

# Office of Economic & Revenue Forecasts

## 2025 Q4/Year-end Revenue Report



March 2026



## 1. Introduction

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**Structure of Quarterly Revenue Reports.** This represents the final quarterly revenue report that the Office of Economic and Revenue Forecasts (Forecast Office) provides regarding 2025 revenues. This report documents revenues received in general through December 31, but also some revenues which were received after this date, by the end of February, and were accrued to fiscal year 2025, because they were payments for 2025 obligations.

The goal of the quarterly reports is to track actual revenue receipts relative to the levels anticipated by the most recent forecasts prepared by the Forecast Office. The results presented here are shown relative to the revised October forecast for 2025 that underlies the 2026 Adopted Budget, which differs somewhat from the forecast approved by the City's Economic and Revenue Forecast Council on October 20<sup>th</sup>, 2025, adding about, \$0.35 million to Licenses, Permits, Interest Income and Other, \$1.66 million to Service Charges and Reimbursements, and \$3.24 million to Grants. In addition, because the fourth quarter results serve as a year-end summary, this report also provides an opportunity to compare 2025 results to those from 2024.

This additional component provides an opportunity to see how developments in the regional economy over the last year have affected individual revenue streams and overall revenue trends. The report's structure and content differ somewhat from the previous three quarterly reports to accommodate this additional element. Following this introduction, Section 2 provides an overview of overall General Fund (GF) results, and summarizes the performance of the individual revenue sources that support this fund. It is important to recognize that these results only reflect the revenue side of the GF. A full accounting of the GF's overall status however also requires an assessment of the expenditure side of the ledger. The City Budget Office is responsible for tracking those expenditures and will separately be developing a year-end summary of the overall GF status.

Section 3 shifts focus to selected non-General Fund revenue streams, primarily Jumpstart Payroll Expense Tax, Real Estate Excise Tax, but also other dedicated revenue sources, including the Sugar Sweetened Beverage Tax, the Short-Term Rental tax, and several transportation-specific funding sources.

**Timing of Report.** In general, the Forecast Office aims to complete each quarterly report two to three weeks after the close of the quarter. However, the year-end, fourth quarter report is a notable exception to this pattern. This report cannot be completed until all the revenues attributable to 2025 have been reflected in the City’s accounting system. Tax obligations for the preceding month and quarter are not generally due until 30 days after the close of the relevant month or quarter. In addition, the Washington State Department of Revenue distributes only in mid-February the City’s share of sales tax revenues for December obligations that taxpayers have to remit by the end of January. As a result, the City’s financial books for the previous year are not closed until early March so that fourth quarter and annual tax payments can be accrued back to the previous year. This further implies that the fourth quarter revenue report cannot be completed until March of the following year, once the accrual process is complete.

Although one might possibly believe that roughly 25% of annual revenues are received each quarter, the actual distribution differs quite significantly from an even quarterly 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.

**Figure 1. Share of Revenues Received by Quarter**

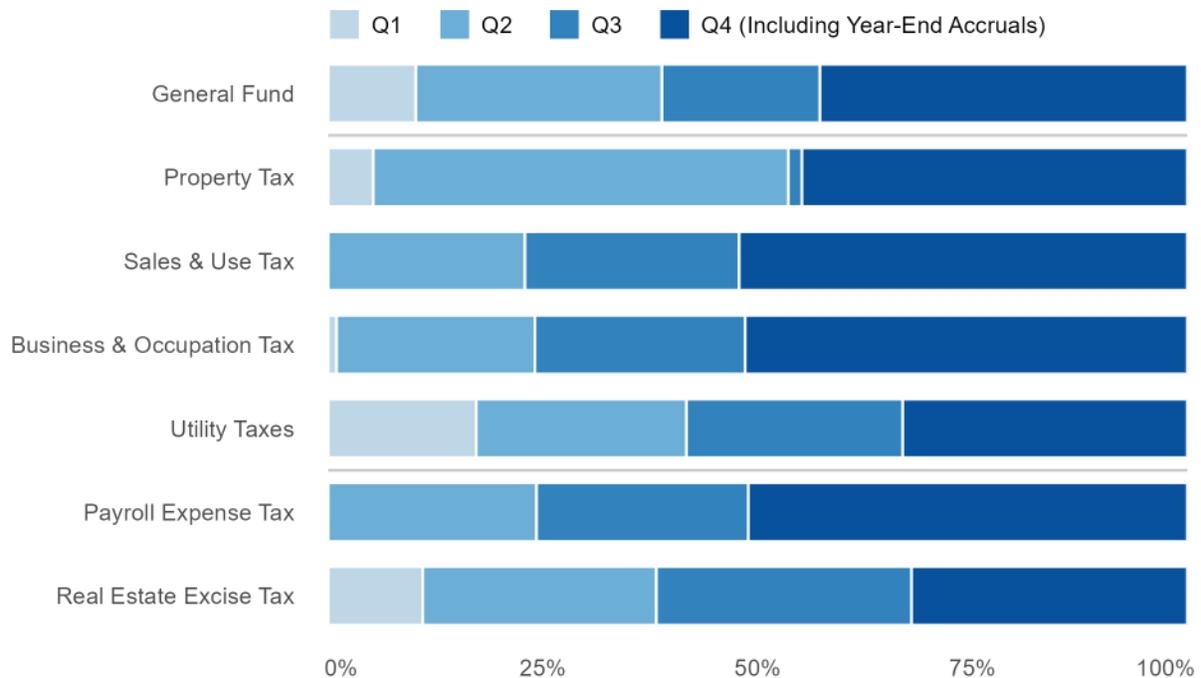


Figure 1 above illustrates this point by showing what share of total annual General Fund revenues, as well as main individual General Fund and non-General Fund revenues, are collected by the end of each quarter. By the end of the second quarter, the City had typically received just 35% of the annual GF revenues. And by the time of the third quarter report, when the Forecast Office develops its final forecast in October, the City has historically received about 52% of the General Fund's annual total. 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 currently performing.

