



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

TO: Representative Jim McIntire, Chair
Senator Joseph Zarelli
Senator Craig Pridemore
Representative Ed Orcutt
Victor Moore, OFM, Director
Cindi Holmstrom, DOR, Director

FROM: Steve Lerch, Interim Director

SUBJECT: July 10, 2008 REVENUE COLLECTION REPORT

General Fund-State (GFS) tax payments weakened in the June 11, 2008 - July 10, 2008 collection period. Receipts for the month were \$60.8 million (5.0 percent) lower than expected. All revenue categories except for liquor and cigarette sales came in below their forecasted values. Larger-than-average Revenue Act tax refunds accounted for \$15.0 million of the shortfall. Excluding these refunds, GFS revenue was \$45.8 million (3.7%) lower than forecasted.

Revenue Act Collections

- Adjusted for special factors, Revenue Act receipts this period (primarily May 2008 business activity) were 0.6 percent below the year-ago level, the second collection period this year that has shown a decline in adjusted year-over-year growth (adjusted April 11- May 10 collections declined 0.7 percent year-over-year). Last month adjusted Revenue Act receipts were up 3.0 percent year-over-year.
- Adjusted Revenue Act growth has averaged only 1.8 percent in the first five 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 June 11-July 10 period from electronic filers continues to show weakness in most sectors:
 - Tax payments by firms in the retail trade sector were 2.4 percent below the year-ago level. Tax payments from the retail trade sector decreased 3.0 percent last month, and have declined year-over-year, five of the last six months.
 - Four of the twelve 3-digit NAICS retail sectors reported declines this month including: motor vehicle dealers (-10.8 percent), furniture stores (-8.0 percent), building materials/garden supply retailers (-7.7 percent) and food and beverage stores (-5.7 percent). The auto sector, the largest retail trade category, has reported a year-over-year decline in tax payments for six consecutive months.
 - Three retailing sectors reported strong gains: gas stations and convenience stores increased 12.3 percent and apparel and accessories stores and non-store retailers each increased 6.5 percent.

- Non-retailing sectors reported a 0.1 percent overall decline in tax payments. Last month non-retailing sectors increased 6.7 percent. The construction sector reported a 3.1 percent decrease in tax payments this month after a 9.9 percent increase in the prior month.

Other Collections

- Non-Revenue Act tax payments were \$14.1 million below the estimate for the month. Liquor taxes (+\$1.5 million) and cigarette taxes (+\$158,000), were above the estimate, while real excise tax payments (-\$9.3 million), property taxes (-\$1.8million), estate taxes (-\$368,000), and “other” (-\$4.3 million) were below the estimate.
- There has been no improvement in real estate activity. June 2008 real estate tax receipts excluding penalties and interest were 51.8 percent below the year-ago level. Last month receipts declined 39.6 percent year-over-year. Real estate activity has declined eighteen of the last twenty months on a year-over-year basis.
- The weakness in real estate activity continues to be primarily due to a decline in transactions. A breakdown of the number of transactions and value per transaction is not available for June but for the month of May the number of transactions was 31.1 percent below the year-ago level while the average value per transaction declined 22.1 percent. Transactions have declined on a year-over-year basis twenty-nine of the past thirty months. The value per transaction has declined on a year-over-year basis for eight of the last nine months.
- Department of Licensing GFS collections, which primarily reflect payment of various licenses and fees, were \$183,000 less 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 June 11- July 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
July 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>
June 11 - July 10, 2008				
Department of Revenue-Total	\$1,217,061	\$1,156,464	(\$60,597)	-5.0%
Revenue Act** (1)	936,453	889,931	(46,522)	-5.0%
Non-Revenue Act(2)	280,608	266,532	(14,075)	-5.0%
Liquor Sales/Liter	12,463	14,004	1,541	12.4%
Cigarette	4,231	4,389	158	3.7%
Property (State School Levy)	178,681	176,853	(1,827)	-1.0%
Estate	477	109	(368)	NC
Real Estate Excise	55,453	46,179	(9,274)	-16.7%
Timber (state share)	0	0	0	NA
Other	29,304	24,997	(4,306)	-14.7%
Department of Licensing (2)	5,370	5,187	(183)	-3.4%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$1,222,430	\$1,161,650	(\$60,780)	-5.0%
Cumulative Variance Since the June Forecast (June 11, 2008 - July 10, 2008)				
Department of Revenue-Total	\$1,217,061	1,156,464	(60,597)	-5.0%
Revenue Act** (3)	\$936,453	889,931	(46,522)	-5.0%
Non-Revenue Act(4)	280,608	266,532	(14,075)	-5.0%
Liquor Sales/Liter	12,463	14,004	1,541	12.4%
Cigarette	4,231	4,389	158	3.7%
Property (State School Levy)	178,681	176,853	(1,827)	-1.0%
Estate	477	109	(368)	-77.2%
Real Estate Excise	55,453	46,179	(9,274)	-16.7%
Timber (state share)	0	0	0.0	NA
Other	29,304	24,997	(4,306)	-14.7%
Department of Licensing (4)	5,370	5,094	(276)	-5.1%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$1,222,430	\$1,161,557	(\$60,873)	-5.0%

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

2 June 2008 collections.

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

4 Cumulative collections, estimates and variance since the June forecast; (June 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
May 11 - June 10, 2008				
Department of Revenue-Total	\$1,562,199	\$1,562,199	\$0	0.0%
Revenue Act (1)	861,203	861,203	0	0.0%
Non-Revenue Act(2)	700,996	700,996	(0)	-0.0%
Liquor Sales/Liter	12,158	12,158	(0)	-0.0%
Cigarette	3,925	3,925	0	0.0%
Property (State School Levy)-net	621,975	621,975	0	0.0%
Estate	(14)	(14)	0	-0.0%
Real Estate Excise	44,160	44,160	(0)	-0.0%
Timber (state share)	986	986	0	0.0%
Other	17,807	17,807	(0)	-0.0%
Department of Licensing (2)	4,843	4,750	(93)	-1.9%
Lottery (2)	0	0	0	NA
Total General Fund-State***	1,567,042	1,566,949	(\$93)	-0.0%

