



STATE OF WASHINGTON
ECONOMIC AND REVENUE FORECAST COUNCIL
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February 10, 2009

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FROM: Eric Swenson, Senior Economic Forecaster

SUBJECT: FEBRUARY 10, 2009 REVENUE COLLECTION REPORT

General Fund-State (GFS) tax payments in the January 11, 2008 - February 10, 2009 collection period fell short of the November forecast. Receipts for the month were \$62.6 million (5.3 percent) lower than expected. Revenue Act receipts were \$53.0 million (4.7 percent) below the forecast, and non-Revenue Act payments were \$9.7 million (18.1 percent) below the forecast. The cumulative shortfall since the November forecast is now \$196.8 million (5.1 percent).

Revenue Act Collections

- Adjusted for special factors (legislative changes between 2007 and 2008), Revenue Act receipts this period, which primarily reflect December 2008 and fourth quarter 2008 business activity, were 10.1 percent below the year-ago level. The forecasted decline was 5.7 percent. Last month adjusted Revenue Act receipts were down 13.9 percent year-over-year.
- Payments reflecting adjusted fourth quarter 2008 Revenue Act activity declined 9.4 percent year-over-year after a 2.7 percent decline in the third quarter.
- Preliminary industry detail of tax payments for the January 11, 2008 - February 10, 2009 period from electronic filers shows widespread weakness:
 - Tax payments by firms in the retail trade sector were 12.7 percent below the year-ago level. Last month the sector saw a decline of 13.4 percent. Tax receipts from the retail trade sector have declined year-over-year in twelve of the last thirteen months.
 - With the exception of food and beverage stores (+9.5%), all of the twelve 3-digit NAICS retail sectors reported declines in tax payments this month. The sectors with the largest declines were furniture and home furnishings (-30.0%), motor vehicle dealers (-26.8 percent), gas stations and convenience stores (-19.9 percent), apparel and accessories (-18.6 percent) and building materials and garden supply (-17.9 percent).
 - The auto sector, the largest retail trade category, has now reported a year-over-year decline in tax payments for thirteen consecutive months.

- Non-retailing sectors reported a 9.0 percent overall decrease in tax payments. Last month, collections from non-retailing sectors had decreased 12.4 percent. The construction sector reported a 9.0 percent decrease in tax payments this month after an 11.7 percent decrease in the prior month. The manufacturing sector reported a 20.6 decrease in tax payments, possibly reflecting lingering effects of the September-November Boeing strike. Last month the manufacturing sector showed a strike-related decline of 41.0 percent.

Other Collections

- Non-Revenue Act tax payments to the Department of Revenue were \$9.7 million below the estimate for the month. Real estate excise tax came in \$11.7 million below the estimate. Liquor sales and liter taxes, cigarette taxes, and property taxes came in close to their estimates with a combined variance of only \$13,000 - while "other" revenues were above the forecast by \$2.0 million.
- Taxable real estate activity remained weak in January. Real estate tax receipts excluding penalties and interest were 47.0 percent below the year-ago level. December receipts had declined 49.1 percent year-over-year. Taxable real estate activity has declined twenty-four of the last twenty-six 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 January but for the month of December the number of transactions was 24.1 percent below the year-ago level while the average value per transaction declined 33.0 percent. Transactions have declined on a year-over-year basis thirty-six of the past thirty-seven months. The value per transaction has declined on a year-over-year basis for fifteen of the last sixteen months.
- Department of Licensing GFS collections, which primarily reflect payment of various licenses and fees, were \$168,000 above the forecasted November value.

The cumulative July 11, 2008 - February 10, 2009 sum of the major General Fund-State collections presented in this report is 7.5 percent below its year-ago value.

The attached Table 1 compares collections with the November 2008 forecast for the January 11, 2008 - February 10, 2009 collection period. Table 2 compares revised collection figures with the preliminary numbers reported in last month's collection report.