The main reason 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 obligations, 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 revenue sources such as Property, Business and Occupation and Payroll taxes shift revenue toward later in the year as tax obligations for the preceding month and quarter are not generally due until 30 days after the close of the relevant month or quarter.

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

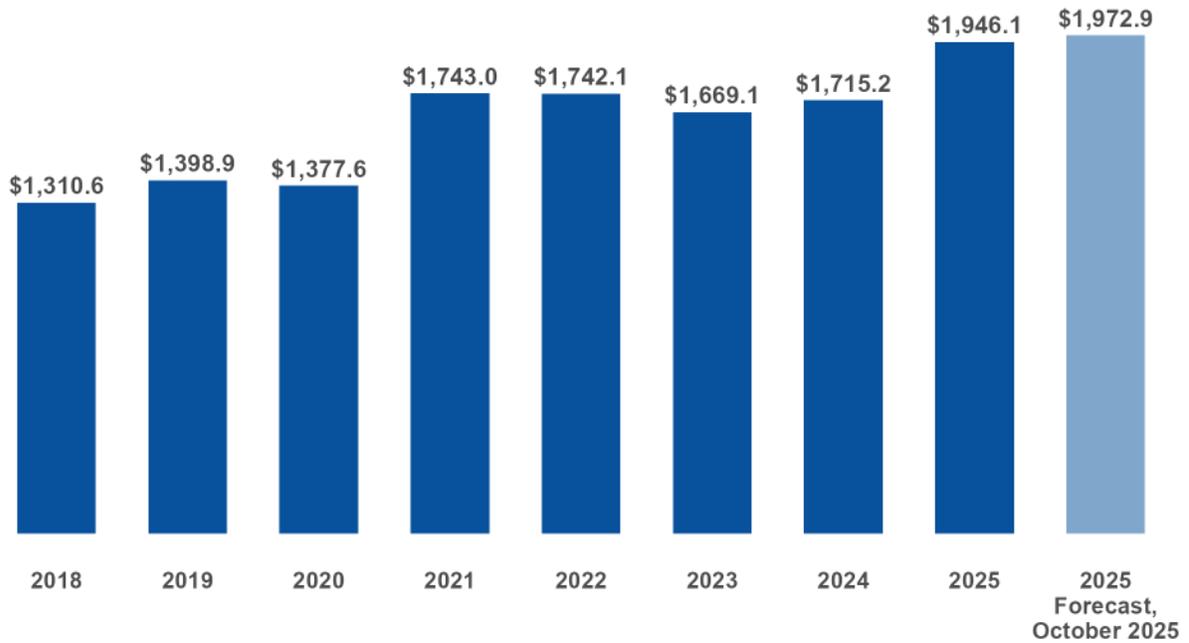
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### **2.1 Overall General Fund Revenues**

The 2025 General Fund (GF) revenues total of \$1,946.1 million is \$26.8 million less than the October forecast of \$1,972.9 million. However, as discussed in more detail below, this is largely due to significantly lower disbursement of grant revenues. Excluding grants and fund balance transfers, the remaining General Fund revenues actually overperformed the October forecast by \$7.1 million, or 0.43%.

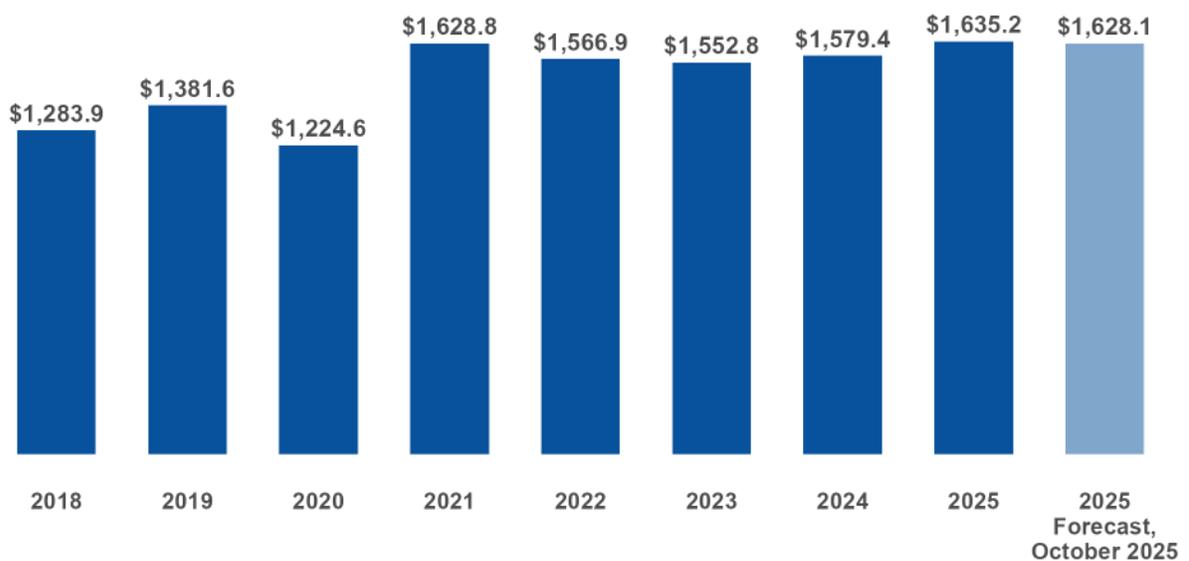
As shown in Figure 2 below, General Fund revenues increased by \$635.5 million (48.5%) since 2018, on average about 5.8% per year, but this growth was rather uneven.

