



STATE OF WASHINGTON
ECONOMIC AND REVENUE FORECAST COUNCIL
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October 13, 2008

TO: Representative Jim McIntire, Chair
Senator Joseph Zarelli
Senator Craig Pridemore
Representative Ed Orcutt
Victor Moore, OFM, Director
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FROM: Eric Swenson, Senior Economic Forecaster

SUBJECT: OCTOBER 10, 2008 REVENUE COLLECTION REPORT

General Fund-State (GFS) tax payments in the September 11, 2008 - October 10, 2008 collection period returned to the pattern of weakness seen in the July and August collection reports. Receipts for the month were \$48.3 million (4.8 percent) lower than expected, due mainly to a \$43.5 million shortfall in Revenue Act receipts. All other revenue categories except for cigarette taxes also came in below their forecasted values.

Revenue Act Collections

- Adjusted for special factors (\$42.8 million in large audit payments in the September 11 - October 10 collection period of last year), Revenue Act receipts this period, which primarily reflect August 2008 business activity, were 5.6 percent below the year-ago level. Last month adjusted Revenue Act receipts were up 3.8 percent year-over-year, but this was the only collection period that has shown positive year-over-year growth since the May 11-June 10, 2008 period.
- Adjusted year-over-year Revenue Act payments have declined 0.9 percent on average over the last six months of collections. Adjusted year-over year growth in collections from first quarter activity was 2.3 percent, while the second quarter saw a decline of 0.8 percent year-over-year.
- Preliminary industry detail of tax payments for the September 11 - October 10 period from electronic filers shows widespread weakness:
 - Tax payments by firms in the retail trade sector were 7.3 percent below the year-ago level. Last month the sector saw a decline of 4.3 percent. Tax receipts from the retail trade sector have declined year-over-year in eight of the last nine months.
 - Eight of the twelve 3-digit NAICS retail sectors reported declines this month. The sectors with the largest declines were motor vehicle dealers (-18.4 percent), furniture stores (-13.8 percent), building materials/garden supply retailers (-12.5 percent), food and beverage stores (-6.9 percent) and electronics and appliances stores (-5.6 percent). The auto sector, the largest retail trade category, has now reported a year-over-year decline in tax payments for nine consecutive months.
 - Two retailing sectors reported strong gains: gas stations and convenience stores (17.8 percent) and drug and health stores (5.1 percent).

- Excluding several large audit payments in the information sector in the September 11 - October 10 collection period of last year, non-retailing sectors reported a 3.7 percent overall decrease in tax payments. Last month, collections from non-retailing sectors had increased 5.5 percent. The construction sector reported an 8.8 percent decrease in tax payments this month after a 2.9 percent increase in the prior month.

Other Collections

- Non-Revenue Act tax payments were \$4.8 million below the estimate for the month. Only cigarette taxes (+\$115,000) were above their estimate. The largest negative variances were from property taxes (-\$2.4 million) and “other” (-\$1.7 million). Real estate excise tax payments came in \$750,000 (1.7 percent) below their estimate.
- The year-over-year decline in taxable real estate activity moderated somewhat in September, nevertheless the decline remains sizeable. September 2008 real estate tax receipts excluding penalties and interest were 30.2 percent below the year-ago level. August receipts had declined 50.3 percent year-over-year. Taxable real estate activity has declined twenty-one of the last twenty-three 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 September but for the month of August the number of transactions was 33.1 percent below the year-ago level and the average value per transaction declined 25.7 percent. Transactions have declined on a year-over-year basis thirty-two of the past thirty-three months. The value per transaction has declined on a year-over-year basis for eleven of the last twelve months.
- Department of Licensing GFS collections, which primarily reflect payment of various licenses and fees, met their forecasted value of \$509,000 for September. There were no timber excise tax transfers to GFS scheduled for this month.

