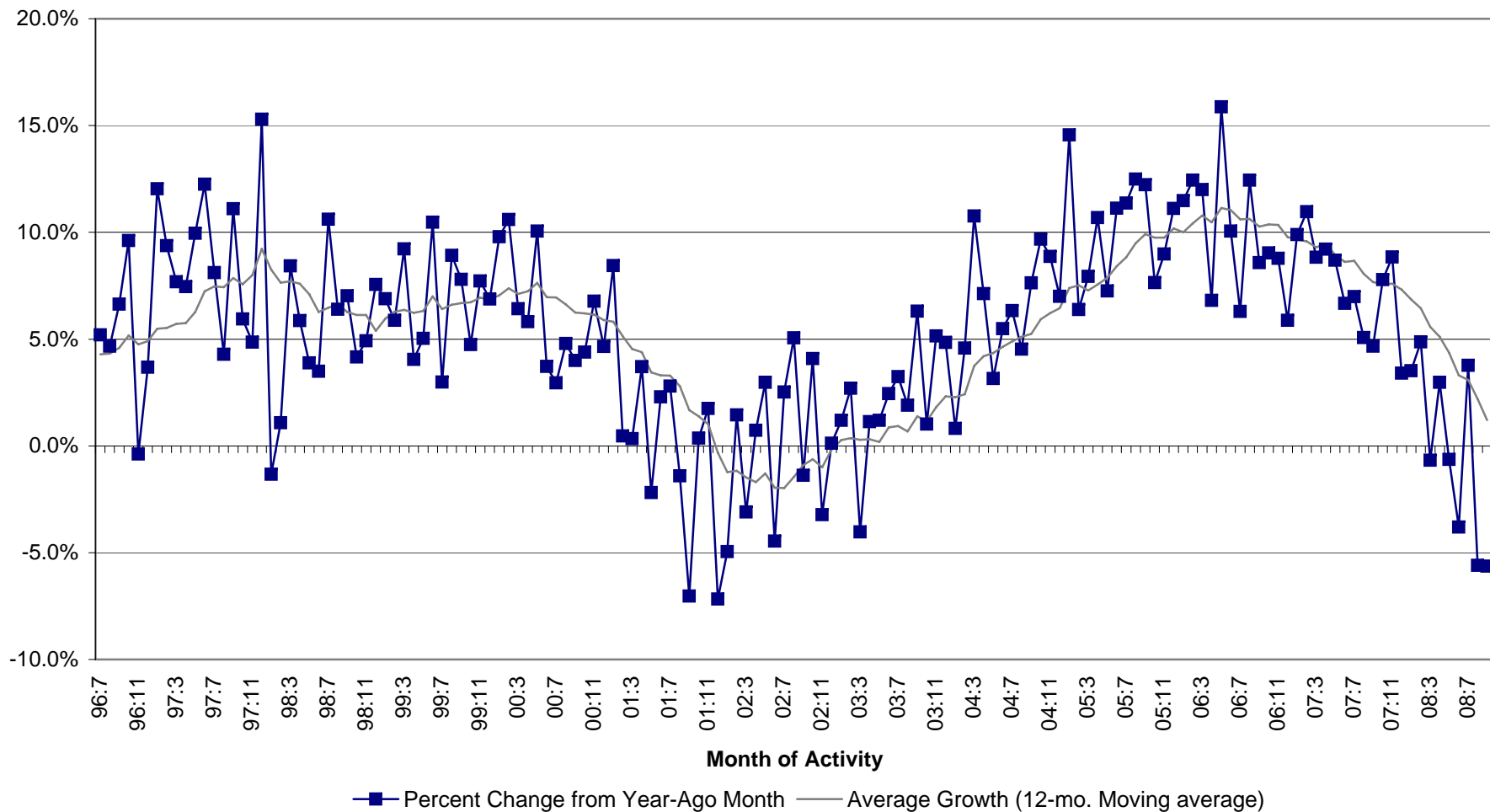
2 September 1-30, 2008 collections.

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

\*\* 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.

# Revenue Act Collections

Year-over-Year Percent Change



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