**Figure 2. Total General Fund Revenues, 2018-2025**



Right before the pandemic, the General Fund posted a strong 7.2% annual growth from 2018 to 2019. Overall revenues then declined about 1.5% in 2020, even with the infusion of federal support, as the social distancing response to Covid-19 precluded a significant amount of taxable economic activity. Excluding Grants and Fund Balance Transfers, the decline was much larger, 11.4%, a notable decline shown in Figure 3 below.

**Figure 3. Total General Fund Revenues excluding Grants and Fund Balance Transfers**



While it would appear that the General Fund made a remarkable comeback in 2021, soaring 26.5%, it is important to recognize that the 2021 GF total includes nearly \$250 million in revenue from the then newly authorized JumpStart Payroll Expense Tax.

Starting with 2022 obligations, Payroll Expense Tax revenues were shifted out of the General Fund into their own separate fund, nonetheless, the 2022 GF total does reflect some Payroll Expense Tax revenues. First, about \$44.5 million in late payments for 2021 obligations were deposited in the GF during 2022. These deposits were consistent with policy direction provided by the City Council, which directed that all revenues related to 2021 obligations be deposited into the General Fund, no matter when they are received. In addition, the 2022 budget relied on the transfer of \$85.4 million of 2022 Payroll Expense Tax revenues into the GF.

The 2023 GF total again included some Payroll Expense Tax revenues, but to a smaller degree than in 2022. Late payments for 2021 obligations decreased from \$44.5 million to just \$3.6 million, and the transfer from the Payroll Expense Tax Fund to the General Fund declined from \$85.4 million to \$69.8 million. Thus, about \$56.5 million of the \$72.9 million decline in the GF revenues between 2022 and 2023, shown in Figure 2 above, is due to these two effects.

In 2024, GF revenues increased by \$46.1 million (2.76%) year-over-year, in large part due to a large increase in fund balance transfers, which rose by \$32.5 million (40.4%). This in turn was primarily driven by an increase in the transfer from the Payroll Expense Tax Fund by \$21.2 million.

Compared to 2024, GF revenues increased by \$230.93 million (13.46%) in 2025, primarily because of \$167.46 million larger fund balance transfers. Excluding grants and fund balance transfers, the remaining General Fund revenues increased by about \$55.83 million (3.53%) year-over-year. General Fund revenues excluding grants and fund balance transfers have remained almost flat since 2021, growing on average only 0.1% annually; but it is important to keep in mind that 2021 includes \$248.2 million in payroll expense tax. Adjusting further for this one-time increase, the average nominal annual growth of the General Fund that excludes Grants and Fund Balance Transfers and Payroll Expense Tax revenues is about 4.3% for the 2021-2025 period.

## **2.2 Individual General Fund Revenues**

Additional insights about how specific revenue sources contributed to overall GF performance in 2025, both relative to forecast and relative to 2024, are provided next. The table below provides comparison of final 2025 revenues relative to October's forecast and relative to the revenues collected in 2024.

**Table 1. 2025 General Fund Revenues**

Revenue	2024 Actual Revenue, \$ mil.	2025 Revised Forecast, October, \$ mil.	2025 Actual Revenue, \$ mil.	Difference, 2025 Actual vs Forecast, \$ mil.	Difference, 2025 Actual vs Forecast, %	Year/Year Change, \$ mil.	Year/Year Change, %
Property Tax (Including Medic One Levy)	\$378.98	\$389.22	\$386.38	-\$2.84	-0.73%	\$7.41	1.95%
Sales & Use Tax	\$340.39	\$344.42	\$348.18	\$3.76	1.09%	\$7.79	2.29%
Business & Occupation Tax	\$353.34	\$385.01	\$388.32	\$3.31	0.86%	\$34.98	9.90%
Utility Tax - Private	\$40.45	\$40.81	\$43.77	\$2.96	7.26%	\$3.32	8.20%
Utility Tax - Public	\$217.67	\$217.40	\$218.95	\$1.55	0.71%	\$1.28	0.59%
Other City Taxes	\$14.74	\$14.66	\$15.91	\$1.25	8.55%	\$1.17	7.97%
Parking Meters	\$39.19	\$36.83	\$36.49	-\$0.34	-0.93%	-\$2.70	-6.89%
Court Fines	\$18.37	\$22.58	\$23.55	\$0.97	4.30%	\$5.19	28.24%
Licenses, Permits, Interest Income and Other	\$72.71	\$71.94	\$70.70	-\$1.24	-1.72%	-\$2.01	-2.77%
Revenue from Other Public Entities	\$19.40	\$20.78	\$20.81	\$0.03	0.13%	\$1.41	7.27%
Service Charges & Reimbursements	\$84.12	\$84.42	\$82.11	-\$2.34	-2.77%	-\$2.00	-2.38%
Grants	\$22.78	\$63.12	\$30.42	-\$32.69	-51.80%	\$7.64	33.56%
Fund Balance Transfers	\$113.02	\$281.69	\$280.48	-\$1.21	-0.43%	\$167.46	148.17%
<b>Total General Fund Revenues</b>	<b>\$1,715.17</b>	<b>\$1,972.89</b>	<b>\$1,946.09</b>	<b>-\$26.83</b>	<b>-1.36%</b>	<b>\$230.93</b>	<b>13.46%</b>
<b>Total General Fund Revenues excl. Grants and Fund Balance Transfers</b>	<b>\$1,579.37</b>	<b>\$1,628.08</b>	<b>\$1,635.18</b>	<b>\$7.08</b>	<b>0.43%</b>	<b>\$55.83</b>	<b>3.53%</b>

