



STATE OF WASHINGTON
ECONOMIC AND REVENUE FORECAST COUNCIL
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January 9, 2009

TO: Representative Jim McIntire, Chair
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FROM: Eric Swenson, Senior Economic Forecaster

SUBJECT: JANUARY 10, 2009 REVENUE COLLECTION REPORT

General Fund-State (GFS) tax payments in the December 11, 2008 - January 10, 2009 collection period once again fell short of the November forecast. Receipts for the month were \$97.5 million (9.4 percent) lower than expected. Revenue Act receipts were \$69.5 million (8.2 percent) below the forecast, and non-Revenue Act payments were \$28.0 million (14.8 percent) below the forecast. The cumulative variance since the November forecast is \$134.1 million (5.1 percent).

Revenue Act Collections

- Adjusted for special factors (\$7.5 million in large audit payments in the December 11 - January 10 collection period of last year), Revenue Act receipts this period, which primarily reflect November 2008 business activity, were 13.9 percent below the year-ago level. The forecasted decline was 6.2 percent. Last month adjusted Revenue Act receipts were down 3.9 percent year-over-year.
- This month's adjusted year-over-year decline is the largest since Revenue Act reporting in its current format began in January 1989. Prior to this month, the largest decline was 7.2 percent in the January 11 – February 10, 2002 collection period.
- Adjusted year-over-year Revenue Act payments have declined 7.7 percent on average over the last three months of collections and have declined 4.9 percent on average over the last six months of collections. Adjusted second quarter activity declined 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 December 11, 2008 - January 10, 2009 period from electronic filers shows widespread weakness:
 - Tax payments by firms in the retail trade sector were 13.4 percent below the year-ago level. Last month the sector saw a decline of 12.0 percent. Tax receipts from the retail trade sector have declined year-over-year in eleven of the last twelve months.
 - All of the twelve 3-digit NAICS retail sectors reported declines in tax payments this month. The sectors with the largest declines were motor vehicle dealers (-26.2 percent), furniture (-18.2 percent), building materials/garden supply (-17.6 percent), gas stations and convenience stores (-17.6 percent), nonstore retailers (-15.6 percent) and apparel and accessories (-15.1 percent).

The auto sector, the largest retail trade category, has now reported a year-over-year decline in tax payments for twelve consecutive months.

- The electronics and appliances (-0.0 percent) and drug and health stores (-1.9 percent) sectors showed the lowest year-over-year tax payment declines in the retail trade sector.
- Non-retailing sectors reported a 12.4 percent overall decrease in tax payments. Last month, collections from non-retailing sectors had decreased only 2.7 percent. Much of the decline was due to a 41.0 percent decline in payments from the manufacturing sector, due partially to lingering effects of the September-to-November Boeing strike. The construction sector reported an 11.7 percent decrease in tax payments this month after an 8.2 percent decrease in the prior month.

Other Collections

- Non-Revenue Act tax payments to the Department of Revenue were \$28.2 million below the estimate for the month. Real estate excise tax came in \$16.7 million below the estimate. Property tax payments were \$11.7 million below the forecast, largely reversing the \$12.6 million positive variance of last month. Liquor sales and liter taxes were below their forecast by \$727 thousand, while cigarette taxes missed their estimate by \$247 thousand. Only “other” revenues were above the forecast, with a positive variance of \$1.3 million.
- The year-over-year decline in taxable real estate activity deepened further in December. December real estate tax receipts excluding penalties and interest were 48.9 percent below the year-ago level. November receipts had declined 47.3 percent year-over-year. Taxable real estate activity has declined twenty-three of the last twenty-five 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 December but for the month of November the number of transactions was 30.4 percent below the year-ago level and the average value per transaction declined 24.2 percent. Transactions have declined on a year-over-year basis thirty-five of the past thirty-six months. The value per transaction has declined on a year-over-year basis for fourteen of the last fifteen months.
- Department of Licensing GFS collections, which primarily reflect payment of various licenses and fees, were \$191 thousand above the forecasted November value.

The cumulative July 11, 2008 - January 10, 2009 sum of the major General Fund-State collections presented in this report is 6.8 percent below its year-ago value.

The attached Table 1 compares collections with the November 2008 forecast for the December 11, 2008 - January 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
January 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>
December 11 - January 10, 2009				
Department of Revenue-Total	\$1,040,266	\$942,558	(\$97,708)	-9.4%
Revenue Act** (1)	850,837	781,369	(69,469)	-8.2%
Non-Revenue Act(2)	189,428	161,189	(28,239)	-14.9%
Liquor Sales/Liter	14,193	13,466	(727)	-5.1%
Cigarette	3,775	3,528	(247)	-6.5%
Property (State School Levy)	123,467	111,753	(11,714)	-9.5%
Estate	122	(40)	(162)	-132.6%
Real Estate Excise	43,517	26,829	(16,688)	-38.3%
Timber (state share)	0	0	0	0.0%
Other	4,354	5,652	1,299	29.8%
Department of Licensing (2)	192	384	191	99.5%
Lottery (5)	0	0	0	0.0%
Total General Fund-State***	\$1,040,458	\$942,941	(\$97,517)	-9.4%
Cumulative Variance Since the November Forecast (November 11, 2008 - January 10, 2009)				
Department of Revenue-Total	\$2,642,595	2,508,461	(134,134)	-5.1%
Revenue Act** (3)	\$1,758,763	1,640,175	(118,588)	-6.7%
Non-Revenue Act(4)	\$883,832	868,285	(15,546)	-1.8%
Liquor Sales/Liter	\$27,402	27,278	(125)	-0.5%
Cigarette	\$7,805	7,016	(790)	-10.1%
Property (State School Levy)	\$722,656	723,509	853	-0.1%
Estate	\$244	33	(212)	-86.7%
Real Estate Excise	\$90,200	63,972	(26,228)	-29.1%
Timber (state share)	\$1,557	1,508	(49)	-3.2%
Other	\$33,967	44,970	11,003	32.4%
Department of Licensing (4)	436	459	23	5.3%
Lottery (5)	11,092	11,092	0	0.0%
Total General Fund-State***	\$2,654,123	\$2,520,012	(\$134,111)	-5.1%

