



STATE OF WASHINGTON
ECONOMIC AND REVENUE FORECAST COUNCIL
Capitol Plaza Building, PO Box 40912 • Olympia, Washington 98504-0912 • (360) 570-6100

September 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: Eric Swenson, Senior Economic Forecaster

SUBJECT: SEPTEMBER 10, 2008 REVENUE COLLECTION REPORT

General Fund-State (GFS) tax payments revived somewhat in the August 11, 2008 - September 10, 2008 collection period. Receipts for the month were \$6.8 million (0.7 percent) higher than expected, due mainly to a \$19.9 million positive variance in Revenue Act receipts. All other revenue categories except for estate taxes and liquor taxes came in below their forecasted values.

Revenue Act Collections

- Adjusted for special factors (a \$23.5 million audit payment in the August 11-September 10 collection period of last year), Revenue Act receipts this period, which primarily reflect July 2008 business activity, were 3.8 percent above the year-ago level. This was the first collection period that has shown an increase in adjusted year-over-year growth since the May 11-June 10 period. Last month adjusted Revenue Act receipts were down 3.8 percent year-over-year.
- Year-over-year adjusted Revenue Act growth has averaged only 0.8 percent over the last six months of activity. First quarter adjusted year-over year growth was 2.3 percent, while the second quarter declined 0.8 percent year-over-year.
- Preliminary industry detail of tax payments for the August 11-September 10 period from electronic filers shows mixed results:
 - Tax payments by firms in the retail trade sector were 4.3 percent below the year-ago level. Tax payments from the retail trade sector decreased 6.0 percent last month and have declined year-over-year in seven of the last eight months.
 - Five of the twelve 3-digit NAICS retail sectors reported declines this month. The sectors with the largest declines were motor vehicle dealers (-20.0 percent), furniture stores (-7.7 percent), building materials/garden supply retailers (-6.9 percent) and miscellaneous (-3.7 percent). The auto sector, the largest retail trade category, has reported a year-over-year decline in tax payments for eight consecutive months.
 - Four retailing sectors reported strong gains: gas stations and convenience stores (25.3 percent), food and beverage stores (16.0 percent), drug and health stores (6.5 percent) and non-store retailers (5.6 percent).

- Non-retailing sectors reported a 5.5 percent overall increase in tax payments. Last month non-retailing sectors declined 2.9 percent. The construction sector reported a 2.9 percent increase in tax payments this month after a 5.3 percent decrease in the prior month.

Other Collections

- Non-Revenue Act tax payments were \$13.0 million below the estimate for the month. Only estate taxes (+\$93,000) and liquor taxes (+\$769,000) were above their estimates. The largest negative variances were from real estate excise tax (-\$9.1 million) and “other” (-\$3.5 million).
- Real estate activity continues to show large year-over-year declines. August 2008 real estate tax receipts excluding penalties and interest were 50.3 percent below the year-ago level. July receipts adjusted for late payments declined 43.4 percent year-over-year. Real estate activity has declined twenty of the last twenty-two 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 August but for the month of July the number of transactions was 27.4 percent below the year-ago level and the average value per transaction declined 22.0 percent. Transactions have declined on a year-over-year basis thirty-one of the past thirty-two months. The value per transaction has declined on a year-over-year basis for ten of the last eleven months.
- Department of Licensing GFS collections, which primarily reflect payment of various licenses and fees, were \$189,000 less than expected this month. Timber excise tax transfers to GFS were \$246,000 less than expected.

The attached Table 1 compares collections with the June 2008 forecast for the August 11-September 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. Please note that the August 11 collection report contained incorrect values in the “Cumulative Receipts” section of Table 2. The table has been corrected for this report.