Cumulative Receipts: Feb. 11 - June 10, 2006 & Revisions to History

Department of Revenue-Total	\$4,494,773	\$4,494,773	\$0	0.0%
Revenue Act (3)	3,515,057	3,515,057	0	0.0%
Non-Revenue Act(4)	979,716	979,716	(0)	-0.0%
Liquor Sales/Liter	47,063	47,063	(0)	-0.0%
Cigarette	15,328	15,328	0	0.0%
Property (State School Levy)-net after transf	645,483	645,483	(0)	-0.0%
Estate	537	537	0	0.0%
Real Estate Excise	171,580	171,580	(0)	-0.0%
Timber (state share)	2,549	2,549	(0)	NA
Other	97,176	97,176	(0)	-0.0%
Department of Licensing (4)	10,459	10,365	(93)	-0.9%
Lottery (4)	0	0	0	NA
Total General Fund-State***	\$4,505,231	\$4,505,138	(\$93)	-0.0%

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

1 Collections May 11 - June 10, 2008. Collections primarily reflect April 2008 business activity of monthly taxpayers and q1, 2008 activity of quarterly filers.

2 May 1-30, 2008 collections.

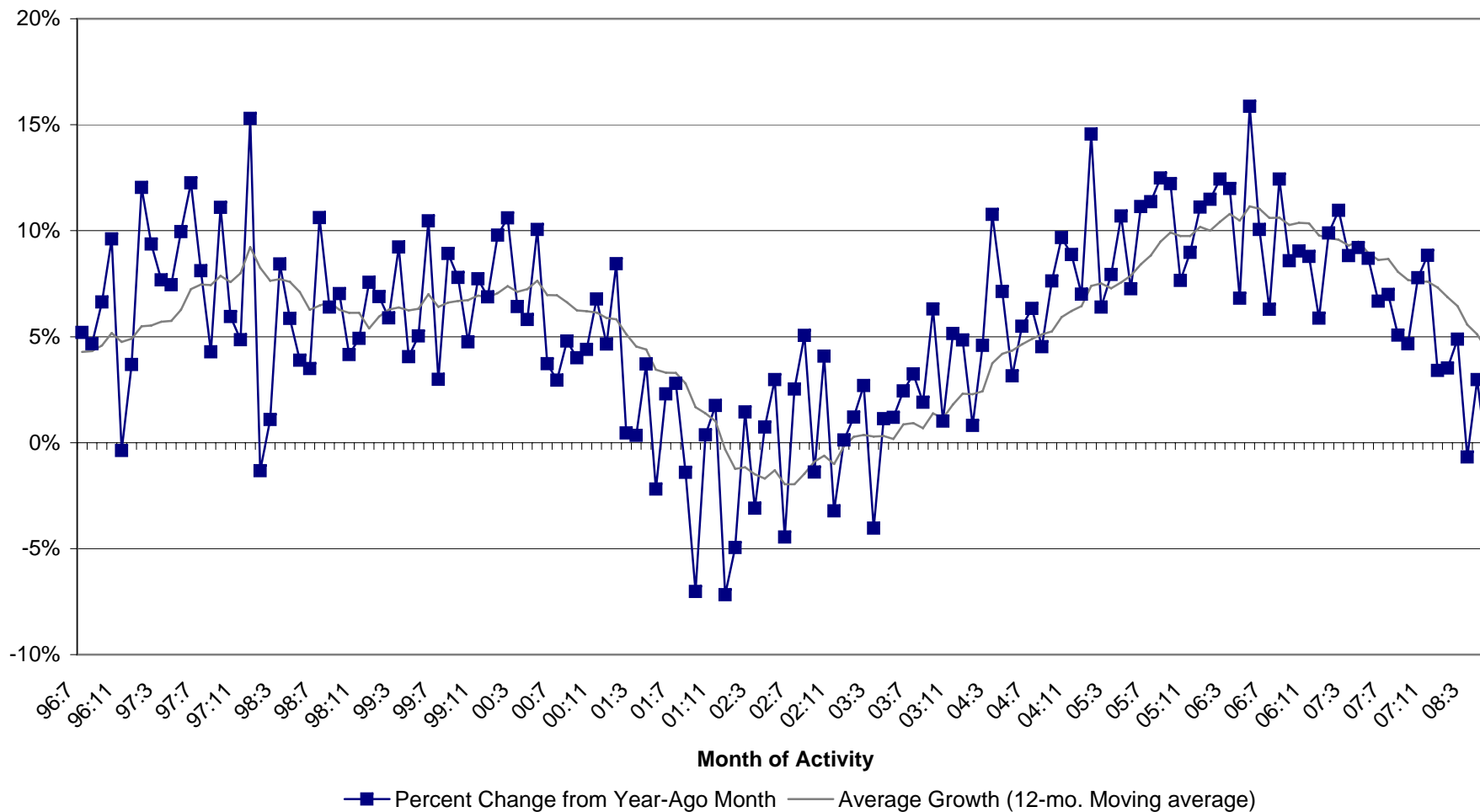
3 Cumulative receipts since the Feb. 2008 forecast: Feb 11- July 10, 2008 & revisions to history.

4 Cumulative receipts since the Feb. 2008 forecast (Feb. 2008- May 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.