



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

TO: Senator Craig Pridemore
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FROM: Eric Swenson, Senior Economic Forecaster

SUBJECT: MARCH 10, 2009 REVENUE COLLECTION REPORT

General Fund-State (GFS) tax receipts in the February 11, 2008 – March 10, 2009 collection period fell short of the November forecast. Receipts for the month were \$39.8 million (4.9 percent) lower than expected. Revenue Act receipts were \$32.5 million (4.2 percent) below the forecast, and non-Revenue Act payments were \$7.4 million (18.1 percent) below the forecast. The cumulative shortfall since the November forecast is now \$239.8 million (5.2 percent). Revenue Act receipts were \$51.8 million above the February “guidance” forecast due to the non-execution of \$52.0 million in expected refunds, which were postponed until later in the fiscal year. Had the refunds occurred when expected, the guidance forecast of Revenue Act revenue would have been very close to the actual receipts.

Revenue Act Collections

- Adjusted for special factors (a one-time deposit of \$3.5 million in addition to legislative changes between 2008 and 2009), Revenue Act receipts this period, which primarily reflect January 2009 business activity, were 10.1 percent below their year-ago level. The forecasted decline was 6.1 percent.
- Previously published revenue Act receipts for the January 11-February 10 collection period were revised downward by \$3.1 million. The adjusted year-over-year decline for that period is now 10.6 percent.
- After revision, payments reflecting adjusted fourth quarter 2008 Revenue Act activity declined 9.5 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 5.8 percent below their year-ago level. Last month the sector saw a decline of 12.7 percent. Tax receipts from the retail trade sector have declined year-over-year in thirteen of the last fourteen months.

- With the exception of electronics and appliances (+9.4%), drug and health Stores (+4.9%) and general merchandise stores (+3.7%), all of the twelve 3-digit NAICS retail sectors reported declines in tax payments this month. The sectors with the largest declines were building materials/garden supply (-22.3%), gas stations and convenience stores (-16.7%), nonstore retailers (-11.4%) and motor vehicle dealers (-9.6 percent).
- The auto sector, the largest retail trade category, has now reported a year-over-year decline in tax payments for fourteen consecutive months.
- Non-retailing sectors reported a 10.9 percent overall decrease in tax payments. Last month, collections from non-retailing sectors had decreased 9.0 percent. The construction sector reported a 19.4 percent decrease in tax payments this month after a 9.0 percent decrease in the prior month. The manufacturing sector reported a 37.5 decrease in tax payments after a 20.6 percent decrease in the prior month.

Other Collections

- Non-Revenue Act tax payments to the Department of Revenue were \$7.4 million below the estimate for the month. Real estate excise tax came in \$1.4 million above the estimate and property taxes were above the estimate by \$4.2 million, but “other” taxes were below their forecast by \$12.7 million (74.7%). The shortfall in “other” was due to a refund in unclaimed property transfers to the general fund and shortfalls in brokered natural gas tax and property tax refund levy receipts.
- Taxable real estate activity remained weak in February. Real estate tax activity reported by the counties was 56.4 percent below their year-ago level. January receipts had declined 47.1 percent year-over-year. Taxable real estate activity has declined twenty-five of the last twenty-seven 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 February but for the month of January the number of transactions was 19.4 percent below the year-ago level while the average value per transaction declined 34.4 percent. The number of transactions has declined on a year-over-year basis thirty-seven of the past thirty-eight months. The value per transaction has declined on a year-over-year basis for sixteen of the last seventeen months.
- Department of Licensing GFS collections, which primarily reflect payment of various licenses and fees, were \$130,000 above the forecasted November value.

The cumulative July 11, 2008 - March 10, 2009 sum of the major General Fund-State collections presented in this report is 7.9 percent below its year-ago value.

The attached Table 1 compares collections with the November 2008 forecast for the February 11, 2008 – March 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
March 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>
February 11 - March 10, 2009				
Department of Revenue-Total	\$809,351	\$769,461	(\$39,890)	-4.9%
Revenue Act** (1)	768,246	735,791	(32,455)	-4.2%
Non-Revenue Act(2)	41,105	33,671	(7,435)	-18.1%
Liquor Sales/Liter	11,748	12,126	378	3.2%
Cigarette	3,721	3,498	(223)	-6.0%
Property (State School Levy)	(20,993)	(16,785)	4,209	20.0%
Estate	122	125	3	2.6%
Real Estate Excise	28,017	29,415	1,398	5.0%
Timber (state share)	1,504	1,001	(503)	-33.4%
Other	16,986	4,290	(12,696)	-74.7%
Department of Licensing (2)	254	384	130	51.1%
Lottery (5)	0	0	0	0.0%
Total General Fund-State***	\$809,605	\$769,845	(\$39,760)	-4.9%
Cumulative Variance Since the November Forecast (November 11, 2008 - March 10, 2009)				
Department of Revenue-Total	\$4,621,244	4,381,435	(239,808)	-5.2%
Revenue Act** (3)	\$3,642,553	3,435,467	(207,087)	-5.7%
Non-Revenue Act(4)	\$978,690	945,969	(32,722)	-3.3%
Liquor Sales/Liter	\$58,147	58,375	228	0.4%
Cigarette	\$15,780	14,666	(1,114)	-7.1%
Property (State School Levy)	\$687,735	692,910	5,174	0.8%
Estate	\$489	217	(271)	-55.5%
Real Estate Excise	\$149,233	112,710	(36,523)	-24.5%
Timber (state share)	\$3,061	2,510	(552)	-18.0%
Other	\$64,245	64,581	336	0.5%
Department of Licensing (4)	900	915	15	1.7%
Lottery (5)	11,092	11,092	0	0.0%
Total General Fund-State***	\$4,633,235	\$4,393,442	(\$239,793)	-5.2%

1 Collections February 11, 2008 - March 10, 2009. Collections primarily reflect January 2009 activity of monthly taxpayers.

