

Office of Economic & Revenue Forecasts

2025 Q2 Revenue Report

July 2025



1. Introduction

Structure and Schedule of Quarterly Revenue Reports. This report documents revenues received through June 30th and is the second of four reports that the Office of Economic and Revenue Forecasts (Forecast Office) will provide regarding the 2025 revenues.

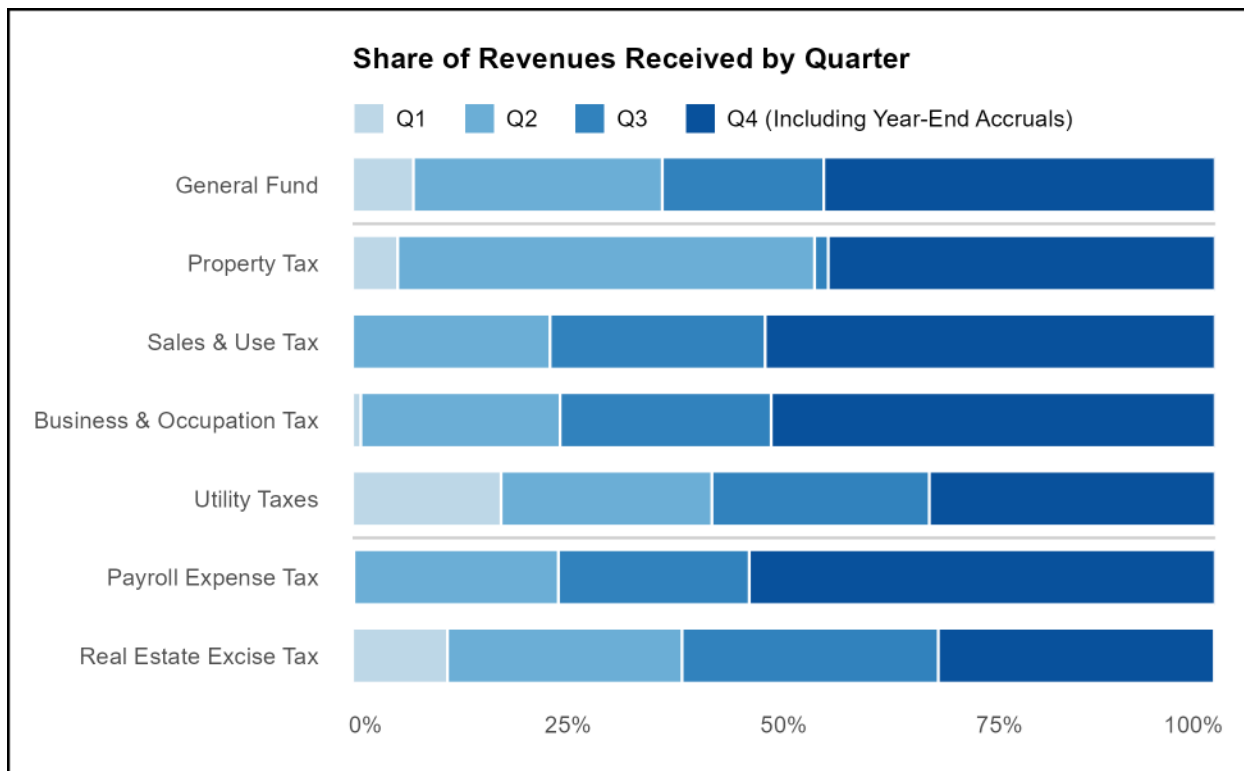
The goal of these reports is to track actual revenue receipts relative to the levels that could be anticipated given the most recent forecasts and historical quarterly patterns. The results presented in this report, in particular, are shown relative to the forecast approved by the City's Economic and Revenue Forecast Council on April 10th 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 in general 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 second quarter, the City generally receives about 36% of the annual General Fund revenues. Thus, unlike in the first quarter report, results now do provide some information on the performance relative to the historical patterns that will influence the August forecast. Note that 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 slightly more than half of the General Fund's annual total.¹



