

# **Office of Economic & Revenue Forecasts**

## **2025 Q1 Revenue Report**

**May 2025**



## 1. Introduction

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**Structure and Schedule of Quarterly Revenue Reports.** This report documents revenues received through March 31<sup>st</sup> and is the first of four reports that the Office of Economic and Revenue Forecasts (Forecast Office) will provide regarding the 2025 revenues.

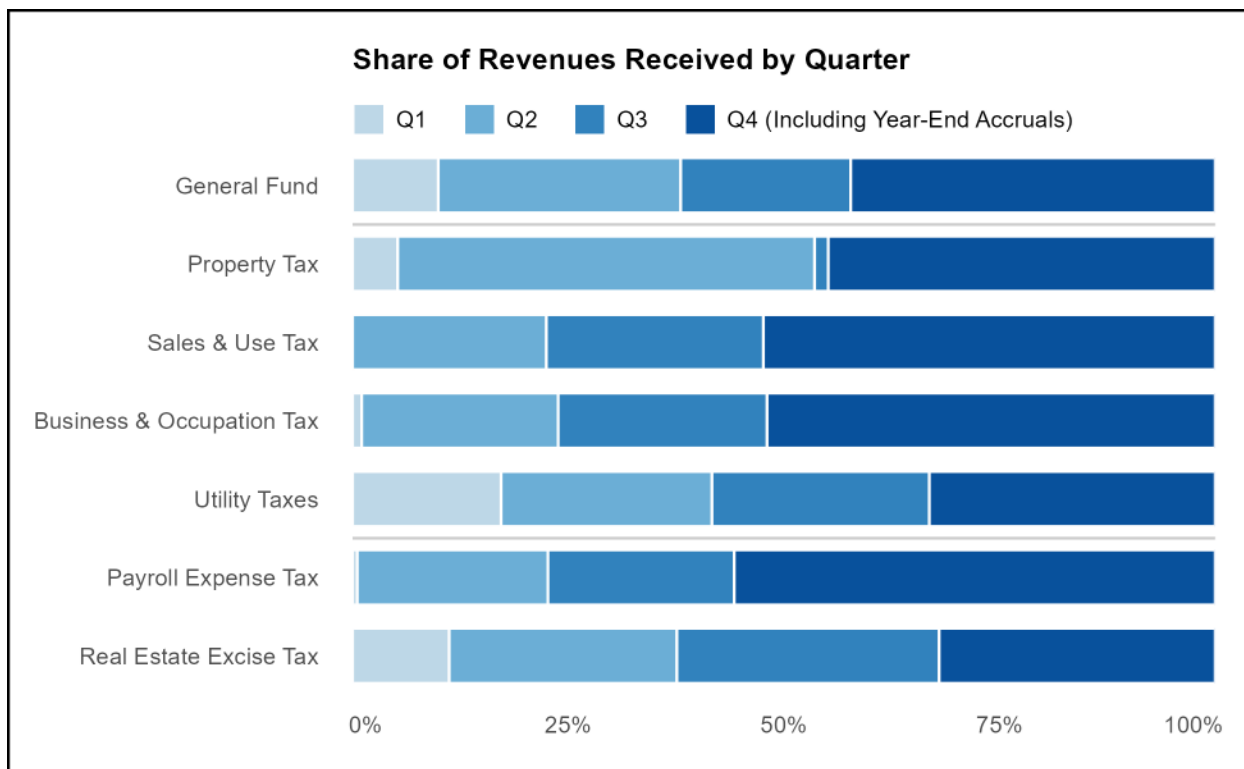
The goal of these reports is to track actual revenue receipts relative to the levels that could be anticipated given the most recent forecasts and historical quarterly patterns. The results presented in this report, in particular, are shown relative to the forecast approved by the City's Economic and Revenue Forecast Council on April 10<sup>th</sup> 2025. This forecast update replaced the October forecast, which underlies the City's 2025 Budget, as adopted by the City Council and signed by the Mayor in November 2024.

The structure of this report remains largely unchanged from the previous quarterly summaries. Following introduction, Section 2 provides an overview of overall General Fund (GF) revenues, and detailed analyses of the four largest contributors to GF revenues (Property Tax, Retail Sales Tax, Business and Occupation Tax, and Utility taxes), as well as specific information regarding the Payroll Expense Tax and the Real Estate Excise Tax. Section 3 provides a comprehensive accounting of all GF revenue sources, as well as additional detail regarding the most significant non-GF resources.

