



STATE OF WASHINGTON  
ECONOMIC AND REVENUE FORECAST COUNCIL  
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February 8, 2008

**TO:** Representative Jim McIntire, Chair  
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**FROM:** ChangMook Sohn, Director

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

General Fund-State (GFS) tax payments totaled \$1,250.3 million in the January 11, 2008 - February 10, 2008 collection period. Collections weakened considerably this period. Receipts for the month were \$36.5 million (-2.8 percent) less than expected. Despite this month's shortfall, GFS collections remain above the November forecast due to stronger than expected revenue the past two months. Cumulatively, receipts are \$19.8 million (0.5 percent) higher than expected in the last three months. Excluding special factors (unusually large audit payments), GFS collections are \$8.2 million (0.2 percent) above the estimate for the three months since the November forecast.

#### **Revenue Act Collections**

- Revenue Act (retail sales, business and occupation, use and public utility taxes) tax payments were much weaker than expected in the current midmonth period. Payments this period primarily reflect December 2007 business activity. Revenue Act taxes were \$31.6 million, (2.6 percent) less than the estimate for the month, but remain \$32.9 million (1.1 percent) higher than expected for the three months since the November forecast.
- Revenue Act receipts were only 3.4 percent higher than a year-ago. This is the weakest year-over increase since May 2004. Last month year-over-year growth was 8.8 percent.
- Although spending appears to have weakened considerably in December, strong October and November activity offset much of December's weakness. Year-over-year growth for the fourth quarter of 2007 as a whole was 6.3 percent. This was a little better than the third quarter (5.5 percent) but weaker than in the first half of the year (8.9 percent). Growth for the fourth quarter was again weaker than the growth of personal income but stronger than the growth of U.S retail sales (4.8 percent).

Preliminary Industry detail of tax payments from electronic filers shows weakness in most sectors for the January 11- February 10 collection period.

- Tax payments by firms in the retail trade sector were 0.7 below the year-ago level. Last month tax payments in the retail trade sector were 5.7 percent above the year-ago level. This sector has not seen a decline since the last recession.
- The weakness in retailing was widespread with five of twelve sectors reporting declines including: motor vehicle dealers (-2.4 percent), electronic and appliance stores (-12.3 percent), building materials and garden supply retailers (-6.0 percent).
- Several non-retailing sectors reported large year-over declines in tax payments including: finance and insurance (-26.7 percent), manufacturing (-12.1 percent).

- There were some bright spots: construction (+8.0 percent), information (+11.4 percent) and wholesale trade (+10.7 percent).

### **Other Collections**

- Non Revenue Act tax payments were \$5.0 million, 7.3 percent, below the estimate for the month. Real estate excise tax payments were \$8.7 million below the estimate, accounting for more than the total shortfall.
- Most other major sources were higher than expected for the month. The “other” category (+\$3.0 million) showed the largest positive variance this month. Most of this was due to higher than expected brokered natural gas payments.
- Real estate activity based on real estate excise tax receipts remains weak. January 2008 taxable activity was 35.6 percent below the year-ago level. Last month activity declined 17.8 percent. With the exception of last month’s 17.8 percent drop, activity has declined more than 20 percent for the past five 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 available for January, but last month the number of transactions were 20.4 percent below the year-ago level while the average value per transaction increased 3.3 percent. Transactions have declined on a year-over-year basis twenty-four of the past twenty-five months.
- Department of Licensing GFS collections, which primarily reflect payment of various licenses and fees, were \$101,000 higher than expected this month but are \$15,000 below the forecast in the three months since the November forecast.

The attached Table 1 compares collections with the November forecast for the January 11-February 10, 2008 collection period and cumulatively since the November 2007 forecast. Table 2 compares revised collection figures with the preliminary numbers reported in last month’s collection report.

### **Economic News**

- Economic news was mostly negative. U.S. real gross domestic product (GDP) increased only 0.6 percent in the fourth quarter of 2007. This is weaker than last quarter’s 4.9 percent gain and weaker than assumed in the November 2007 forecast.
- U.S. Payroll jobs fell 17,000 in January 2008. This is the first decline since July 2003. The U.S. unemployment rate, however, fell to 4.9 percent in January from 5.0 percent in December.
- The Conference Board reported that after increasing in December, its’ Index of Consumer Confidence fell in January. This index has declined eight of the last twelve months and is 21.4 percent below its cyclical high reached in July 2007.
- The Conference Board also reported that its’ Index of Leading Indicators fell 0.2 percent in January 2008. This is the third consecutive monthly decline. The index has declined in four of the last six months and is 1.8 percent below the December 2006 level.
- The Washington economy added 7,100 jobs in December 2007 and has 77,200 more jobs than a year-ago. The state’s unemployment rate, however, increased from 4.7 percent in November to 4.8 percent in December.