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

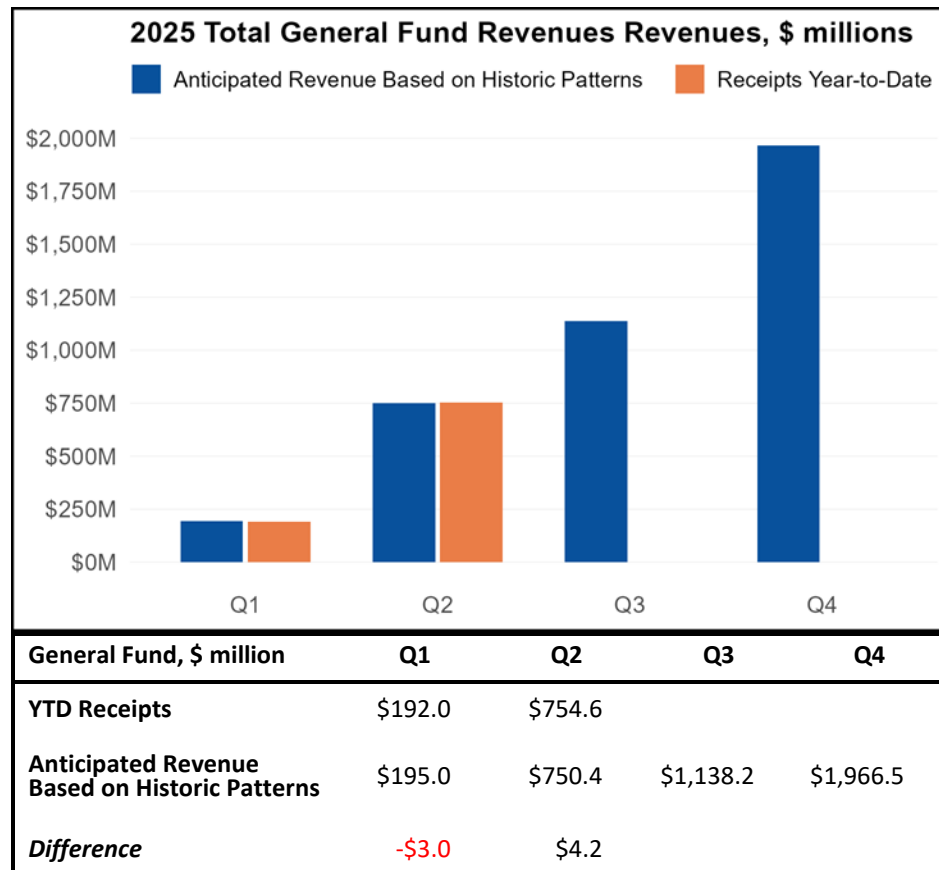
¹ This also has a significant impact on the City's overall financial planning since during the budget process the Mayor and Council are making critical decisions about how to allocate resources from the current year and next with limited information about how revenues are performing.

returns for first quarter are only due by the end of April, the amount received by the 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 total for the first two quarters is about \$4.2 million (0.57%) higher than what



would have been expected if the 2025 annual forecasts for individual revenues were allocated across the year based on recent quarterly patterns. This is close to expectations, but per the table below, several revenues differed more notably from expectations and offset each other in the aggregate.

Business & Occupation Tax

and Public Utilities Taxes collectively came in nearly \$12 million above the April forecast. These gains were largely offset by underperformance in Property Taxes and Grants, which together fell \$10.34 million short of expectations. The shortfall in Grants reflects the fact that these are reimbursements for specific expenditures, some of