As was noted in the previous reports, tracking and comparisons are done relative to the share of the annual forecast that is typically seen for each revenue stream by the end of the reporting quarter. The narrative in the report provides context and explanation when realized revenues differ significantly from the usual pattern of revenue receipts. For 2025, we are generally using the average share of revenues collected in each quarter of 2019 and 2021-2024 as typical pattern of payments. Detailed information is not readily available before that date because City shifted to a new accounting system in 2018. The timing of tax payments was significantly disrupted by the COVID pandemic, we thus remove 2020 when calculating average historic patterns of quarterly payments. For some individual revenues streams, we have also excluded the 2021 results because the timing of tax payments was still being affected by the COVID.

**Timing of Revenue Receipts.** Although one might possibly think that roughly 25% of annual revenues are received each quarter, the actual distribution differs quite significantly from an even distribution. In general, both for individual revenue sources and for the General Fund as a whole, a larger share of receipts is received in the latter portion of the year.

The chart below illustrates this point by showing what share of annual General Fund, as well as main General Fund and non-General Fund revenues, are collected by the end of each quarter. By the end of the first quarter, the City generally receives less than 8% of the annual General Fund revenues. It is thus not possible to draw many conclusions about the performance of revenues from first quarter results. The chart also shows that even in October, when the Forecast Office develops its final forecast of current-year revenues, the City has still only received about 53% of the General Fund’s annual total.<sup>1</sup>



The primary explanation for the pattern of payments skewed toward later parts of the year is that most of the tax revenues received in January and February are not for first quarter tax liabilities, but rather represent payments for taxable activity that occurred in November and December of the previous year. The City’s financial books for the previous year are not closed until late February so that these delayed payments can be accrued back to the previous year. In addition to the impact of accruals, the filing due dates for main sources including Property, B&O and Payroll taxes shift revenue out of the first quarter and toward the remainder of the year. Business and Occupation Tax returns for first quarter are only due by the end of April, the amount received by the

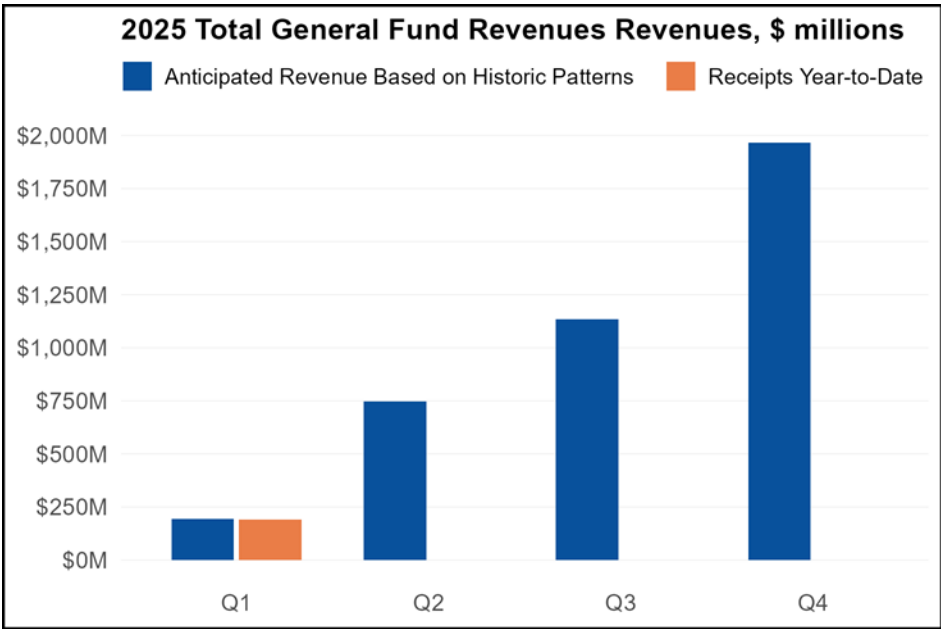
<sup>1</sup> This also has a significant impact on the City’s overall financial planning since during the budget process the Mayor and Council are making critical decisions about how to allocate resources from the current year and next with limited information about how revenues are performing.

end of first quarter is usually negligible and comes largely from non-current payments such as late payments, audits, or refunds. Similarly, for Payroll Expense Tax, the main non-General Fund revenue source, the estimated payments for the first quarter are also only due by the end of April. The timing of payments for each of the major revenue sources is discussed further in the next section of this report.