Note: Revenues highlighted blue are in the purview of the Office of Economic and Revenue Forecasts, City Budget Office oversees the rest.

- **Property Tax** revenues are constrained by state law to grow at a maximum rate of 1%, plus the value of new construction, which accounts for the growth in the general expense levy. The amount of Medic 1/EMS levy received by the City is dependent on the relative growth in King County and City of Seattle assessed values. Overall, property tax revenues were somewhat below the forecast, with a difference of about 0.7%, or \$2.8 million. Relative to 2024, Medic 1/EMS levy revenues declined by \$1.8 million, but this was more than offset by a \$9.2 million increase in the general expense levy, resulting in a \$7.4 million (2.96%) increase in General Fund property taxes relative to the 2024 collections.
- **Sales Tax** revenues outperformed the forecast and ended up about \$3.76 million, or 1.1% above the anticipated level. Adjusted for inflation, revenues were however flat on year-over-year basis, as the 2.3%, the year-over-year nominal growth was about the same as the 2.4% Seattle area inflation rate. As in 2024, construction was weighing down on revenue growth - taxable sales in this sector declined by 4.4% year-over-year and lowered the overall sales tax revenue growth by about 1%.
- **Business and Occupation Tax.** Following a 0.84% year-over-year decline in 2024, B&O Tax revenues grew 9.9% in 2025 and overperformed the forecast by \$3.31 million, or 0.86%. This is largely due to about \$6 million in refund requests that were under review and were expected to be processed in late 2025, but are now only expected to be finalized in early 2026.
- **Private utility taxes** increased by \$3.32 million from 2024 levels and overperformed the forecast by \$2.96 million, or 7.26%. Telephone revenues were the main driver, as a surge of late payments from 2024 normalized in 2025, bringing in more current payments and accounting for the \$2.96 million in additional revenue. Natural Gas grew 12.72% year-over-year, driven by Puget Sound Energy raising rates in January by 10.6%, with the remainder of the growth attributed to a colder 2025 winter compared to 2024.
- **Public Utility Taxes.** Actual revenues came in roughly \$1.55 million, or 0.71%, above the forecast, as higher than predicted revenues from electricity, water, and waste water more than offset lower than anticipated solid waste collection tax revenues. Revenue collection increased by \$1.28 million year-over year, which is an increase of about 0.59%.
- **Payroll Expense Tax.** Starting with 2022 obligations, JumpStart Payroll Expense Tax receipts were shifted out of the General Fund into their own separate fund, but all revenues related to 2021 obligations continue to be deposited into the General Fund. In 2025, there was still about \$1.67 million in late payments for 2021 obligations.

- **Parking Meters** declined by \$2.7 million (4.89%) from 2024 and underperformed the forecast slightly, by \$0.34 million (0.93%). The year-over-year decrease is mostly a result of declining meter rates and a slow but steady decline in parking transactions in recent years. A sharp drop in revenue from meter hooding fees, likely a symptom of lower construction activity, also contributed to this decline.
- **Court Fines** increased by \$5.19 million, or 28.24% year-over-year, due to higher parking citation fine amounts, which were approved as part of the 2025 Adopted Budget and took effect in January 2025. Collection also overperformed the forecast somewhat, by \$0.97 million or 4.3%.
- **Licenses, Permits, Interest Income and Other.** Business license fees collected in 2025 were in line with expectations and grew 1.85% year-over-year. Interest income generated about \$1.21 million (6.88%) less than anticipated in October and about \$4.47 million (21.45%) less than in 2024. These lower revenues reflect falling yields on short-term Treasury notes, the main investment vehicle for the City reserves.
- **Grants.** Grant revenues grew about \$7.64 million compared to 2024, but ended \$32.69 million below the October forecast. Much of the variance in grant revenues is driven by the way grants are appropriated, spent and reimbursed. Generally, departments receive appropriations and assumed revenues for the full amount of the grant in the year the grant is awarded, and those appropriations are built into the budget and their financial plans. As most grants are spent down over multiple years, with revenues flowing in accordingly, only a portion of the total reimbursement is received and a large amount of appropriation authority is carried forward from year to year.
- **Fund Balance Transfers.** The October forecast assumed that 2025 fund balance transfers would total \$281.69 million, consisting primarily of the \$280.54 million of revenue transfer from the JumpStart Payroll Expense Tax Fund. The actual 2025 total fund balance transfer amount is \$1.21 million or 0.43% lower.