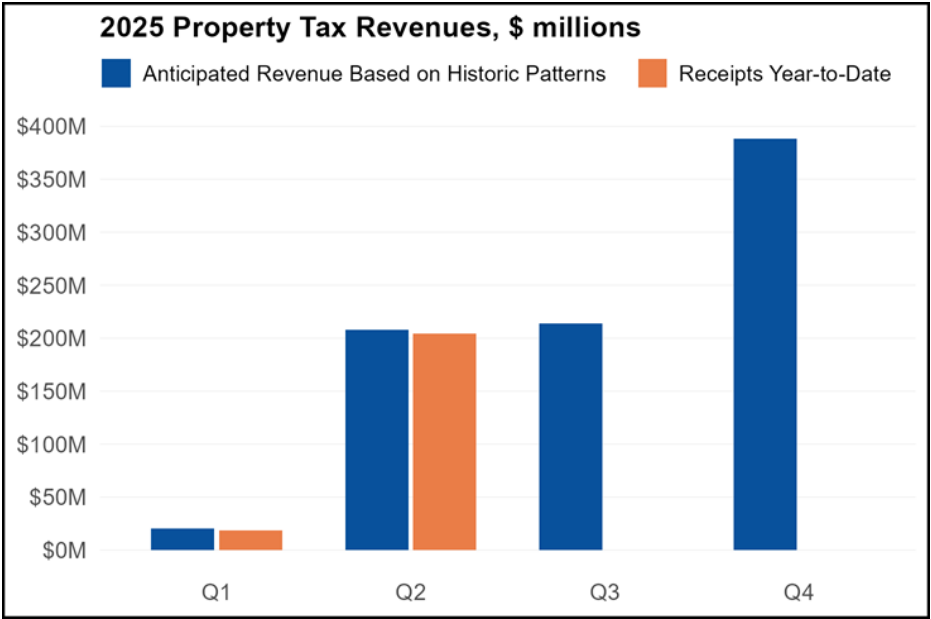
which have not yet occurred, the specifics and contributing factors for the rest are discussed in the corresponding sections below. Excluding Grants and Fund Balance Transfers, the General Fund is \$11.05 million (1.91%) above expectations.

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-Q2 as % of Annual	2025 Q1-Q2 Estimate Based on Historical Average, \$mil.	2025 Q1-Q2 Receipts, \$ mil.	Difference, 2025 Q1-Q2 Actual vs Forecast, \$ mil.
Property Tax (Including Medic One Levy)	\$388.39	53.6%	\$208.04	\$204.50	-\$3.54
Sales & Use Tax	\$343.23	22.9%	\$78.59	\$78.05	-\$0.54
Business & Occupation Tax	\$368.61	24.1%	\$88.67	\$96.12	\$7.45
Utility Tax - Private	\$39.10	46.1%	\$18.04	\$17.93	-\$0.11
Utility Tax - Public	\$208.20	40.8%	\$85.00	\$89.53	\$4.53
Other City Taxes	\$14.02	25.4%	\$3.56	\$4.49	\$0.93
Parking Meters	\$38.03	43.9%	\$16.70	\$18.20	\$1.49
Court Fines	\$23.90	45.8%	\$10.94	\$12.10	\$1.17
Licenses, Permits, Interest Income and Other	\$69.29	39.8%	\$27.56	\$26.49	-\$1.07
Revenue from Other Public Entities	\$20.45	30.8%	\$6.29	\$5.36	-\$0.92
Service Charges & Reimbursements	\$79.21	44.0%	\$34.89	\$36.55	\$1.66
Grants	\$59.14	25.8%	\$15.24	\$8.44	-\$6.80
Fund Balance Transfers	\$314.97	49.8%	\$156.86	\$156.86	\$0.00
Total General Fund Revenues	\$1,966.54	38.2%	\$750.36	\$754.61	\$4.25
Total General Fund Revenues excl. Grants and Fund Balance Transfers	\$1,592.43	36.3%	\$578.26	\$589.31	\$11.05

Property Tax

Property tax payments are due twice a year, first half in April and the second half in October. As a result, based on historical averages, revenues received in the first two



quarters are anticipated to be about 53.6% of the annual total.