## 2. Total General Fund Revenues and Highlights of Major Revenue Sources

### 2.1 General Fund Revenue Results

The first quarter total is about \$3.4 million (1.7%) less than what would have been expected if the 2025 annual forecasts for individual revenues were allocated across the



year based on recent quarterly patterns. As shown in the table below, four categories account for most of the difference: Property Tax, Public Utility Taxes, Revenue from Other Public Entities, Grants.

Property Taxes are due in April and October, the difference in revenues received in Q1 is within the bounds of what’s normally expected

General Fund, \$ million	Q1	Q2	Q3	Q4
YTD Receipts	\$192.0			
Anticipated Revenue Based on Historic Patterns	\$195.4	\$748.1	\$1,135.7	\$1,966.5
Difference	-\$3.4			

and not a cause of concern. In case of Public Utility Taxes, drainage receipts for Q1 were only accounted for in April, about \$4 million of revenues shifted to Q2. Revenue from Other Public Entities is lower for similar reason - Liquor Board Profits remitted by Department of Revenue in March were only accounted for in April, shifting \$1.48

million of revenues to Q2. Finally, Grants are unique in that they are reimbursements for set expenditures, and a negative difference is not an indicator of lost revenues, but rather a lack of expenditures in Q1.

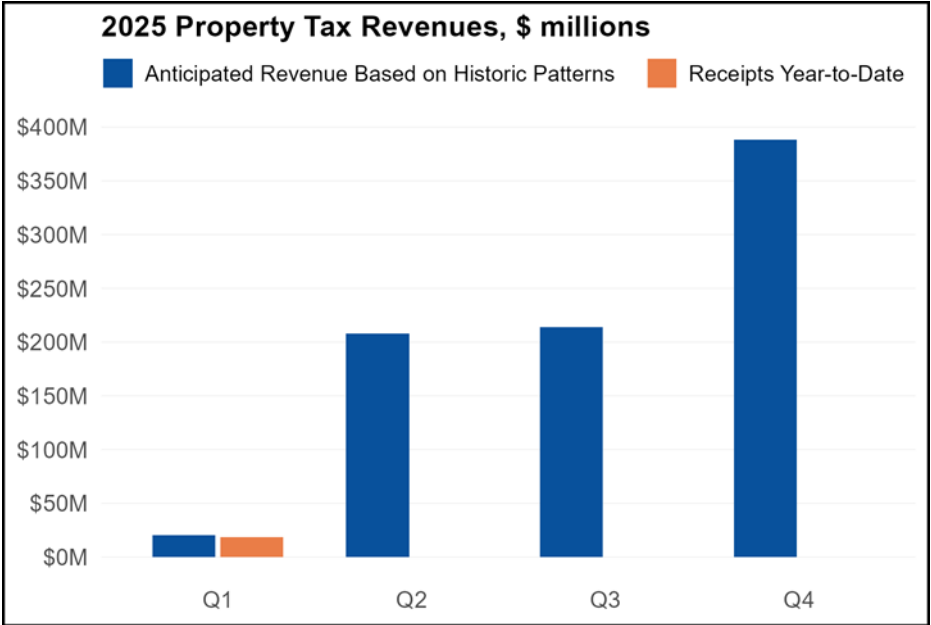
Offsetting the above, the first quarter total revenues were bolstered by higher Parking Meters and Service Charges & Reimbursements revenues, totaling \$3.57 million above the amounts predicted by simple allocation based on historical quarterly patterns. Parking Meter rates have been actually lowered in March on average and this change has been incorporated in the April forecast, resulting in a lower annual forecast. At the same time this implies a higher than typical share of annual revenues received in Q1.

The table below provides a summary of General Fund's major revenue categories, it is followed by discussion regarding the most significant sources. A more detailed breakdown of receipts by revenues source is provided in Section 3.