**Table 2. 2025 General Fund Revenues – Details**

Revenue	2024 Actual Revenue, \$ mil.	2025 Revised Forecast, October, \$ mil.	2025 Actual Revenue, \$ mil.	Difference, 2025 Actual vs Forecast, \$ mil.	Difference, 2025 Actual vs Forecast, %	Year/Year Change, \$ mil.	Year/Year Change, %
Property Tax	\$312.10	\$324.10	\$321.33	-\$2.77	-0.85%	\$9.23	2.96%
Medic One/EMS Levy	\$66.87	\$65.12	\$65.05	-\$0.07	-0.11%	-\$1.82	-2.73%
Sales & Use Tax	\$312.26	\$315.88	\$319.00	\$3.12	0.99%	\$6.74	2.16%
Sales & Use Tax - Criminal Justice	\$28.13	\$28.54	\$29.18	\$0.64	2.25%	\$1.05	3.73%
Business & Occupation Tax	\$353.34	\$385.01	\$388.32	\$3.31	0.86%	\$34.98	9.90%
Utility Tax - Cable Television	\$10.65	\$9.96	\$10.92	\$0.96	9.62%	\$0.27	2.56%
Utility Tax - Telephone	\$12.02	\$11.32	\$13.90	\$2.58	22.76%	\$1.88	15.68%
Utility Tax - Natural Gas	\$12.71	\$14.31	\$14.33	\$0.02	0.15%	\$1.62	12.72%
Utility Tax - Steam	\$1.85	\$1.92	\$1.91	\$0.00	-0.22%	\$0.06	3.29%
Utility Tax - Brokered Natural Gas	\$1.63	\$1.92	\$1.30	-\$0.62	-32.31%	-\$0.34	-20.64%
Utility Tax - Solid Waste	\$1.59	\$1.38	\$1.41	\$0.03	1.97%	-\$0.18	-11.38%
Utility Tax - City Light	\$74.32	\$71.75	\$73.41	\$1.66	2.32%	-\$0.91	-1.23%
Utility Tax - City Water	\$40.71	\$39.36	\$39.87	\$0.51	1.30%	-\$0.84	-2.06%
Utility Tax - Drainage & Wastewater	\$68.88	\$71.79	\$72.25	\$0.46	0.65%	\$3.37	4.89%
Utility Tax - City Solid Waste	\$33.75	\$34.50	\$33.42	-\$1.09	-3.15%	-\$0.34	-1.00%
Payroll Expense Tax (2021 obligations)	-\$0.43	\$0.94	\$1.64	\$0.70	74.48%	\$2.07	
Transportation Network Company Tax	\$5.17	\$5.25	\$5.29	\$0.04	0.74%	\$0.12	2.42%
Leasehold Excise Tax	\$9.28	\$7.82	\$8.32	\$0.50	6.34%	-\$0.96	-10.33%
Other Taxes	\$0.72	\$0.64	\$0.66	\$0.02	3.08%	-\$0.06	-8.20%

Revenue	2024 Actual Revenue, \$ mil.	2025 Revised Forecast, October, \$ mil.	2025 Actual Revenue, \$ mil.	Difference, 2025 Actual vs Forecast, \$ mil.	Difference, 2025 Actual vs Forecast, %	Year/Year Change, \$ mil.	Year/Year Change, %
Parking Meters	\$39.19	\$36.83	\$36.49	-\$0.34	-0.93%	-\$2.70	-6.89%
Court Fines	\$18.37	\$22.58	\$23.55	\$0.97	4.30%	\$5.19	28.24%
Business License Fees	\$21.25	\$21.63	\$21.65	\$0.02	0.10%	\$0.39	1.85%
Other Licenses, Permits	\$15.78	\$17.07	\$16.10	-\$0.96	-5.65%	\$0.32	2.02%
Interest Income	\$20.85	\$17.59	\$16.38	-\$1.21	-6.88%	-\$4.47	-21.45%
Other Revenue	\$14.82	\$15.66	\$16.57	\$0.91	5.83%	\$1.75	11.81%
Revenue from Other Public Entities	\$19.40	\$20.78	\$20.81	\$0.03	0.13%	\$1.41	7.27%
Service Charges & Reimbursements	\$84.12	\$84.42	\$82.11	-\$2.34	-2.77%	-\$2.00	-2.38%
Grants	\$22.78	\$63.12	\$30.42	-\$32.69	-51.80%	\$7.64	33.56%
Transfer from - JumpStart Payroll Expense Tax Fund	\$91.35	\$279.72	\$280.05	-\$0.49	-0.17%	\$188.69	206.55%
Transfer from - Other Fund	\$21.67	\$1.98	\$0.43	-\$0.72	-62.52%	-\$21.23	-98.00%
<b>Total General Fund Revenues</b>	<b>\$1,715.17</b>	<b>\$1,972.89</b>	<b>\$1,946.09</b>	<b>-\$26.83</b>	<b>-1.36%</b>	<b>\$230.93</b>	<b>13.46%</b>
<b>Total General Fund Revenues excl. Grants and Fund Balance Transfers</b>	<b>\$1,579.37</b>	<b>\$1,628.08</b>	<b>\$1,635.18</b>	<b>\$7.08</b>	<b>0.43%</b>	<b>\$55.83</b>	<b>3.53%</b>