TABLE 1
Revenue Collection Report
February 10, 2009 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> |
|--|------------------|---------------|--------------------------|----------------|
| January 11 - February 10, 2009 | | | | |
| Department of Revenue-Total | \$1,169,298 | \$1,106,570 | (\$62,728) | -5.4% |
| Revenue Act** (1) | 1,115,544 | 1,062,556 | (52,988) | -4.7% |
| Non-Revenue Act(2) | 53,754 | 44,013 | (9,740) | -18.1% |
| Liquor Sales/Liter | 18,997 | 18,972 | (25) | -0.1% |
| Cigarette | 4,253 | 4,153 | (100) | -2.3% |
| Property (State School Levy) | (13,927) | (13,815) | 112 | -0.8% |
| Estate | 122 | 59 | (63) | -51.5% |
| Real Estate Excise | 31,016 | 19,323 | (11,693) | -37.7% |
| Timber (state share) | 0 | 0 | 0 | 0.0% |
| Other | 13,293 | 15,321 | 2,029 | 15.3% |
| Department of Licensing (2) | 210 | 378 | 168 | 80.4% |
| Lottery (5) | 0 | 0 | 0 | 0.0% |
| Total General Fund-State*** | \$1,169,507 | \$1,106,948 | (\$62,559) | -5.3% |
| Cumulative Variance Since the November Forecast (November 11, 2008 - February 10, 2009) | | | | |
| Department of Revenue-Total | \$3,811,893 | 3,615,030 | (196,863) | -5.2% |
| Revenue Act** (3) | \$2,874,307 | 2,702,731 | (171,576) | -6.0% |
| Non-Revenue Act(4) | \$937,585 | 912,298 | (25,287) | -2.7% |
| Liquor Sales/Liter | \$46,399 | 46,249 | (150) | -0.3% |
| Cigarette | \$12,059 | 11,168 | (890) | -7.4% |
| Property (State School Levy) | \$708,729 | 709,694 | 966 | -0.1% |
| Estate | \$366 | 92 | (275) | -74.9% |
| Real Estate Excise | \$121,216 | 83,295 | (37,921) | -31.3% |
| Timber (state share) | \$1,557 | 1,508 | (49) | -3.2% |
| Other | \$47,260 | 60,291 | 13,032 | 27.6% |
| Department of Licensing (4) | 646 | 667 | 21 | 3.2% |
| Lottery (5) | 11,092 | 11,092 | 0 | 0.0% |
| Total General Fund-State*** | \$3,823,630 | \$3,626,788 | (\$196,842) | -5.1% |

1 Collections January 11, 2008 - February 10, 2009. Collections primarily reflect December 2008 activity of monthly taxpayer Q4 2008 activity of quarterly taxpayers and 2008 activity of annual taxpayers

2 January 2009 collections.

3 Cumulative collections, estimates and variance since the November 2008 forecast; (November 11 - February 10, 2009) and revisions to history.

4 Cumulative collections, estimates and variance since the November forecast (November 2008 - January 2009) 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
February 10, 2009 Collection Report - Revised Data
Thousands of Dollars

| Period/Source | Collections Preliminary* | Revised | Difference | |
|---|--------------------------|----------------|----------------|-------------|
| | | | Amount | Percent |
| December 11, 2008 - January 10, 2009 | | | | |
| Department of Revenue-Total | \$942,558 | \$942,557 | (\$1) | 0.0% |
| Revenue Act (1) | 781,369 | 781,369 | 0 | 0.0% |
| Non-Revenue Act(2) | 161,189 | 161,188 | (1) | 0.0% |
| Liquor Sales/Liter | 13,466 | 13,466 | 0 | 0.0% |
| Cigarette | 3,528 | 3,527 | (1) | 0.0% |
| Property (State School Levy)-net | 111,753 | 111,753 | 0 | 0.0% |
| Estate | (40) | (40) | 0 | 0.0% |
| Real Estate Excise | 26,829 | 26,829 | 0 | 0.0% |
| Timber (state share) | 0 | 0 | 0 | 0.0% |
| Other | 5,652 | 5,652 | (0) | 0.0% |
| Department of Licensing (2) | 384 | 213 | (171) | -44.5% |
| Lottery (2) | 0 | 0 | 0 | 0.0% |
| Total General Fund-State** | 942,941 | 942,770 | (\$171) | 0.0% |

*Reported in the January 10, 2008 collection report.