Revenue	2025 Revised Forecast, April, \$ mil.	Historical Average, Q1 as % of Annual	2025 Q1 Estimate Based on Historical Average, \$mil.	2025 Q1 Receipts, \$ mil.	Difference, 2025 Q1 Actual vs Forecast, \$ mil.
Property Tax (Including Medic One Levy)	\$388.39	5.2%	\$20.34	\$18.40	-\$1.93
Sales & Use Tax	\$343.23	0.0%	\$0.00	\$0.00	\$0.00
Business & Occupation Tax	\$368.61	1.1%	\$3.90	\$3.76	-\$0.14
Utility Tax - Private	\$39.10	19.9%	\$7.79	\$8.10	\$0.30
Utility Tax - Public	\$208.20	16.7%	\$34.78	\$32.63	-\$2.16
Other City Taxes	\$14.02	7.0%	\$0.98	\$0.53	-\$0.45
Parking Meters	\$38.03	18.3%	\$6.96	\$8.82	\$1.87
Court Fines	\$23.90	20.3%	\$4.85	\$5.83	\$0.98
Licenses, Permits, Interest Income and Other	\$69.29	22.1%	\$15.29	\$15.29	-\$0.01
Revenue from Other Public Entities	\$20.45	10.2%	\$2.08	\$0.51	-\$1.57
Service Charges & Reimbursements	\$79.21	19.4%	\$15.34	\$17.04	\$1.70
Grants	\$59.14	7.8%	\$4.60	\$2.62	-\$1.98
Fund Balance Transfers	\$314.97	24.9%	\$78.43	\$78.43	\$0.00
<b>Total General Fund Revenues</b>	<b>\$1,966.54</b>	<b>9.9%</b>	<b>\$195.35</b>	<b>\$191.96</b>	<b>-\$3.39</b>
<b>Total General Fund Revenues excl. Grants and Fund Balance Transfers</b>	<b>\$1,592.43</b>	<b>7.1%</b>	<b>\$112.32</b>	<b>\$110.91</b>	<b>-\$1.41</b>

Property Tax

Property tax payments are due twice a year, first half in April and the second half in October. As a result, the first quarter revenue results are anticipated to be small and



Property Tax, \$ million	Q1	Q2	Q3	Q4
YTD Receipts	\$18.4			
Anticipated Revenue Based on Historic Patterns	\$20.3	\$208.0	\$214.2	\$388.4
Difference	-\$1.9			

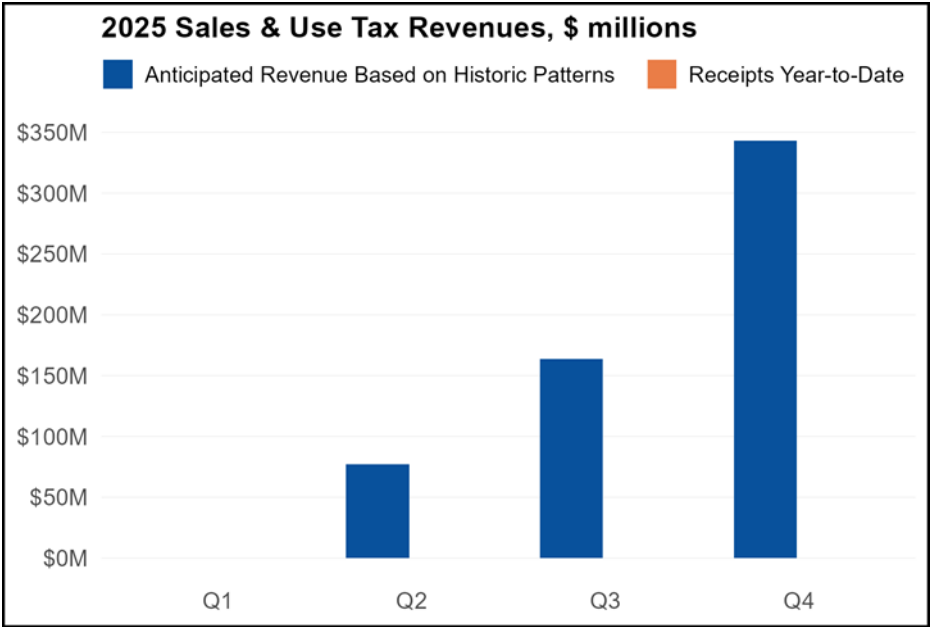
margin of error for Q1 and at this point is not indicative of lost revenues. Compared to other revenue sources, property tax payments are affected much less by evolving economic conditions in the current year as the obligations are fixed at the beginning of the year. Year to year variations in the amount received in the first quarter in general reflect changes in the number of taxpayers who choose to pay in advance of April due date.

consist of early payments. Consistent with this expectation, the results to date show that the City has received 4.7% of the total 2025 forecasted receipts. Actual revenues are about \$1.9 million lower than what would be projected at this point based on the 5.2% historical average for Q1 payments as fraction of the annual total. This appears within the



**Sales and Use Tax**

The State of Washington’s Department of Revenue (DOR) transmits a monthly distribution of the retail sales tax attributable to economic activity in the city. These