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### 3. Select Non-General Fund Revenue Sources

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In addition to forecasting and monitoring a range of GF revenues, the Forecast Office also closely tracks a select group of non-GF sources. Sections 3.1 and 3.2 present detailed discussion and analysis of the two largest non-GF sources that fall within the Forecast Office’s purview, namely the JumpStart Payroll Expense Tax and the Real Estate Excise Tax. Section 3.3 then provides a summary for other non-GF revenues that support general government functions and Section 3.4 for those dedicated to transportation purposes.

#### **3.1 JumpStart Payroll Expense Tax**

The Payroll Expense Tax was first imposed in 2021, with the first payments made in January 2022. Starting with 2022 obligations, receipts were shifted out of the General Fund into their own separate fund, but all revenues related to 2021 obligations are still being deposited into the General Fund, no matter when they are received. For 2025, the tax applied to businesses with total 2024 payroll expense in Seattle of at least \$8,837,302 and one or more employees with a 2025 annual compensation of at least \$189,371. Specific tax rates vary with the level of individual employee’s compensation and company’s total Seattle payroll. Initial tax rates varied from 0.7% to 2.4%, starting from 2024 tax year they increased by a factor of 1.065 and range from 0.746% to 2.557%.<sup>1</sup>

In the 2021-2025 period, tax rate adjusted obligations grew on average 5.1% annually. Payroll expense tax is paid by less than 500 companies and is highly concentrated at the top. Top 100 companies account for more than 90% of revenues collected. About 70% of the revenues is generated from just ten companies, most of them in the tech sector. This concentration creates significant volatility as changes in financial fortunes and decisions made by a handful of individual companies can materially affect overall collection.

In particular, as the tech sector grew at a fast pace during the pandemic, the 2021 payroll expense tax revenues significantly exceeded the initial revenue estimates. Including the late payments received so far, total 2021 tax obligations have reached approximately \$297.7 million, about 48.6% more than the forecast from November 2021. But when the tech sector began to cool considerably in 2022, the total payroll tax obligations declined about 10.5% to \$266.3 million, which is 4.8% less than the forecast from November 2022. All largest companies laid off employees and their stock values declined. The latter is important because for many employees the total compensation subject to the tax includes the value of annual stock grants, and that part of compensation was in decline.

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<sup>1</sup> For more details see <https://www.seattle.gov/city-finance/business-taxes-and-licenses/seattle-taxes/payroll-expense-tax>.

**Table 3. Select Non-General Fund Revenues**

Revenue	2024 Actual Revenue, \$ mil.	2025 Revised Forecast, October, \$ mil.	2025 Actual Revenue, \$ mil.	Difference, 2025 Actual vs Forecast, \$ mil.	Difference, 2025 Actual vs Forecast, %	Year/Year Change, \$ mil.	Year/Year Change, %
<b>General Government Revenues</b>							
Payroll Expense Tax	\$360.03	\$385.43	\$405.86	\$20.43	5.30%	\$45.83	12.73%
Payroll Expense Tax - Interest Income	\$11.22	\$10.11	\$11.13	\$1.02	10.08%	-\$0.09	-0.77%
Real Estate Excise Tax	\$62.73	\$69.63	\$72.45	\$2.82	4.05%	\$9.72	15.50%
Admission Tax	\$24.75	\$23.87	\$24.32	\$0.45	1.89%	-\$0.43	-1.74%
Sweetened Beverage Tax	\$20.15	\$20.29	\$21.59	\$1.30	6.39%	\$1.45	7.18%
Short Term Rental Tax	\$12.06	\$12.07	\$12.18	\$0.11	0.89%	\$0.12	0.98%
<b>Transportation Specific Revenues</b>							
STBD Sales Tax	\$53.02	\$53.79	\$54.35	\$0.56	1.03%	\$1.33	2.51%
STBD Vehicle License Fee	\$19.62	\$21.34	\$20.15	-\$1.19	-5.58%	\$0.53	2.71%
Commercial Parking Tax	\$50.03	\$50.33	\$51.35	\$1.01	2.01%	\$1.32	2.64%
ATSC - Traffic Cameras	\$8.50	\$7.95	\$9.23	\$1.29	16.18%	\$0.73	8.63%

Note: Revenues highlighted blue are in the purview of the Office of Economic and Revenue Forecasts, City Budget Office oversees the rest

In 2023 the tech sector stabilized and stock prices resumed to grow, the return to the office continued as well, and so the payroll expense tax obligations recovered. They grew 18.4% year-over-year to \$315.1 million, and the 2023 revenue collection exceeded the October 2023 forecast by \$42.2 million, or 15.7%. The tax rates for 2024 increased by a factor of 1.065, all things equal this change alone would imply a 6.5% increase in revenues. Actual obligations ultimately grew 13.9% in 2024, so just 7.4% after adjusting for the tax rates increase. This was a notable slowdown from 2023, despite stock market growing 25% in 2024 and tech stock prices soaring even higher, with Amazon growing 52.1%, Google 38.3%, and Meta 95.2%. The 2024 revenue growth was also strikingly low given that total wages paid in King County by the main taxpayers to employees earning more than the annual compensation threshold for this tax grew by more than 30%. In 2025, revenue collection exceeded the forecast by \$20.4 million or 5.3%. About \$16.8 million of revenues received in 2025 were late payments for 2022-2024 obligations, current year tax obligations grew 7.6% in 2025.

