



STATE OF WASHINGTON
ECONOMIC AND REVENUE FORECAST COUNCIL
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August 11, 2008

TO: Representative Jim McIntire, Chair
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Senator Craig Pridemore
Representative Ed Orcutt
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FROM: Eric Swenson, Senior Economic Forecaster

SUBJECT: August 10, 2008 REVENUE COLLECTION REPORT

General Fund-State (GFS) tax payments weakened further in the July 11, 2008 - August 10, 2008 collection period. Receipts for the month were \$59.9 million (5.0 percent) lower than expected. All revenue categories except for estate taxes, DOL revenues and “other” came in below their forecasted values.

Revenue Act Collections

- Adjusted for special factors (large refunds in the July 11-August 10 2007 collection period), Revenue Act receipts this period, which primarily reflect June 2008 business activity, were 3.8 percent below the year-ago level. This was the second consecutive collection period that has shown a decline in adjusted year-over-year growth and the third to do so this year (adjusted April 11- May 10 collections declined 0.7 percent year-over-year). Last month adjusted Revenue Act receipts were down 0.6 percent year-over-year.
- Adjusted Revenue Act growth has averaged only 0.7 percent in the first six months of calendar 2008 activity. 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 July 11-August 10 period from electronic filers continues to show weakness in most sectors:
 - Tax payments by firms in the retail trade sector were 6.0 percent below the year-ago level. Tax payments from the retail trade sector decreased 2.4 percent last month and have declined year-over-year in six of the last seven months.
 - Six of the twelve 3-digit NAICS retail sectors reported declines this month. The sectors with the largest declines were motor vehicle dealers (-17.8 percent), furniture stores (-10.9 percent), building materials/garden supply retailers (-9.8 percent) and apparel and accessories stores (-7.5 percent). The auto sector, the largest retail trade category, has reported a year-over-year decline in tax payments for seven consecutive months.
 - Three retailing sectors reported strong gains: gas stations and convenience stores increased 14.3 percent and drug and health stores and non-store retailers each increased 6.4 percent.

- Non-retailing sectors reported a 2.9 percent overall decline in tax payments. Last month non-retailing sectors increased 0.4 percent. The construction sector reported a 5.3 percent decrease in tax payments this month after a 3.1 percent decrease in the prior month.

Other Collections

- Non-Revenue Act tax payments were \$0.1 million below the estimate for the month. Estate taxes (+\$203,000) and “other” (+\$1.5 million) were above their estimates, while liquor taxes (-\$659,000), cigarette taxes (-\$262,000), real estate excise tax payments (-\$675,000) and property taxes (-\$247,000) were below their estimates.
- Real estate activity continues to show large year-over-year declines. July 2008 real estate tax receipts excluding penalties and interest and adjusted for late payments were 43.4 percent below the year-ago level. June receipts adjusted for late payments declined 46.5 percent year-over-year. Real estate activity has declined nineteen of the last twenty-one 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 July but for the month of June the number of transactions was 28.4 percent below the year-ago level and the average value per transaction declined 25.2 percent. Transactions have declined on a year-over-year basis thirty of the past thirty-one months. The value per transaction has declined on a year-over-year basis for nine of the last ten months.
- Department of Licensing GFS collections, which primarily reflect payment of various licenses and fees, were \$187,000 more than expected this month. There were no timber excise tax transfers to GFS scheduled for this month.