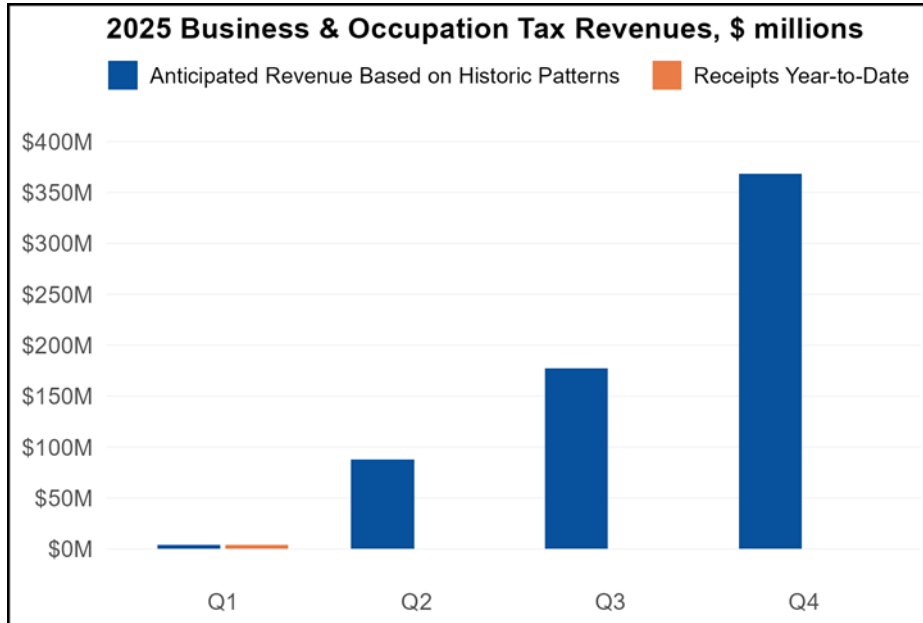
distributions occur in general two months following the month during which the underlying taxable transactions occurred, and the distribution payment is then deposited to the City’s sales tax revenue account in the following month. In particular, the distribution payment for taxable sales activity that

Sales Tax, \$ million	Q1	Q2	Q3	Q4
YTD Receipts	\$0.0			
Anticipated Revenue Based on Historic Patterns	\$0.0	\$77.1	\$163.5	\$343.2
Difference	\$0.0			

occurred primarily in January is only accounted for in April, as a result there is no sales tax revenue for 2025 in the first quarter of this year.

## Business & Occupation (B&O) Tax

Businesses have to file B&O tax returns on either quarterly or annual basis, depending on the size of the business. Quarterly filings are not due until one month after the close



of the quarter, the returns and payments received then need to be processed. Consequently, the total B&O tax payments received for a given obligation quarter are not known to the City until six or seven weeks after the quarter end. B&O revenues received through the end of March thus generally represent only 1% of the annual total.

B&O Tax, \$ million	Q1	Q2	Q3	Q4
YTD Receipts	\$3.8			
Anticipated Revenue Based on Historic Patterns	\$3.9	\$87.8	\$177.1	\$368.6
Difference	-\$0.1			

Furthermore, small businesses and new taxpayers have always been allowed to pay their B&O taxes annually, rather than on a quarterly basis. Starting in 2021, the due date for these annual payers shifted from January 31<sup>st</sup> to April 30<sup>th</sup>. Not all annual taxpayers took advantage of this new flexibility, but many have. This change in the due date shifted more than half of the revenues from annual obligations from the first to the second quarter.

B&O revenues received in 2025 Q1 are in line with the amount expected given an allocation of the total annual forecast into individual quarters based on recent historical patterns of quarterly payments.



