Office of Economic & Revenue Forecasts
2024 Q4/Year-end Revenue Report

March 2025

1. Introduction

Structure of Quarterly Revenue Reports. This represents the final quarterly revenue report that the Office of Economic and Revenue Forecasts (Forecast Office) provides regarding 2024 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 2024, because they were payments for 2024 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 forecast approved by the City's Economic and Revenue Forecast Council on October 22th of last year. That forecast update replaced the previous forecast, which had been approved on August 10th. In addition, because the fourth quarter results serve as a year-end summary, this report also provides an opportunity to compare 2024 results to those from 2023.

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 analyses 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 overall GF status.

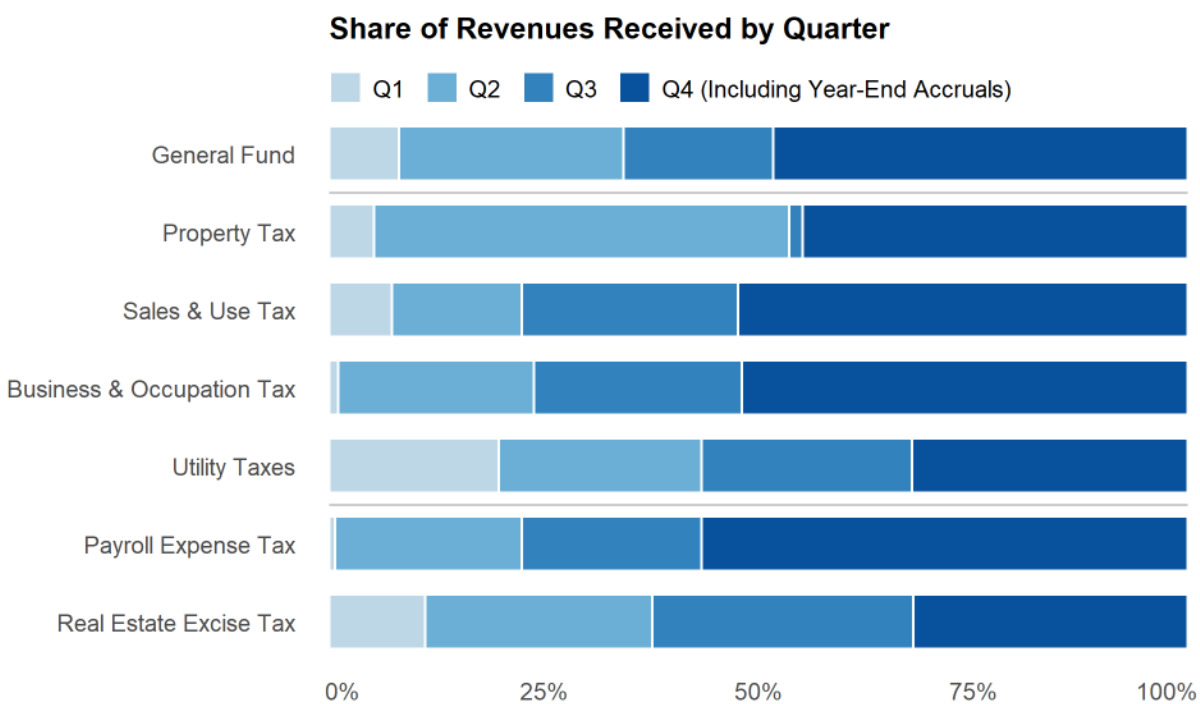
Section 3 shifts focus to selected non-General Fund revenue streams, primarily Jumpstart Payroll Expense Tax, Real Estate Excise Tax, but also other dedicated revenue sources, including the Sugar Sweetened Beverage Tax, the Short-Term Rental tax, and several transportation-specific funding sources.

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 2024 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.

The chart below 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.[1]



[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 incomplete information about how revenues are performing.