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

Revenue Collection Report
August 10, 2008 Collections Compared to the June 2008 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference Amount</u>	<u>Percent</u>
July11 - August 10, 2008				
Department of Revenue-Total	\$1,184,018	\$1,123,955	(\$60,063)	-5.1%
Revenue Act** (1)	1,111,191	1,051,241	(59,950)	-5.4%
Non-Revenue Act(2)	72,826	72,714	(113)	-0.2%
Liquor Sales/Liter	13,703	13,044	(659)	-4.8%
Cigarette	4,827	4,565	(262)	-5.4%
Property (State School Levy)	(14,568)	(14,814)	(247)	1.7%
Estate	42	245	203	490.2%
Real Estate Excise	50,185	49,509	(675)	-1.3%
Timber (state share)	0	0	0	0.0%
Other	18,637	20,164	1,527	8.2%
Department of Licensing (2)	2,969	3,156	187	6.3%
Lottery (5)	0	0	0	0.0%
Total General Fund-State***	\$1,186,987	\$1,127,111	(\$59,876)	-5.0%
Cumulative Variance Since the June Forecast (June 11, 2008 - August 10, 2008)				
Department of Revenue-Total	\$2,401,078	2,280,419	(120,660)	-5.0%
Revenue Act** (3)	\$2,047,644	1,941,173	(106,472)	-5.2%
Non-Revenue Act(4)	353,434	339,246	(14,188)	-4.0%
Liquor Sales/Liter	26,166	27,048	882	3.4%
Cigarette	9,058	8,954	(104)	-1.1%
Property (State School Levy)	164,113	162,039	(2,074)	-1.3%
Estate	518	354	(164)	-31.7%
Real Estate Excise	105,638	95,689	(9,949)	-9.4%
Timber (state share)	0	(0)	(0.0)	NA
Other	47,941	45,162	(2,779)	-5.8%
Department of Licensing (4)	8,339	9,560	1,221	14.6%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$2,409,417	\$2,289,979	(\$119,439)	-5.0%

1 Collections July11 - August 10, 2008. Collections primarily reflect June 2008 activity of monthly taxpayers.

2 July 2008 collections.

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

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

5 Lottery transfers to the General Fund

* Based on the June 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
June 10, 2008 Collection Report - Revised Data
Thousands of Dollars

Period/Source	Collections		Difference	
	Preliminary	Revised	Amount	Percent
June 11 - July 10, 2008				
Department of Revenue-Total	\$1,156,464	\$1,156,464	(\$0)	-0.0%
Revenue Act (1)	889,931	889,931	(0)	-0.0%
Non-Revenue Act(2)	266,532	266,532	0	0.0%
Liquor Sales/Liter	14,004	14,004	0	0.0%
Cigarette	4,389	4,389	0	0.0%
Property (State School Levy)-net	176,853	176,853	0	0.0%
Estate	109	109	0	0.0%
Real Estate Excise	46,179	46,179	0	0.0%
Timber (state share)	0	0	0	0.0%
Other	24,997	24,997	(0)	-0.0%
Department of Licensing (2)	5,187	6,497	1,310	25.3%
Lottery (2)	0	0	0	0.0%
Total General Fund-State***	1,161,650	1,162,960	\$1,310	0.1%

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

Department of Revenue-Total	\$5,711,834	\$5,651,237	(\$60,597)	-1.1%
Revenue Act (3)	4,451,510	4,404,989	(46,522)	-1.0%
Non-Revenue Act(4)	1,260,323	1,246,248	(14,075)	-1.1%
Liquor Sales/Liter	59,526	61,067	1,541	2.6%
Cigarette	19,559	19,718	158	0.8%
Property (State School Levy)-net after transf	824,164	822,336	(1,827)	-0.2%
Estate	1,013	646	(367)	-36.3%
Real Estate Excise	227,033	217,759	(9,274)	-4.1%
Timber (state share)	2,549	2,549	(0)	-0.0%
Other	126,480	122,173	(4,306)	-3.4%
Department of Licensing (4)	15,828	16,862	1,034	6.5%
Lottery (4)	0	0	0	0.0%
Total General Fund-State***	\$5,727,662	\$5,668,099	(\$59,563)	-1.0%