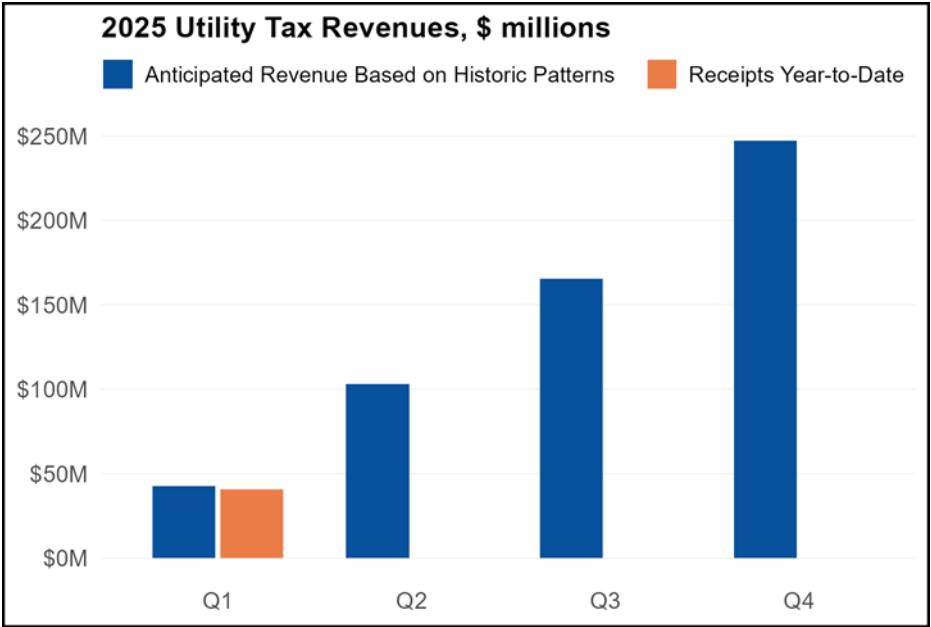
Utility Taxes

The City charges tax on the bills paid to both public and private utility companies. Collectively, revenues from these taxes represent a significant share of overall GF

revenues.

Details about the amount received for individual utility services can be found in Section 3. The chart and table presented here summarize the total utility tax payments through 2025 Q1.

Payments generally arrive with a one-month lag, so the results for the first quarter generally reflect payments for January and February



Utility Taxes, \$ million	Q1	Q2	Q3	Q4
YTD Receipts	\$40.7			
Anticipated Revenue Based on Historic Patterns	\$42.6	\$103.0	\$165.3	\$247.3
Difference	-\$1.9			

obligations, with receipts for December obligations accrued to the previous year. There were however some exceptions in the first quarter of 2025:

- Receipts for Q1 Drainage tax obligations were only accounted for in April, as a result about \$4 million of revenues shifted from the first to the second quarter.
- Brokered Natural Gas follows the same distribution schedule as Sale and Use Tax, therefore there are no revenues accounted for Q1.

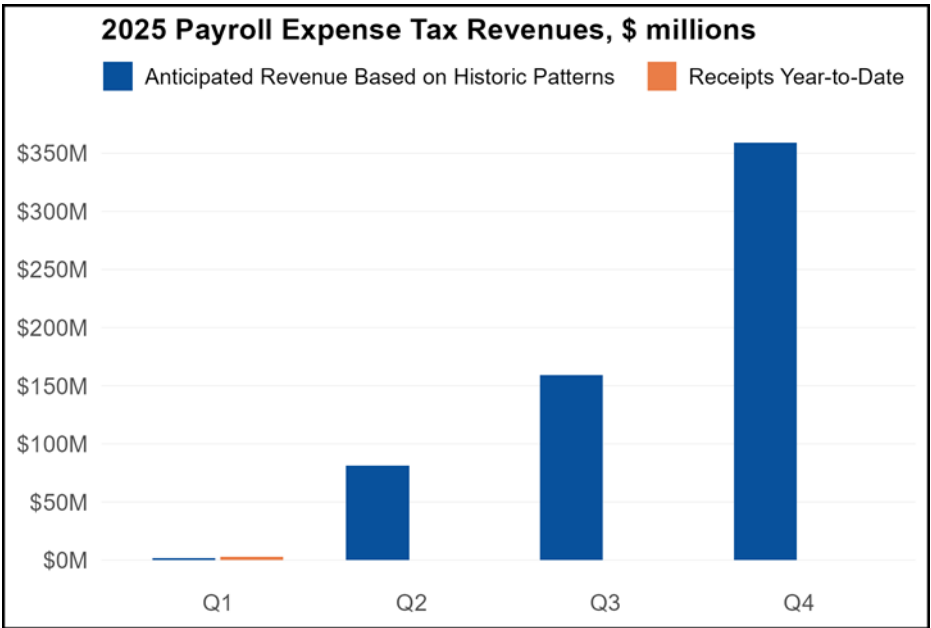
As a result, Utility Tax revenues for the first quarter total \$40.7 million, which is \$1.9 million (4.4%) below the April forecast; with Drainage tax revenues accounted in the first quarter it would be about the same amount over the April forecast.

2.2 Select Non-GF Revenue Sources

The detailed table in Section 3 provides information on major non-General Fund revenues which support general government activities (as opposed to enterprise functions such as Seattle City Light and Seattle Public Utilities), but which have been dedicated to specific purposes and policy priorities. This section focuses on two of the largest non-General Fund revenues, Payroll Expense Tax and Real Estate Excise Tax.