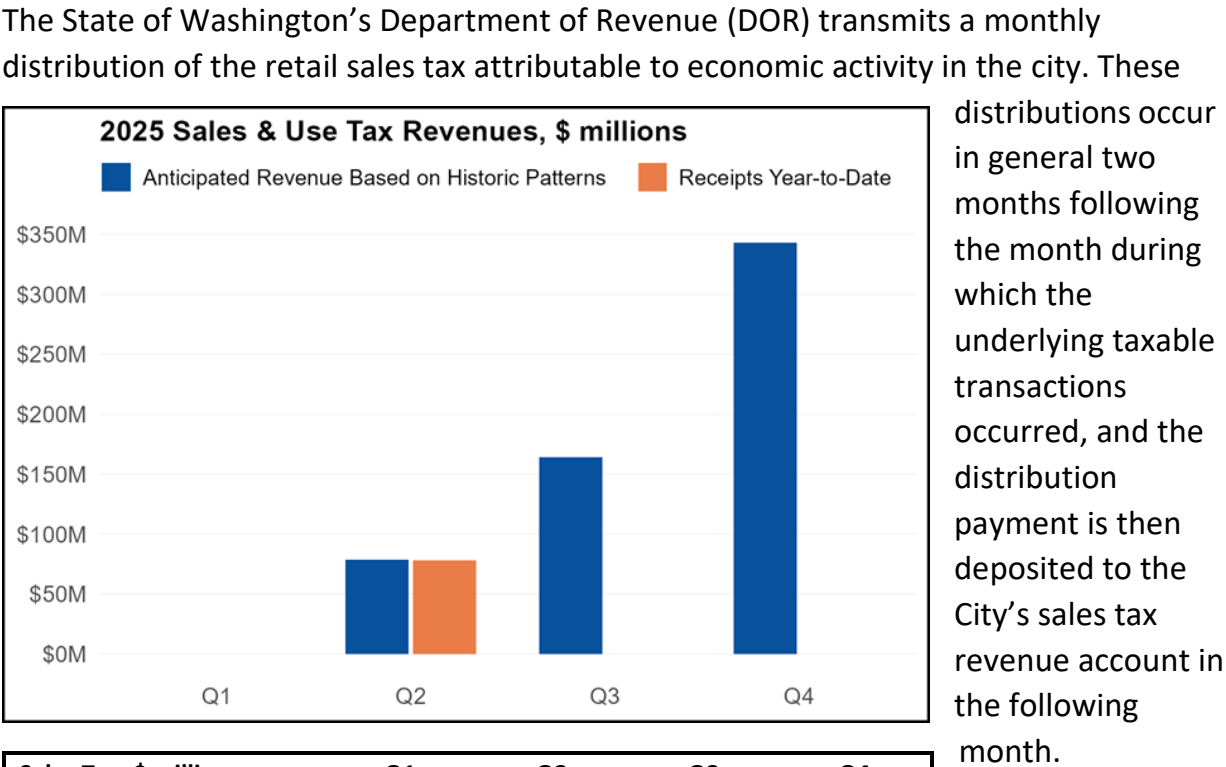
As of end of June, the City has received 52.7% of the total 2025 forecasted receipts. Actual revenues are about \$3.54 million lower than what would be projected at this point based on the historical averages.

Property Tax, \$ million	Q1	Q2	Q3	Q4
YTD Receipts	\$18.4	\$204.5		
Anticipated Revenue Based on Historic Patterns	\$20.3	\$208.0	\$214.2	\$388.4
Difference	-\$1.9	-\$3.5		

Because property tax obligations are fixed at the

beginning of the year, compared to other revenue sources, property tax payments are affected less by evolving economic conditions in the current year, but significantly weaker economic conditions or tighter financial conditions can constrain budgets of residential or commercial property owners and lead to higher delinquency rates.