2 February 2009 collections.

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

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

Period/Source	Collections		Difference	
	Preliminary*	Revised	Amount	Percent
January 11 - February 10, 2009				
Department of Revenue-Total	\$1,106,570	\$1,103,514	(\$3,055)	-0.3%
Revenue Act (1)	1,062,556	1,059,501	(3,055)	-0.3%
Non-Revenue Act(2)	44,013	44,013	0	0.0%
Liquor Sales/Liter	18,972	18,972	0	0.0%
Cigarette	4,153	4,153	0	0.0%
Property (State School Levy)-net	(13,815)	(13,815)	0	0.0%
Estate	59	59	0	0.0%
Real Estate Excise	19,323	19,323	0	0.0%
Timber (state share)	0	0	0	0.0%
Other	15,321	15,321	0	0.0%
Department of Licensing (2)	378	242	(136)	-35.9%
Lottery (2)	0	0	0	0.0%
Total General Fund-State**	1,106,948	1,103,757	(\$3,191)	-0.3%

*Reported in the February 10, 2008 collection report.

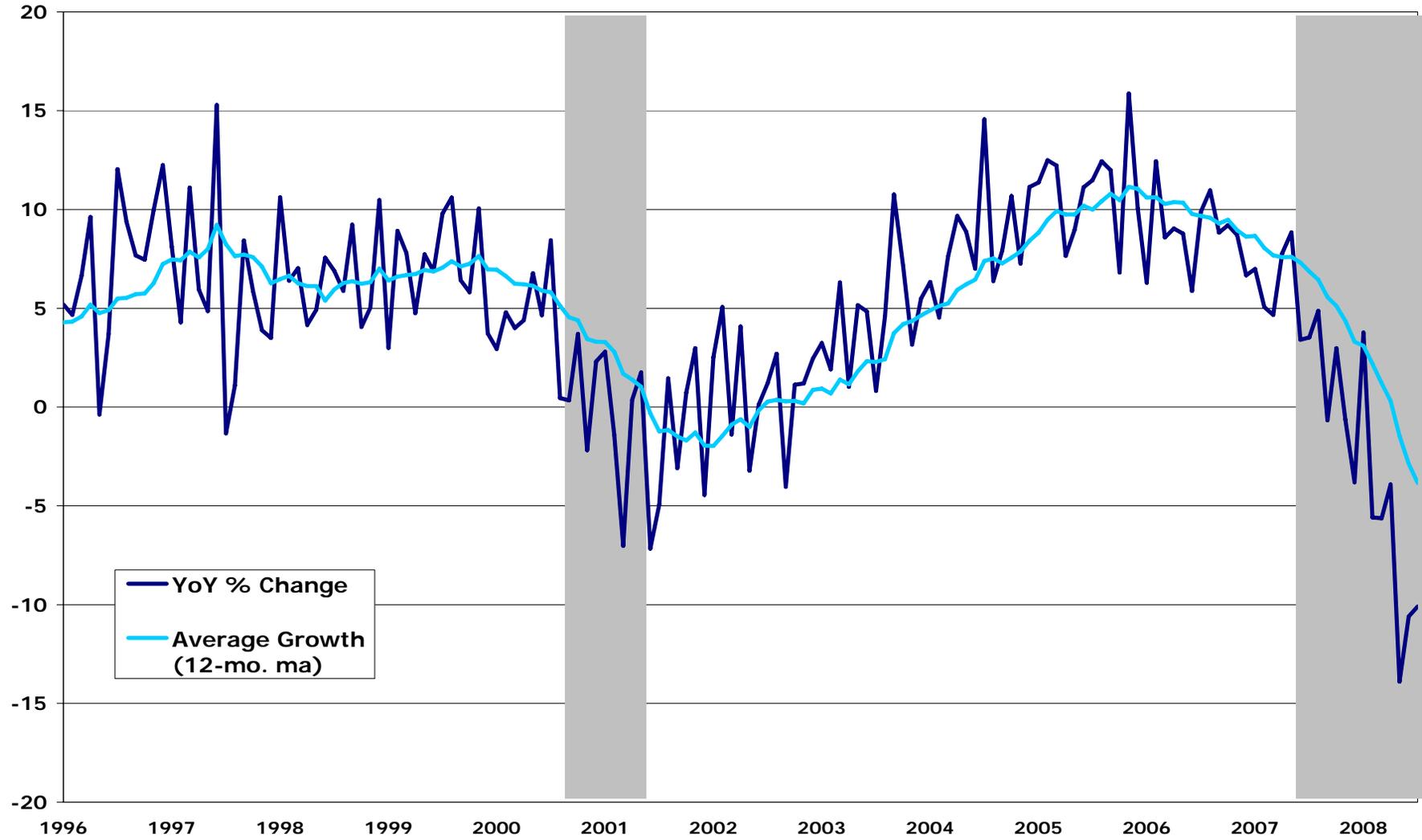
** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

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

2 January 1-31, 2009 collections.

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

Percent



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