Payroll Expense Tax

Payroll Expense Tax imposes a graduated tax on businesses based on the annual compensations they pay their employees. The tax rate increases both with individual



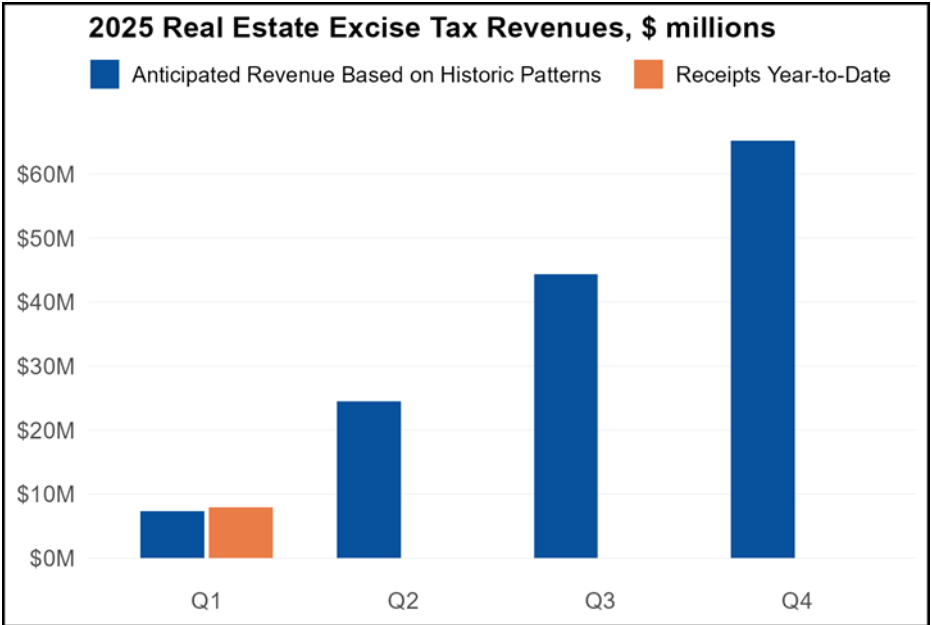
Payroll Tax, \$ million	Q1	Q2	Q3	Q4
YTD Receipts	\$2.6			
Anticipated Revenue Based on Historic Patterns	\$1.9	\$81.3	\$158.9	\$359.2
Difference	\$0.7			

compensation and with the overall payroll of the company. Since tax obligations depend on annual payrolls, tax liabilities cannot be determined until year end. Firms are required to make estimated quarterly payments; the simplest way these payments can be calculated is to use 25% of the total obligation in the previous filing year. A large number of taxpayers use this

approach, we thus anticipate roughly 25% of previous year’s annual payments to be made each of the first three quarters and potentially large adjustments in the final quarter, as was the case in past years. Returns are due a month after the end of the quarter, the small amount of revenues received in 2025 Q1 are thus primarily late payments for previous obligation years.

**Real Estate Excise Tax (REET)**

REET is collected on every property transaction that occurs within Seattle city. The tax is composed of two separate 0.25% taxes, for a total of 0.5%, which can each be used



REET, \$ million	Q1	Q2	Q3	Q4
YTD Receipts	\$8.0			
Anticipated Revenue Based on Historic Patterns	\$7.3	\$24.5	\$44.4	\$65.2
Difference	\$0.6			

for different purposes. Several factors make it in general difficult to determine whether current payments are tracking toward the forecast of annual revenues. Large transactions, such as sales of office towers or apartment buildings, can have a significant impact on the revenues reported in any single quarter and on the distribution of annual revenues

over the four quarters. In addition, regulatory and/or tax incentives, for example the introduction of graduated rate structure by Washington State in 2020, can provide incentives to pull forward and close transactions, shifting REET revenues temporarily.

More recently, the rising interest rates and economic uncertainty resulted in a significant drop in REET revenues in 2022 and 2023. As interest rates increased dramatically, fewer individuals were willing to take and/or qualify for a mortgage, resulting in fewer buyers in the market. On the selling side, interest rates considerably higher than the ultra-low rates of 2020-2022 have created interest rate lock-in, as potential sellers face higher costs if they decide to sell and move into a new mortgage financed home. High interest rates together with rising office vacancy rates have also led to a significant drop in commercial real estate sales.

REET however started to recover in 2024 and revenues collected in the first quarter of 2025 are somewhat above the April forecast.