Sales and Use Tax



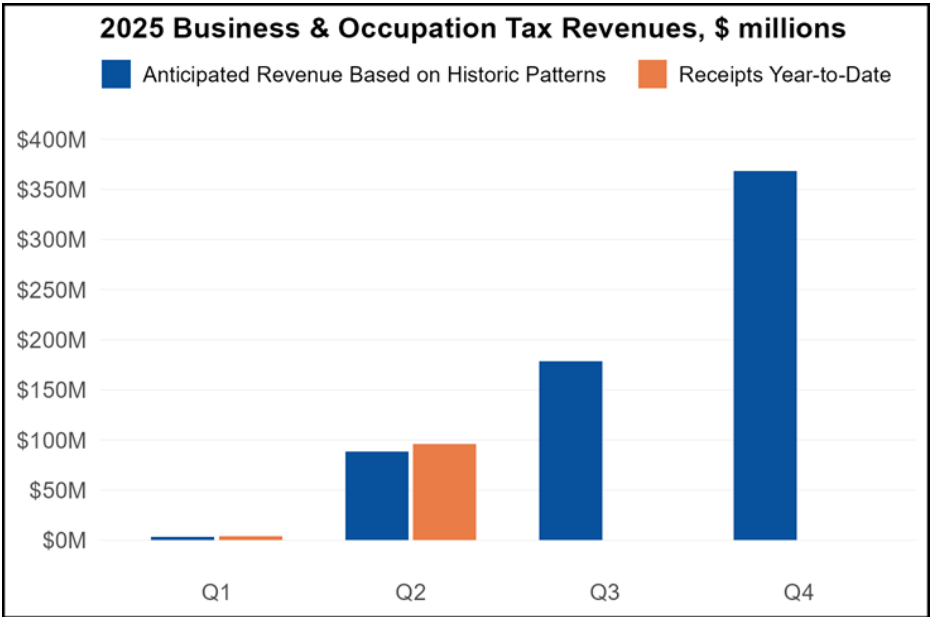
Sales Tax, \$ million	Q1	Q2	Q3	Q4
YTD Receipts	\$0.0	\$78.0		
Anticipated Revenue Based on Historic Patterns	\$0.0	\$78.6	\$164.2	\$343.2
Difference	\$0.0	-\$0.5		

As a result, by the end of the second quarter, the City has received and posted to the sales tax revenue account three distribution payments from DOR, for taxable sales activity that occurred primarily in January through March, so the first quarter of 2025.

Sales tax revenues are \$0.54 million below the amount that would be expected given an allocation of the total annual forecast into individual quarters based on recent historical patterns of quarterly payments.

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.

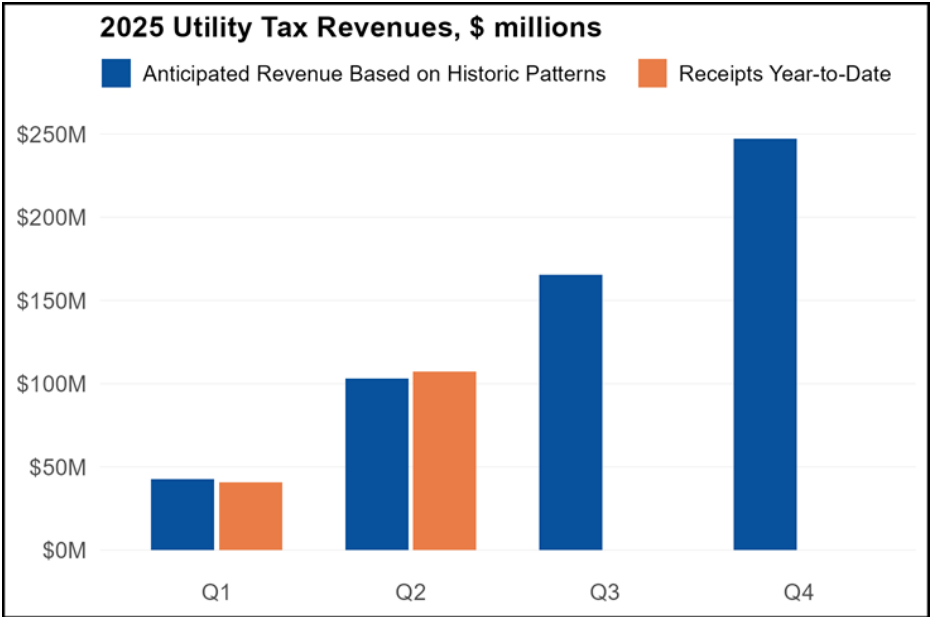
B&O Tax, \$ million	Q1	Q2	Q3	Q4
YTD Receipts	\$3.8	\$96.1		
Anticipated Revenue Based on Historic Patterns	\$3.5	\$88.7	\$178.9	\$368.6
Difference	\$0.2	\$7.4		