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

TABLE 1
Revenue Collection Report
October 10, 2008 Collections Compared to the September 2008 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Difference</u> <u>Amount</u>	<u>Percent</u>
September 11 - October 10, 2008				
Department of Revenue-Total	\$996,030	\$947,715	(\$48,315)	-4.9%
Revenue Act** (1)	939,813	896,300	(43,514)	-4.6%
Non-Revenue Act(2)	56,217	51,415	(4,801)	-8.5%
Liquor Sales/Liter	14,496	14,432	(64)	-0.4%
Cigarette	4,355	4,470	115	2.6%
Property (State School Levy)	(13,566)	(15,964)	(2,398)	-17.7%
Estate	12	6	(6)	-50.2%
Real Estate Excise	45,018	44,268	(750)	-1.7%
Timber (state share)	0	0	0	0.0%
Other	5,902	4,203	(1,699)	-28.8%
Department of Licensing (2)	509	509	0	0.0%
Lottery (5)	0	0	0	0.0%
Total General Fund-State***	\$996,539	\$948,224	(\$48,315)	-4.8%
Cumulative Variance Since the September Forecast (September 11, 2008 - October 10, 2008)				
Department of Revenue-Total	\$996,030	947,715	(48,315)	-4.9%
Revenue Act** (3)	\$939,813	896,300	(43,514)	-4.6%
Non-Revenue Act(4)	56,217	51,415	(4,801)	-8.5%
Liquor Sales/Liter	14,496	14,432	(64)	-0.4%
Cigarette	4,355	4,470	115	2.6%
Property (State School Levy)	(13,566)	(15,964)	(2,398)	17.7%
Estate	12	6	(6)	-50.2%
Real Estate Excise	45,018	44,268	(750)	-1.7%
Timber (state share)	0	0	0	0.0%
Other	5,902	4,203	(1,699)	-28.8%
Department of Licensing (4)	509	426	(83)	-16.4%
Lottery (5)	0	0	0	0.0%
Total General Fund-State***	\$996,539	\$948,140	(\$48,399)	-4.9%

1 Collections September 11 - October 10, 2008. Collections primarily reflect August 2008 activity of monthly taxpayers.

2 September 2008 collections.

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

4 Cumulative collections, estimates and variance since the September forecast; (September 2008) and revisions to history.

5 Lottery transfers to the General Fund

* Based on the September 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
October 10, 2008 Collection Report - Revised Data
Thousands of Dollars

Period/Source	Collections		Difference	
	Preliminary	Revised	Amount	Percent
August 11 - September 10, 2008				
Department of Revenue-Total	\$985,246	\$985,246	\$0	0.0%
Revenue Act (1)	936,319	936,319	0	0.0%
Non-Revenue Act(2)	48,927	48,927	0	0.0%
Liquor Sales/Liter	14,259	14,259	0	0.0%
Cigarette	4,214	4,214	0	0.0%
Property (State School Levy)-net	(18,168)	(18,168)	0	0.0%
Estate	134	134	0	0.0%
Real Estate Excise	41,263	41,263	0	0.0%
Timber (state share)	1,453	1,453	0	0.0%
Other	5,772	5,772	0	0.0%
Department of Licensing (2)	965	881	(84)	-8.7%
Lottery (2)	0	0	0	0.0%
Total General Fund-State***	986,210	986,127	(\$84)	0.0%

Cumulative Receipts: June 11 - September 10, 2008 & Revisions to History

Department of Revenue-Total	\$3,265,664	\$3,265,664	(\$0)	0.0%
Revenue Act (3)	\$2,877,492	2,877,492	(0)	0.0%
Non-Revenue Act(4)	\$388,173	388,173	(0)	0.0%
Liquor Sales/Liter	\$41,307	41,307	(0)	0.0%
Cigarette	\$13,168	13,168	0	0.0%
Property (State School Levy)-net after tran	\$143,871	143,871	(0)	0.0%
Estate	\$488	488	(0)	0.0%
Real Estate Excise	\$136,951	136,951	0	0.0%
Timber (state share)	\$1,453	1,453	0	0.0%
Other	\$50,934	50,934	(0)	0.0%
Department of Licensing (4)	10,448	10,365	(84)	-0.8%
Lottery (4)	0	0	0	0.0%
Total General Fund-State***	\$3,276,113	\$3,276,029	(\$84)	0.0%