### 3. Details - General Fund Revenues and Major Non-General Fund Revenues

Revenue	2025 Revised Forecast, April, \$ mil.	Historical Average, Q1 as % of Annual	2025 Q1 Estimate Based on Historical Average, \$mil.	2025 Q1 Receipts, \$ mil.	Difference, 2025 Q1 Actual vs Forecast, \$ mil.
Property Tax	\$324.10	5.2%	\$16.90	\$15.24	-\$1.66
Medic One/EMS Levy	\$64.29	5.3%	\$3.44	\$3.16	-\$0.27
Sales & Use Tax	\$314.24	0.0%	\$0.00	\$0.00	\$0.00
Sales & Use Tax - Criminal Justice	\$28.99	0.0%	\$0.00	\$0.00	\$0.00
Business & Occupation Tax	\$368.61	1.1%	\$3.90	\$3.76	-\$0.14
Utility Tax - Cable Television	\$9.41	15.2%	\$1.43	\$1.75	\$0.32
Utility Tax - Telephone	\$11.08	17.5%	\$1.94	\$1.87	-\$0.07
Utility Tax - Natural Gas	\$13.72	26.4%	\$3.63	\$3.83	\$0.20
Utility Tax - Steam	\$1.75	17.9%	\$0.31	\$0.41	\$0.10
Utility Tax - Brokered Natural Gas	\$1.84	13.6%	\$0.25	\$0.00	-\$0.25
Utility Tax - Solid Waste	\$1.31	17.8%	\$0.23	\$0.24	\$0.00
Utility Tax - City Light	\$67.22	18.5%	\$12.40	\$14.00	\$1.60
Utility Tax - City Water	\$37.58	13.2%	\$4.96	\$5.27	\$0.31
Utility Tax - Drainage & Wastewater	\$70.38	16.1%	\$11.31	\$7.79	-\$3.52
Utility Tax - City Solid Waste	\$33.01	18.5%	\$6.10	\$5.56	-\$0.54
Transportation Network Company Tax	\$5.18	0.0%	\$0.00	\$0.00	\$0.00
Other Taxes	\$8.84	11.1%	\$0.98	\$0.53	-\$0.45
Parking Meters	\$38.03	18.3%	\$6.96	\$8.82	\$1.87
Court Fines	\$23.90	20.3%	\$4.85	\$5.83	\$0.98
Business License Fees	\$21.63	25.0%	\$5.40	\$5.45	\$0.05
Licenses, Permits, Interest Income, NEC	\$47.66	20.8%	\$9.89	\$9.84	-\$0.05
Revenue from Other Public Entities	\$20.45	10.2%	\$2.08	\$0.51	-\$1.57
Service Charges & Reimbursements	\$79.21	19.4%	\$15.34	\$17.04	\$1.70
Grants	\$59.14	7.8%	\$4.60	\$2.62	-\$1.98
Transfer from - Payroll Expense Tax Fund	\$313.72	25.0%	\$78.43	\$78.43	\$0.00
Transfer from - Other Fund	\$1.25	0.0%	\$0.00	\$0.00	\$0.00
<b>Total General Fund Revenues</b>	<b>\$1,966.54</b>	<b>9.9%</b>	<b>\$195.35</b>	<b>\$191.96</b>	<b>-\$3.39</b>
<b>Total General Fund Revenues excl. Grants and Fund Balance Transfers</b>	<b>\$1,592.43</b>	<b>7.1%</b>	<b>\$112.32</b>	<b>\$110.91</b>	<b>-\$1.41</b>

Revenue	2025 Revised Forecast, April, \$ mil.	Historical Average, Q1 as % of Annual	2025 Q1 Estimate Based on Historical Average, \$mil.	2025 Q1 Receipts, \$ mil.	Difference, 2025 Q1 Actual vs Forecast, \$ mil.
<b>General Government Revenues</b>					
Payroll Expense Tax	\$359.17	0.5%	\$1.94	\$2.62	\$0.68
Real Estate Excise Tax	\$65.23	11.2%	\$7.31	\$7.95	\$0.65
Admission Tax	\$25.38	9.9%	\$2.51	\$2.94	\$0.43
Sweetened Beverage Tax	\$19.79	1.0%	\$0.20	\$0.47	\$0.26
Short Term Rental Tax	\$11.84	0.0%	\$0.00	\$0.00	\$0.00
<b>Transportation Specific Revenues</b>					
Commercial Parking Tax	\$51.11	12.9%	\$6.58	\$5.72	-\$0.85
SSTPI - School Zone Speed Enforcement	\$11.10	23.8%	\$2.64	\$1.58	-\$1.06
STBD Sales Tax	\$53.51	0.0%	\$0.00	\$0.00	\$0.00
STBD Vehicle License Fee	\$20.10	14.9%	\$2.99	\$2.69	-\$0.30