B&O revenues received through the end of June generally represent about 24% of the annual total.

B&O revenues received through 2025 Q2 are about \$7.5 million above the amount expected given an allocation of the total annual forecast into individual quarters based on recent historical patterns of quarterly payments. Approximately \$4.5 million of the revenues above the April forecast is higher B&O tax revenues due to factors unrelated to the current economic conditions. The remaining \$3 million of revenues above the forecast are to a large extent reflecting a significant refund that was requested and has been incorporated in the April forecast, but that has not been fully reviewed and processed yet.

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 Q2.

Utility Taxes, \$ million	Q1	Q2	Q3	Q4
YTD Receipts	\$40.7	\$107.5		
Anticipated Revenue Based on Historic Patterns	\$42.6	\$103.0	\$165.3	\$247.3
Difference	-\$1.9	\$4.4		

Payments generally arrive with a one-month lag, so the results for the first two quarters generally reflect payments for January through

May obligations.

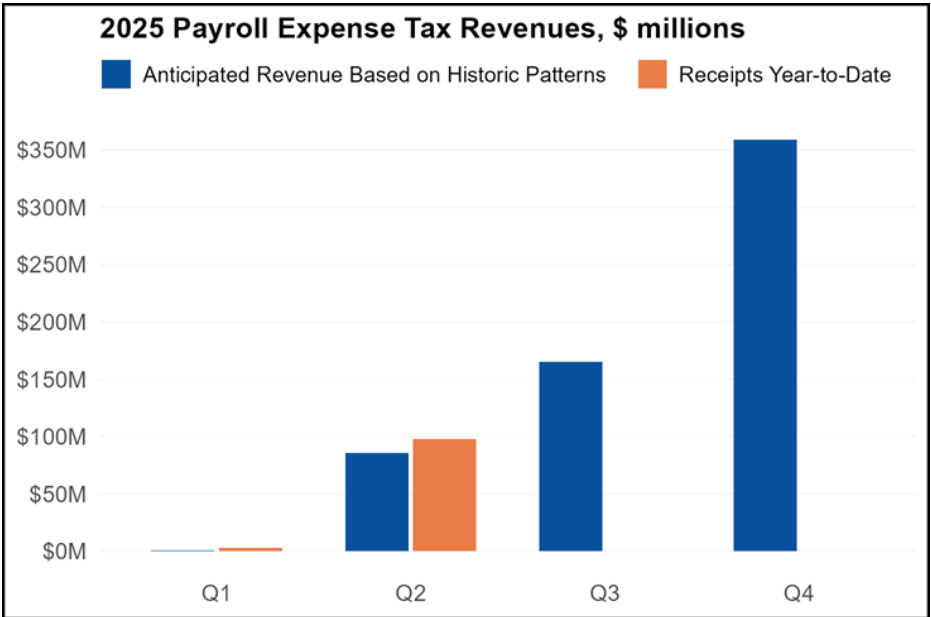
Private Utilities Tax revenue for the second quarter aligned with expectations overall, actual revenue from Public Utilities however topped forecasts by \$4.53 million, driven primarily by Electricity Utility Tax, which exceeded the forecast by \$2.69 million. Colder than typical January and February were a contributing factor, leading to higher electric load. Overall, Utility Tax revenues for the first two quarters total \$107.5 million, which is \$4.4 million (4.1%) above 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