**TABLE 1**  
**Revenue Collection Report**  
**Feb 10, 2007 Collections Compared to the November 2007 Forecast**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u>	
			<u>Amount</u>	<u>Percent</u>
<b>Jan. 11 - Feb. 10, 2008</b>				
Department of Revenue-Total	\$1,286,564	\$1,249,933	(\$36,631)	-2.8%
Revenue Act** (1)	1,217,209	1,185,627	(31,582)	-2.6%
Non-Revenue Act(2)	69,355	64,306	(5,049)	-7.3%
Liquor Sales/Liter	17,855	18,178	323	1.8%
Cigarette	4,063	4,710	646	15.9%
Property (State School Levy)	(13,625)	(13,149)	476	-3.5%
Estate	16	(736)	(752)	NC
Real Estate Excise	46,270	37,570	(8,700)	-18.8%
Timber (state share)	0	0	0	NA
Other	14,775	17,734	2,959	20.0%
Department of Licensing (2)	226	327	101	44.6%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$1,286,790	\$1,250,260	(\$36,530)	-2.8%
<b>Cumulative Variance Since the November 2007 Forecast (Nov. 11, 2007 - Feb. 10, 2008)</b>				
Department of Revenue-Total	\$3,947,537	3,967,390	19,853	0.5%
Revenue Act** (3)	2,971,992	3,004,857	32,865	1.1%
Non-Revenue Act(4)	975,545	962,532	(13,012)	-1.3%
Liquor Sales/Liter	43,239	43,680	441	1.0%
Cigarette	12,178	12,731	554	4.5%
Property (State School Levy)	686,884	687,055	171	0.0%
Estate	48	2,914	2,866	NA
Real Estate Excise	172,173	154,119	(18,053)	-10.5%
Timber (state share)	1,784	2,083	299.3	16.8%
Other	59,239	59,949	709	1.2%
Department of Licensing (4)	804	789	(15)	-1.9%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$3,948,341	\$3,968,179	\$19,838	0.5%

1 Collections Jan. 11 - Feb. 10, 2008. Collections primarily reflect December 2007 activity of monthly taxpayers, q4 2007 activity of quarterly filers and 2007 activity of annual taxpayers.

2 January 2008 collections.

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

4 Cumulative collections, estimates and variance since the November forecast; (Nov. 2007 - January 2008) and revisions to history.

5 Lottery transfers to the General Fund

\* Based on the November 2007 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**  
**January 10, 2008 Collection Report - Revised Data**  
**Thousands of Dollars**

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
Dec. 11, 2007 - January 10, 2008				
Department of Revenue-Total	\$1,112,066	\$1,112,066	\$0	0.0%
Revenue Act (1)	918,156	918,156	(0)	-0.0%
Non-Revenue Act(2)	193,911	193,911	(0)	-0.0%
Liquor Sales/Liter	12,866	12,866	0	0.0%
Cigarette	3,750	3,750	(0)	-0.0%
Property (State School Levy)-net	119,874	119,874	0	0.0%
Estate	3,411	3,411	(0)	-0.0%
Real Estate Excise	52,311	52,311	(0)	-0.0%
Timber (state share)	0	0	0	NA
Other	1,698	1,698	0	0.0%
Department of Licensing (2)	393	209	(184)	-46.9%
Lottery (2)	0	0	0	NA
Total General Fund-State***	1,112,459	1,112,275	(\$184)	-0.0%

**Cumulative Receipts: Nov. 11, 2007 - Jan. 10, 2008 & Revisions to History**

Department of Revenue-Total	\$2,717,457	\$2,717,457	(\$0)	-0.0%
Revenue Act (3)	1,819,230	1,819,230	0	0.0%
Non-Revenue Act(4)	898,226	898,226	0	0.0%
Liquor Sales/Liter	25,502	25,502	0	0.0%
Cigarette	8,022	8,022	(0)	-0.0%
Property (State School Levy)-net after transf	700,205	700,205	(0)	-0.0%
Estate	3,650	3,650	0	0.0%
Real Estate Excise	116,549	116,549	0	0.0%
Timber (state share)	2,083	2,083	0	NA
Other	42,215	42,215	(0)	-0.0%
Department of Licensing (4)	648	462	(186)	-28.7%
Lottery (4)	0	0	0	NA
Total General Fund-State***	\$2,718,103	2,717,919	(\$184)	-0.0%