### **3.2 Real Estate Excise Tax (REET)**

REET applies to every property transaction that occurs within the City of Seattle. The tax is composed of two separate 0.25% taxes, for a total of 0.5%, which can each be used for different capital purposes. REET revenue collection is highly responsive to the business cycle. This tax generated a record \$112 million in 2021, revenues however declined considerably in the following two years, plunging by 47.6% year-over-year in 2023, after falling 18.5% the year before that. Interest rates increased dramatically in 2022, cooling both the supply and the demand side of the real estate market and resulting in fewer property sales. On the commercial real estate side, uncertainty about the long-term impact of work-from-home decreased office space values, further reducing revenue from any sale of this class of properties. REET revenues started to recover in 2024 and grew almost 31% year-over-year, reaching \$62.7 million. In 2025, they grew 15.5% year-over-year and exceeded the October 2025 forecast by \$2.82 million or 4.1%. About \$1.4 million of that is revenue due to atypically large December remittance from the Washington State Department of Revenue for REET assessed on controlling interest transfers.

### **3.3 General Government Non-GF Revenues**

The results presented in this subsection focus on three non-GF revenue sources that support “general government” activities. These include the Admissions Tax, the Sweetened Beverage Tax and the Short-term Rental Tax. City policy directs each of these sources to a set of dedicated general government purposes.

These sources have been significantly impacted by the pandemic, given the impacts on

large entertainment events (Admissions Tax), restaurant activity (Sweetened Beverage Tax), and travel (Short-term Rental Tax), and continue to recover at different rates.

- Admissions tax revenues exceeded the forecast, generating about \$0.45 million (1.89%) more than anticipated, but at the same time declining about 1.74% on an annual basis. The main reasons for the decline are fewer international visitors coming to U.S. and restrained household discretionary spending due to large economic uncertainty and higher prices.
- Short-Term Rental Tax revenues exceeded the October forecast by \$0.11 million (0.89%), having increased \$0.12 million (0.98%) year-over-year.
- Revenues from the Sweetened Beverage tax were \$1.45 million (7.18%) higher than in 2024 and overperformed the forecast by about \$1.3 million (6.39%).

### **3.4 Transportation-Specific Non-GF Revenues**

Funding for the Seattle Department of Transportation (SDOT) comes from a variety of sources, including a few dedicated revenue streams. Two of the most significant sources – a 0.15% Sales Tax and a \$40 Vehicle License Fee (VLF) – originated under the authority of the Seattle Transportation Benefit District (STBD). While STBD originally existed as a stand-alone taxing authority, following changes in state law it has now been fully integrated into City operations. In addition, the City’s Commercial Parking Tax revenues are dedicated to transportation purposes, as are all the revenues generated from school zone cameras and a share of the fines collected from automatic red-light enforcement cameras.

- Sales Tax revenues ended up \$0.56 million (1.03%) above the forecast, having increased 2.51% year-over-year.
- Vehicle License Fees grew 2.71% year-over-year, but fell short of the forecast by about \$1.19 million, or 5.58%.

In addition, the City’s Commercial Parking Tax revenues are dedicated to transportation purposes, as are all the revenues generated from school zone cameras and a share of the fines collected from automatic red-light enforcement cameras.

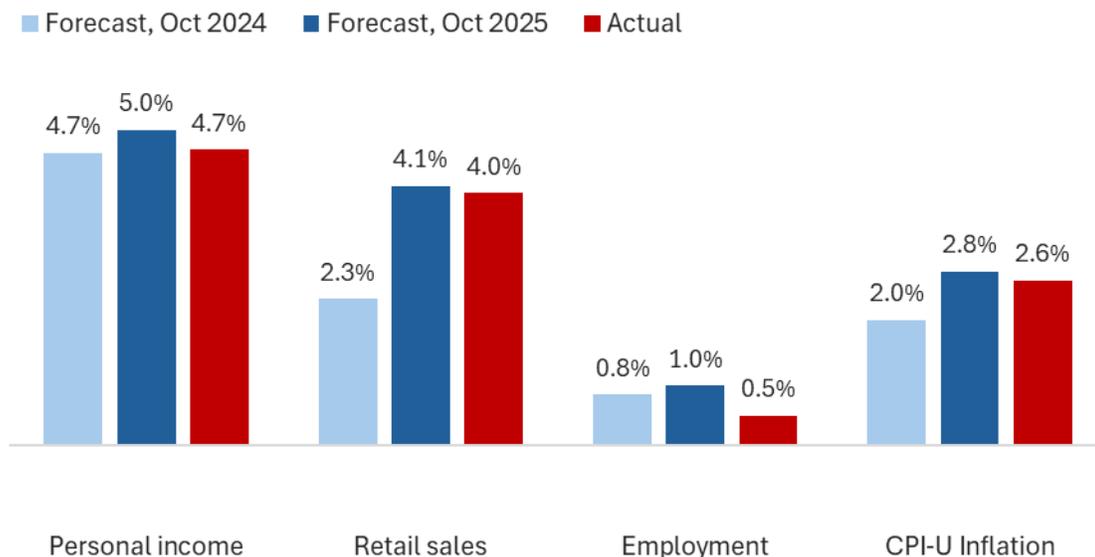
- Commercial Parking Tax revenues outperformed the October forecast, producing \$1.01 million (2.01%) more than anticipated.
- Traffic camera revenues grew 8.63% year-over year and exceeded the forecast by approximately \$1.29 million (16.18%), as the share of revenues from red light cameras that goes into ATSC fund increased from 20% to 30%.