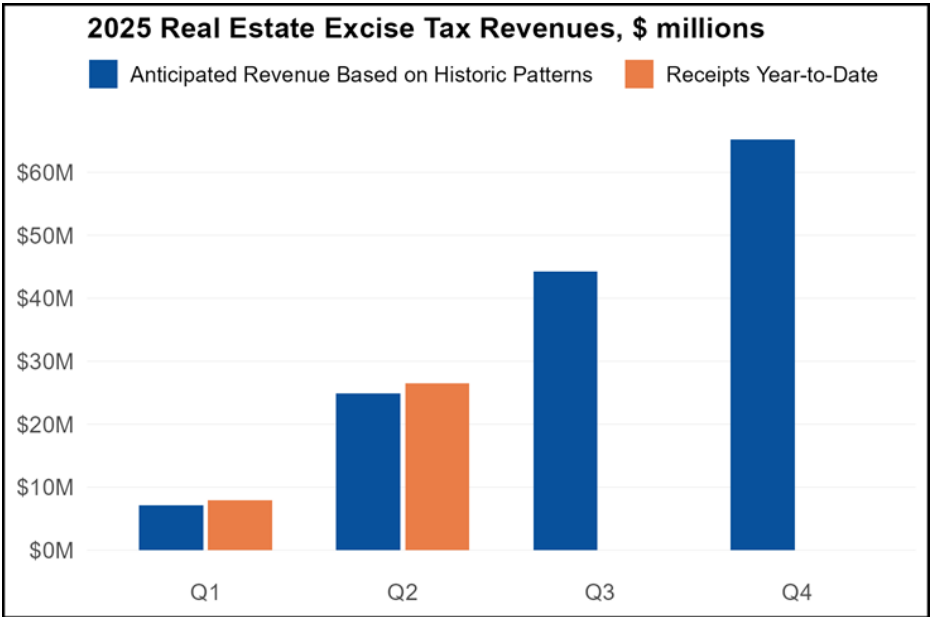
Payroll Tax, \$ million	Q1	Q2	Q3	Q4
YTD Receipts	\$2.6	\$97.6		
Anticipated Revenue Based on Historic Patterns	\$0.5	\$85.7	\$165.2	\$359.2
Difference	\$2.1	\$11.9		

compensation and with the overall payroll of the company. Since tax obligations depend on annual payrolls, they cannot be determined until year end. Firms are required to make estimated quarterly payments, these may be calculated as 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. Returns are due a month after the end of the quarter, revenues received through end of June are thus primarily estimated payments for Q1, but they also include some late payments for previous obligation years, and to a smaller extent early payments for Q2. Late payments account for about \$5.4 million of the \$11.9 million of revenues over the anticipated amount.

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	\$26.5		
Anticipated Revenue Based on Historic Patterns	\$7.2	\$24.9	\$44.3	\$65.2
Difference	\$0.8	\$1.6		

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, 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.

Rising interest rates 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 finally started to recover in 2024 and this trend continues in 2025. Revenues collected in the first two quarters of 2025 are \$1.6 million above the April forecast, \$1.1 million of which is due to two large sales that took place in April and May.