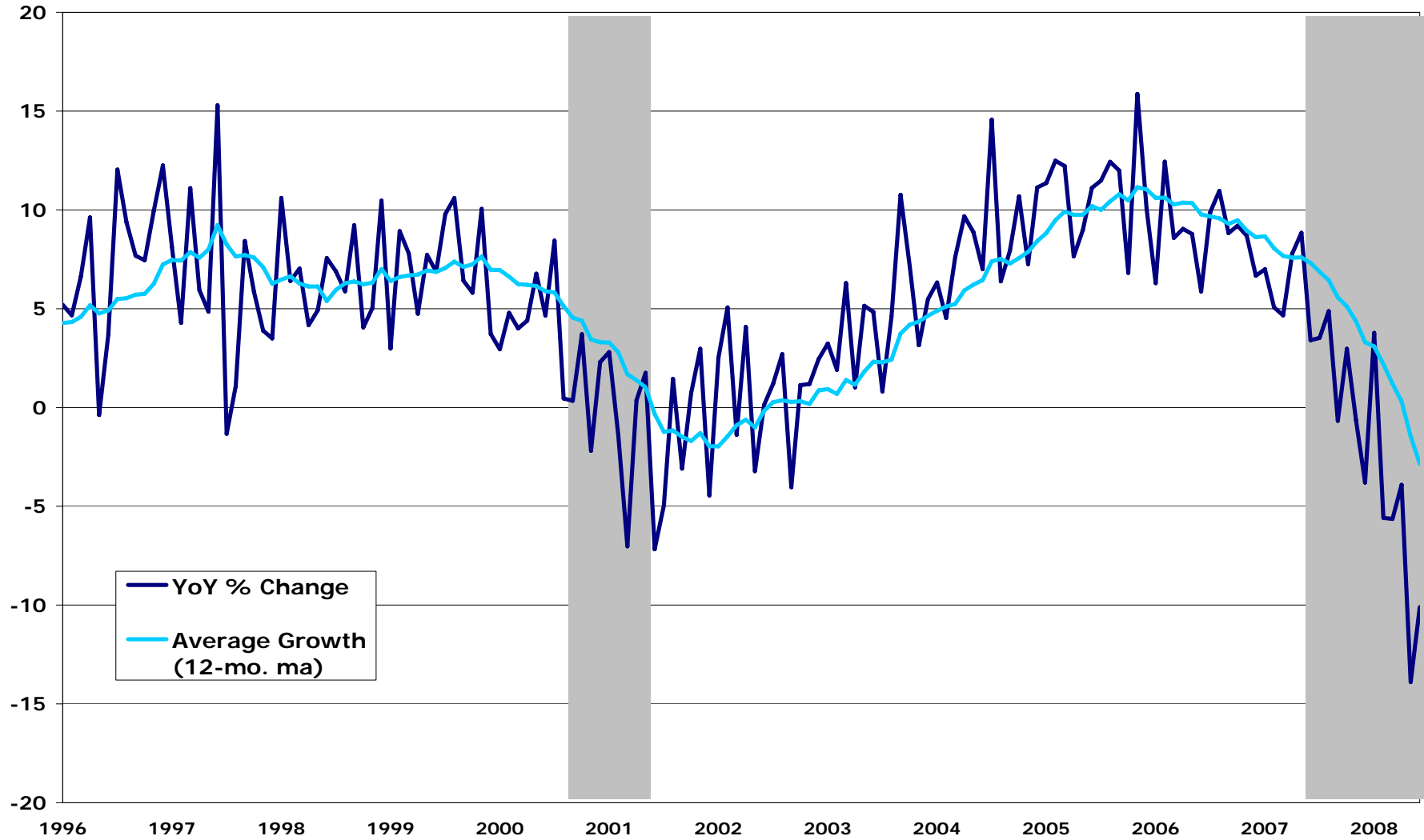
** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

1 Collections December 11, 2008 - January 10, 2009. Collections primarily reflect November 2008 business activity of most taxpayers.

2 December 1-31, 2008 collections.

Revenue Act Collections* (Year-over-Year Percent Change)

Percent



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