## 4. Overview of Economic Climate

To provide some additional context for the 2025 revenue results presented above, this section provides a brief overview of economic developments with a focus on how conditions have evolved since the forecast for 2025 Adopted and 2026 Endorsed Budget was developed in October 2024.

Focusing first on the national economy, Figure 4 below compares the forecasts of some of the key economic indicators provided by S&P Global and Moody's Analytics that serve as inputs to the Forecast Office's regional economic model. Thus, their actual performance relative to the forecast can help explain a part of the difference between predicted and actual tax revenues.

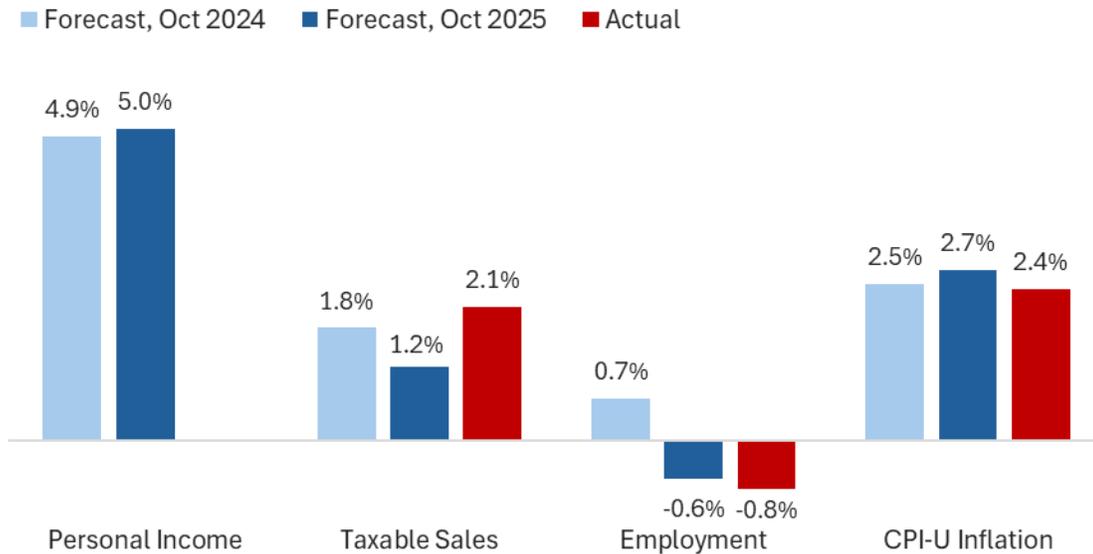
**Figure 4. U.S. Economy in 2025, Forecast vs Actual**



- National labor market, disrupted by immigration and trade policies, and expected wider adoption of AI, has become increasingly fragile over the last year. Overall consumer spending has however been much so far more resilient than expected, buoyed by the volatile but at the same time record breaking stock market.
- Monetary policy remained restrictive in 2025; inflation continued to cool down slowly, despite higher tariffs, but it remains notably above Fed's target of 2%.

Figure 5 below shows similar indicators for the regional economy. Economic uncertainty, hiring slowdown in the tech sector and the construction downturn led to a noticeably weaker regional labor market compared to the national economy. This also negatively impacted the sales tax revenue collection, which grew slower than regional inflation.

**Figure 5. Seattle Metropolitan Area Economy in 2025, Forecast vs Actual**



- Regional personal income data is released with a significant lag and first estimates of actual 2025 personal income will only be available in December 2026. Based on the data for Washington State, the annual growth is expected to be around 5%.
- Regional employment was significantly impacted by the extraordinary amount of economic uncertainty, created by the trade and immigration policies and the implications of a wider AI adoption. Metro area employment declined 0.8%, broadly in line with the forecast expectations from October 2025. Job losses were widespread - most private sector industries shed employees with the notable exception of Educational and Health Services and Leisure and Hospitality Services.
- Despite economic headwinds, taxable sales grew in 2025 somewhat faster than the 1.8% prediction from October 2024 and the 1.2% forecast from October 2025. This was largely a result of Washington State’s ESSB 5814, which effective October 1, 2025 expanded the sales tax to some previously exempt services, including advertising, IT services, custom software and website development, security services and temporary staffing.
- Regional inflation was slightly lower than at the national level and also somewhat lower than anticipated. The passthrough of tariffs has been slower than expected, as uncertainty around tariffs motivated many companies to use stockpiled inventories and absorb a large part of higher costs, lowering profit margins instead of increasing prices. Notably smaller housing costs increases and weaker consumer demand due to a cooling labor market further contributed to disinflation.