Revenue Collection Report
September 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>
August 11 - September 10, 2008				
Department of Revenue-Total	\$976,819	\$983,793	\$6,974	0.7%
Revenue Act** (1)	916,391	936,319	19,928	2.2%
Non-Revenue Act(2)	60,427	47,474	(12,953)	-21.4%
Liquor Sales/Liter	13,490	14,259	769	5.7%
Cigarette	4,511	4,214	(297)	-6.6%
Property (State School Levy)	(17,453)	(18,168)	(715)	-4.1%
Estate	42	134	93	223.1%
Real Estate Excise	50,345	41,263	(9,082)	-18.0%
Timber (state share)	1,699	1,453	(246)	-14.5%
Other	7,794	4,320	(3,474)	-44.6%
Department of Licensing (2)	1,154	965	(189)	-16.4%
Lottery (5)	0	0	0	0.0%
Total General Fund-State***	\$977,973	\$984,757	\$6,785	0.7%
Cumulative Variance Since the June Forecast (June 11, 2008 - September 10, 2008)				
Department of Revenue-Total	\$3,377,897	3,264,211	(113,685)	-3.4%
Revenue Act** (3)	\$2,964,036	2,877,492	(86,544)	-2.9%
Non-Revenue Act(4)	413,861	386,720	(27,141)	-6.6%
Liquor Sales/Liter	39,656	41,307	1,651	4.2%
Cigarette	13,569	13,168	(401)	-3.0%
Property (State School Levy)	146,660	143,871	(2,789)	-1.9%
Estate	560	488	(71)	-12.8%
Real Estate Excise	155,983	136,951	(19,031)	-12.2%
Timber (state share)	1,699	1,453	(246.1)	-14.5%
Other	55,734	49,481	(6,253)	-11.2%
Department of Licensing (4)	9,493	10,355	862	9.1%
Lottery (5)	0	0	0	#N/A
Total General Fund-State***	\$3,387,390	\$3,274,567	(\$112,823)	-3.3%

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

2 August 2008 collections.

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

4 Cumulative collections, estimates and variance since the June forecast; (June-August 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
September 10, 2008 Collection Report - Revised Data
Thousands of Dollars

Period/Source	Collections		Difference	
	Preliminary	Revised	Amount	Percent
July 11 - August 10, 2008				
Department of Revenue-Total	\$1,123,955	\$1,123,955	\$0	0.0%
Revenue Act (1)	1,051,241	1,051,241	0	0.0%
Non-Revenue Act(2)	72,714	72,714	0	0.0%
Liquor Sales/Liter	13,044	13,044	0	0.0%
Cigarette	4,565	4,565	0	0.0%
Property (State School Levy)-net	(14,814)	(14,814)	0	0.0%
Estate	245	245	0	0.0%
Real Estate Excise	49,509	49,509	0	0.0%
Timber (state share)	0	0	0	0.0%
Other	20,164	20,164	0	0.0%
Department of Licensing (2)	3,156	2,987	(169)	-5.4%
Lottery (2)	0	0	0	0.0%
Total General Fund-State***	1,127,111	1,126,942	(\$169)	0.0%

Cumulative Receipts: February 11 - August 10, 2008 & Revisions to History

Department of Revenue-Total	\$6,775,192	\$6,775,192	\$0	0.0%
Revenue Act (3)	5,456,230	5,456,230	0	0.0%
Non-Revenue Act(4)	1,318,962	1,318,962	(0)	0.0%
Liquor Sales/Liter	74,111	74,111	(0)	0.0%
Cigarette	24,283	24,283	0	0.0%
Property (State School Levy)-net after tran	807,522	807,522	0	0.0%
Estate	891	891	0	0.0%
Real Estate Excise	267,268	267,268	(0)	0.0%
Timber (state share)	2,549	2,549	0	0.0%
Other	142,338	142,338	0	0.0%
Department of Licensing (4)	20,019	19,756	(263)	-1.3%
Lottery (4)	0	0	0	0.0%
Total General Fund-State***	\$6,795,210	\$6,794,948	(\$263)	0.0%