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

1 Collections Dec. 11 - Jan. 10, 2008. Collections primarily reflect Nov. 2007 business activity of monthly taxpayers.

2 Dec. 1-31, 2007 collections.

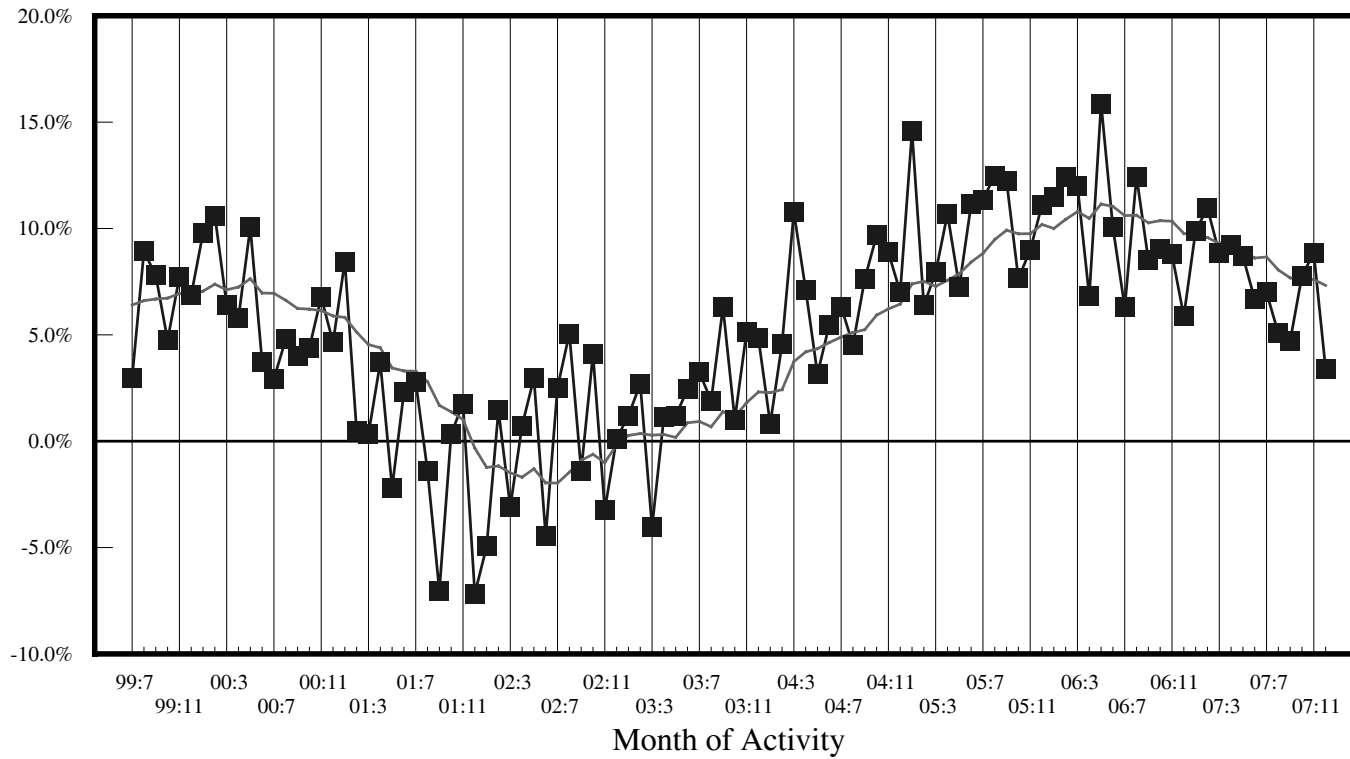
3 Cumulative receipts since the Nov. 2007 forecast: Nov 11, 2007-Jan. 10,2008 & revisions to history.

4 Cumulative receipts since the Nov. 2007 forecast (Nov. and Dec. 2007) & 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.