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

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

2 June 1-30, 2008 collections.

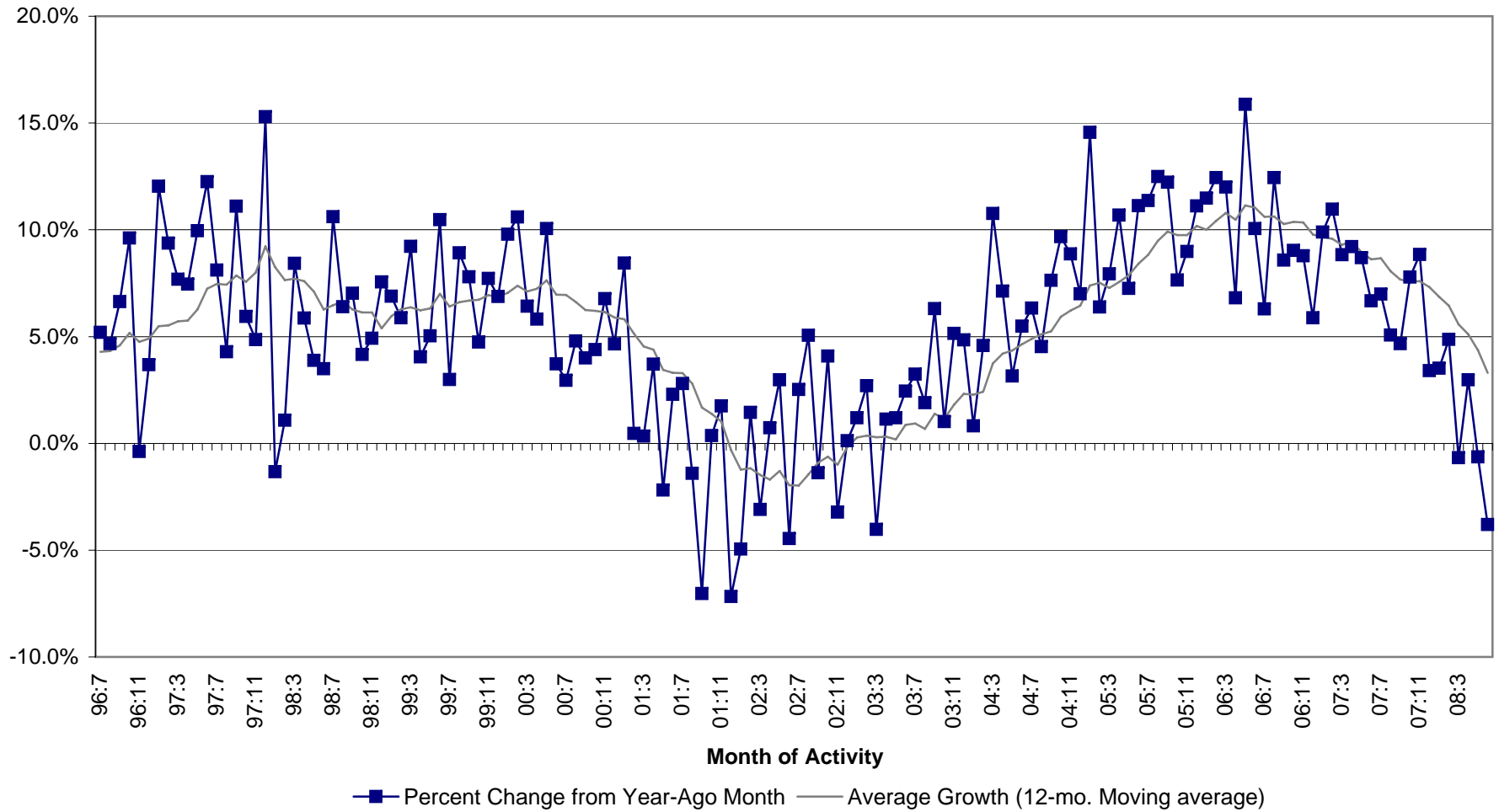
3 Cumulative receipts since the Feb. 2008 forecast: Feb 11- July 10, 2008 & revisions to history.

4 Cumulative receipts since the Feb. 2008 forecast (Feb. 2008- June 2008) & 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 Collections

Year-over-Year Percent Change



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