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

3.1 General Fund Revenues

Revenue	2025 Revised Forecast, April, \$ mil.	Historical Average, Q1-Q2 as % of Annual	2025 Q1-Q2 Estimate Based on Historical Average, \$mil.	2025 Q1-Q2 Receipts, \$ mil.	Difference, 2025 Q1-Q2 Actual vs Forecast, \$ mil.
Property Tax	\$324.10	53.7%	\$173.91	\$170.10	-\$3.81
Medic One/EMS Levy	\$64.29	53.1%	\$34.13	\$34.39	\$0.27
Sales & Use Tax	\$314.24	22.9%	\$72.08	\$71.49	-\$0.58
Sales & Use Tax - Criminal Justice	\$28.99	22.5%	\$6.51	\$6.55	\$0.04
Business & Occupation Tax	\$368.61	24.1%	\$88.67	\$96.12	\$7.45
Utility Tax - Cable Television	\$9.41	39.3%	\$3.70	\$3.48	-\$0.22
Utility Tax - Telephone	\$11.08	40.8%	\$4.52	\$4.63	\$0.11
Utility Tax - Natural Gas	\$13.72	57.2%	\$7.85	\$7.96	\$0.11
Utility Tax - Steam	\$1.75	43.7%	\$0.76	\$0.91	\$0.15
Utility Tax - Brokered Natural Gas	\$1.84	36.7%	\$0.67	\$0.41	-\$0.26
Utility Tax - Solid Waste	\$1.31	40.4%	\$0.53	\$0.54	\$0.01
Utility Tax - City Light	\$67.22	45.6%	\$30.64	\$33.33	\$2.69
Utility Tax - City Water	\$37.58	33.9%	\$12.74	\$13.38	\$0.64
Utility Tax - Drainage & Wastewater	\$70.38	39.6%	\$27.87	\$28.71	\$0.84
Utility Tax - City Solid Waste	\$33.01	41.6%	\$13.75	\$14.11	\$0.36
Transportation Network Company Tax	\$5.18	18.6%	\$0.96	\$1.17	\$0.20
Other Taxes	\$8.84	29.4%	\$2.60	\$3.32	\$0.73
Parking Meters	\$38.03	43.9%	\$16.70	\$18.20	\$1.49
Court Fines	\$23.90	45.8%	\$10.94	\$12.10	\$1.17
Business License Fees	\$21.63	28.8%	\$6.24	\$6.30	\$0.06
Licenses, Permits, Interest Income, NEC	\$47.66	44.7%	\$21.32	\$20.19	-\$1.14
Revenue from Other Public Entities	\$20.45	30.8%	\$6.29	\$5.36	-\$0.92
Service Charges & Reimbursements	\$79.21	44.0%	\$34.89	\$36.55	\$1.66
Grants	\$59.14	25.8%	\$15.24	\$8.44	-\$6.80
Transfer from - Payroll Expense Tax Fund	\$313.72	50.0%	\$156.86	\$156.86	\$0.00
Transfer from - Other Fund	\$1.25	0.0%	\$0.00	\$0.00	\$0.00
Total General Fund Revenues	\$1,966.54	38.2%	\$750.36	\$754.61	\$4.25
Total General Fund Revenues excl. Grants and Fund Balance Transfers	\$1,592.43	36.3%	\$578.26	\$589.31	\$11.05

3.2 Major Non-General Fund Revenues

Revenue	2025 Revised Forecast, April, \$ mil.	Historical Average, Q1-Q2 as % of Annual	2025 Q1-Q2 Estimate Based on Historical Average, \$mil.	2025 Q1-Q2 Receipts, \$ mil.	Difference, 2025 Q1-Q2 Actual vs Forecast, \$ mil.
General Government Revenues					
Payroll Expense Tax	\$359.17	23.9%	\$85.71	\$97.63	\$11.92
Real Estate Excise Tax	\$65.23	38.2%	\$24.92	\$26.50	\$1.59
Admission Tax	\$25.38	31.8%	\$8.07	\$8.09	\$0.02
Sweetened Beverage Tax	\$19.79	22.9%	\$4.53	\$5.22	\$0.69
Short Term Rental Tax	\$11.84	16.8%	\$1.99	\$2.22	\$0.23
Transportation Specific Revenues					
Commercial Parking Tax	\$51.11	35.3%	\$18.04	\$18.88	\$0.83
SSTPI - School Zone Speed Enforcement	\$11.10	57.0%	\$6.33	\$3.55	-\$2.78
STBD Sales Tax	\$53.51	22.9%	\$12.27	\$12.26	-\$0.01
STBD Vehicle License Fee	\$20.10	36.4%	\$7.32	\$8.36	\$1.04