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

1 Collections July 11 - August 10, 2008. Collections primarily reflect June 2008 business activity of mo taxpayers.

2 July 1-31, 2008 collections.

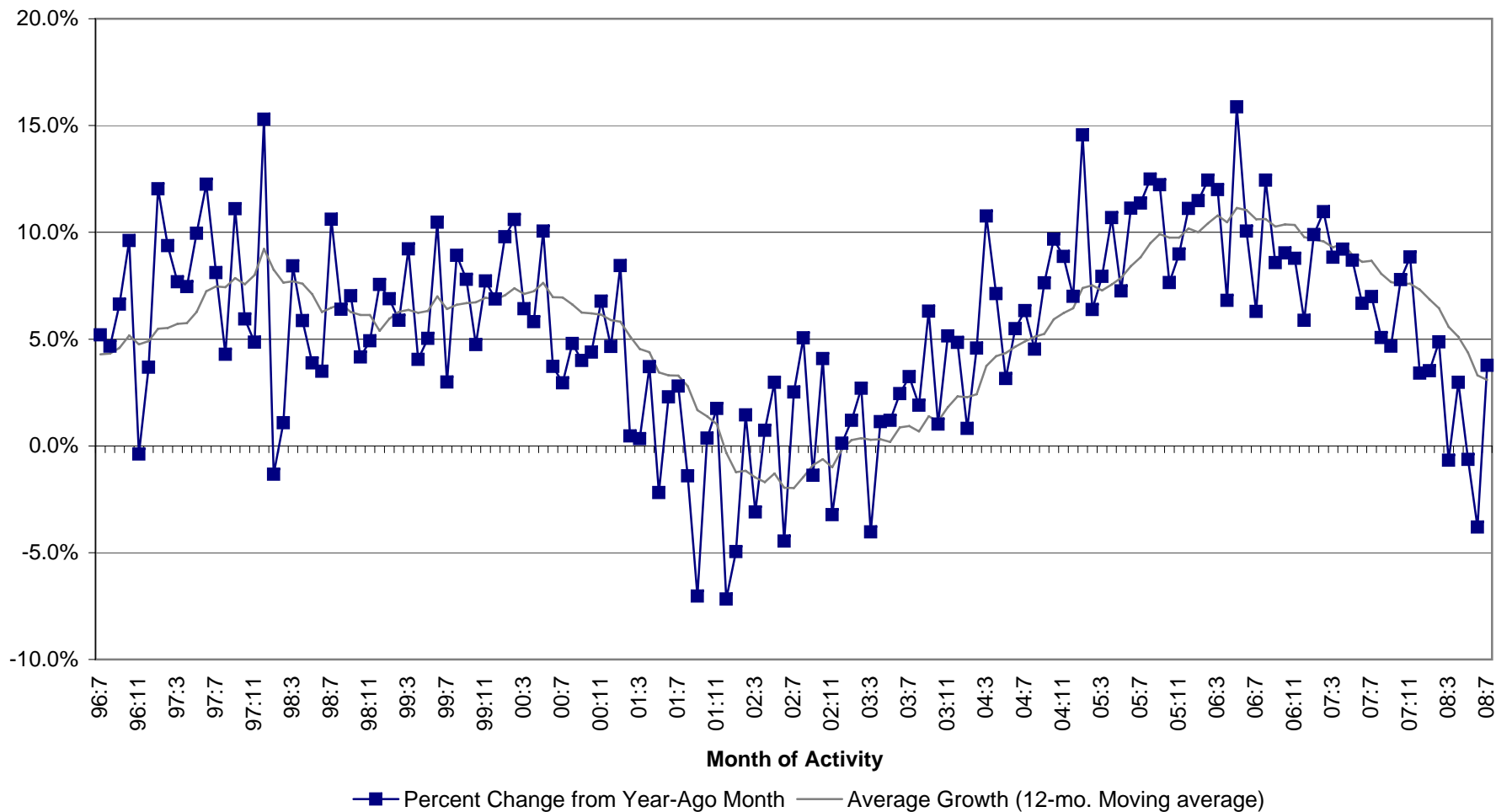
3 Cumulative receipts since the Feb. 2008 forecast: Feb 11- August 10, 2008 & revisions to history.

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