1 Collections December 11, 2008 - January 10, 2009. Collections primarily reflect November 2008 activity of monthly taxes

2 December 2008 collections.

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

4 Cumulative collections, estimates and variance since the November forecast (November - December 2008) and revisions

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
January 10, 2009 Collection Report - Revised Data
Thousands of Dollars

Period/Source	Collections		Difference	
	Preliminary*	Revised	Amount	Percent
November 11 - December 10, 2008				
Department of Revenue-Total	\$1,565,903	\$1,565,903	\$0	0.0%
Revenue Act (1)	858,807	858,807	0	0.0%
Non-Revenue Act(2)	707,096	707,096	0	0.0%
Liquor Sales/Liter	13,812	13,812	0	0.0%
Cigarette	3,487	3,487	0	0.0%
Property (State School Levy)-net	611,756	611,756	0	0.0%
Estate	72	72	0	0.0%
Real Estate Excise	37,142	37,142	0	0.0%
Timber (state share)	1,508	1,508	0	0.0%
Other	39,318	39,318	0	0.0%
Department of Licensing (2)	257	180	(77)	-30.0%
Lottery (2)	11,092	11,092	0	0.0%
Total General Fund-State**	1,577,252	1,577,175	(\$77)	0.0%

*Reported in the December 10, 2008 collection report.

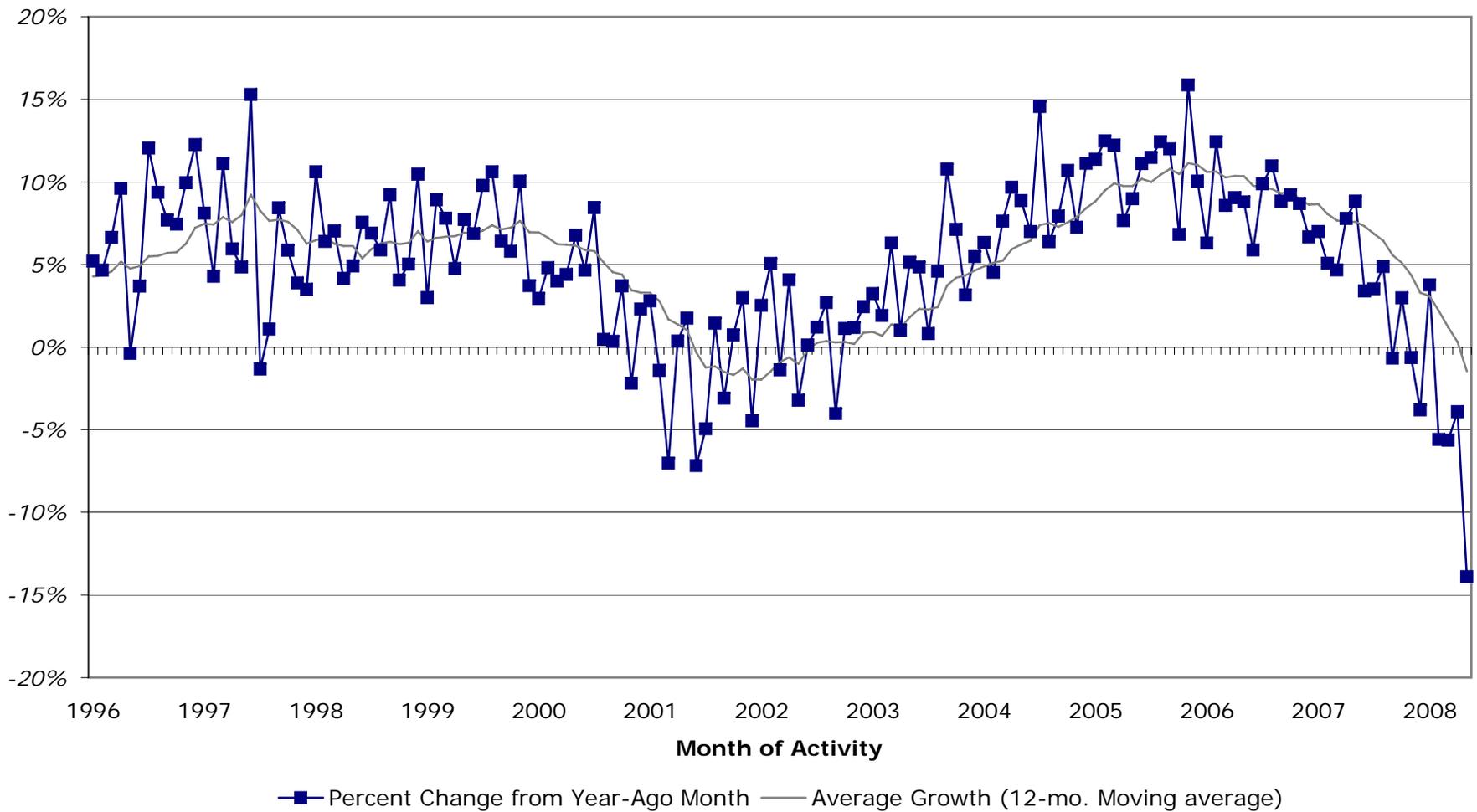
** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

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

2 November 1-30, 2008 collections.

Revenue Act Collections

Year-over-Year Percent Change



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