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

1 Collections August 11 - September 10, 2008. Collections primarily reflect July 2008 business activity taxpayers.

2 August 1-31, 2008 collections.

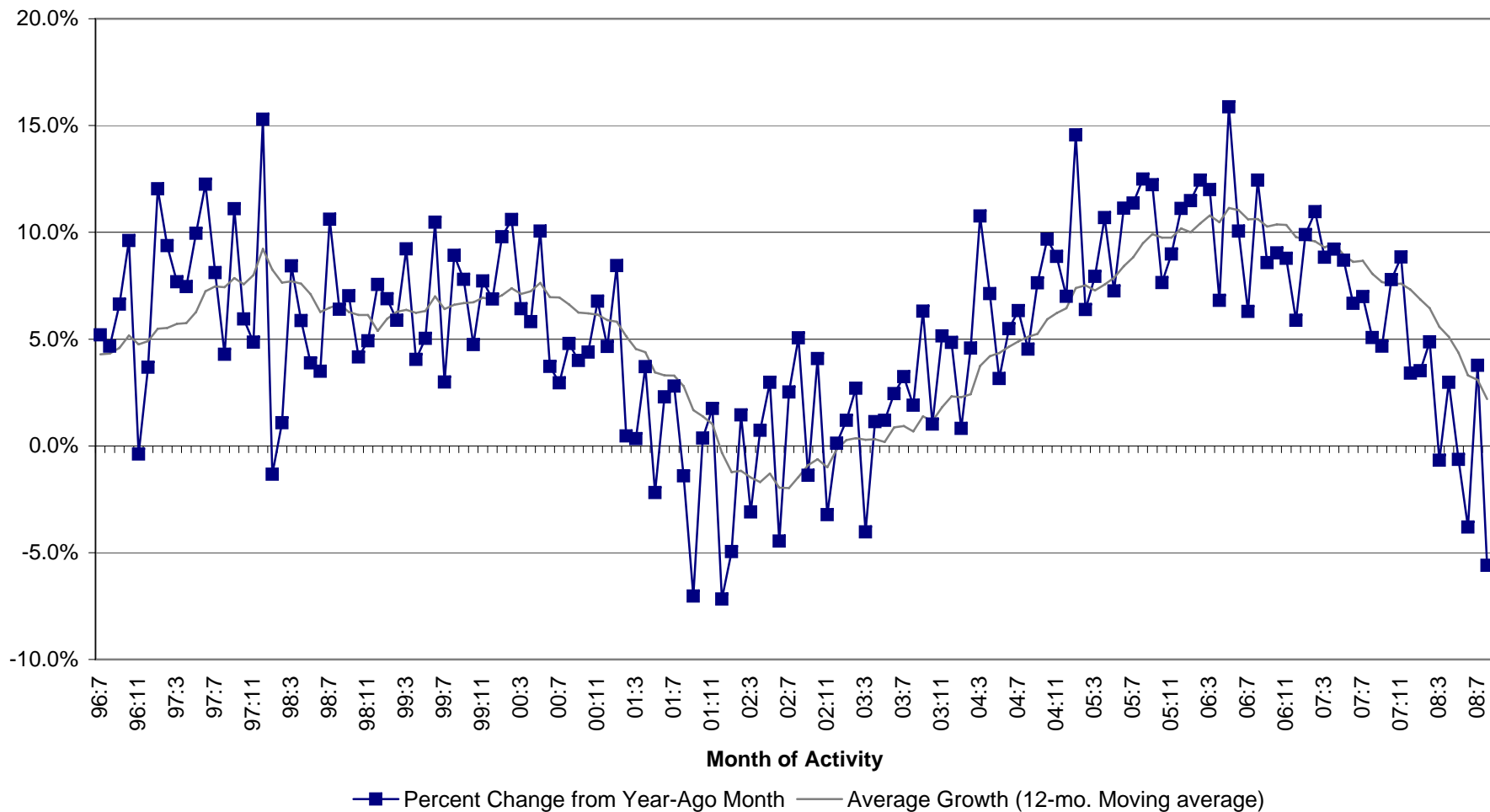
3 Cumulative receipts since the June. 2008 forecast: June 11 - September 10, 2008 & revisions to his

4 Cumulative receipts since the June 2008 forecast (June 2008- August 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.