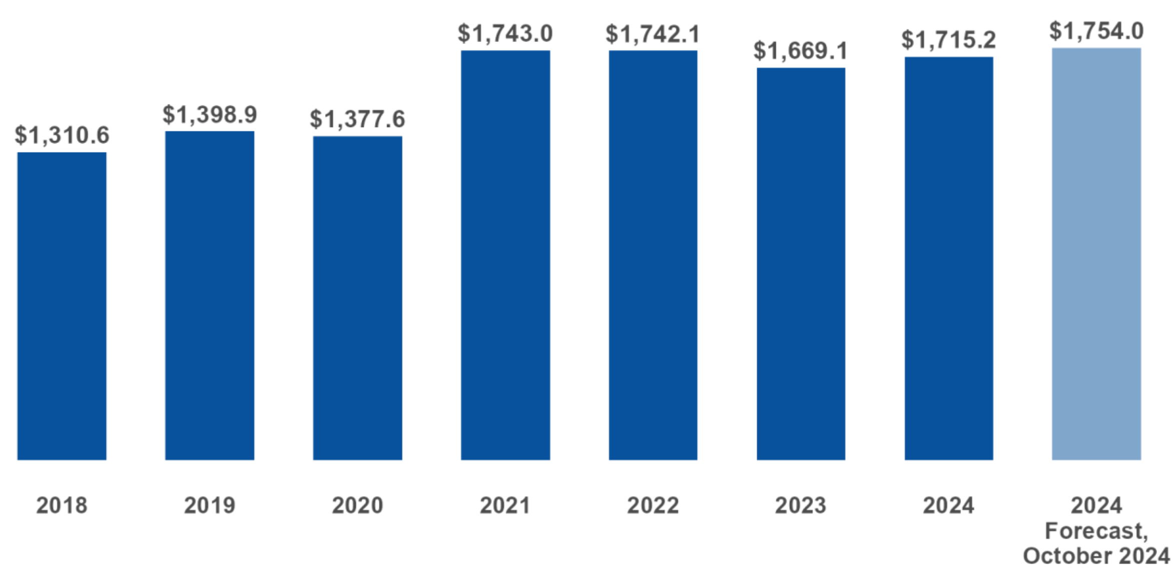
The main reason for the pattern of payments skewed toward later parts of the year is that most of the tax revenues received in January and February are not for first quarter tax obligations, but rather represent payments for taxable activity that occurred in November and December of the previous year. 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, 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 end of first quarter is usually negligible and comes largely from non-current payments such as late payments, audits, or refunds. Another example is Property Taxes, which are due once in April and once in October, and result in little to no activity in the first and third quarters. Similarly, for the Payroll Expense Tax, the largest non-General Fund revenue source, the estimated payments for the first quarter are also only due by the end of April.

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

2.1 Overall General Fund Revenues

The 2024 General Fund (GF) revenues total of $1,715.2 million is $38.8 million less than the October forecast of $1,754.0 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 $7.3 million, or 0.46%.

Total General Fund Revenue, $ millions



- Prior to the pandemic the GF had shown strong annual growth of 7.2% from 2018 to 2019.
- Overall revenues fell 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.
- While it would appear that the GF made a remarkable comeback in 2021, 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, as $44.5 million in late payments of 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. While final 2022 GF revenues were still about $10 million less than the 2021 total, this decline would have been significantly larger without the late payments of 2021 payroll tax obligations and the additional transfer from the new Payroll Expense Tax Fund.
- 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 of payroll expense tax revenues from Payroll Expense Tax Fund to the general fund went from $85.4 million to $69.8 million. Thus, about $56.5 million of the $72.9 million decline in the GF revenues shown in the chart above is due to these two effects.
- In 2024, the 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.

Additional insights about how specific revenue sources contributed to overall GF performance in 2024, both relative to forecast and relative to 2023, are provided next.

2.2 Individual General Fund Revenues

The table below provides comparison of final 2024 revenues relative to October's forecast and relative to the revenues collected in 2023.

Table 1. 2024 General Fund Revenues

Revenue	2023 Actual Revenue, $ mil.	2024 Revised Forecast, October, $ mil.	2024 Actual Revenue, $ mil.	Difference, 2024 Actual vs Forecast, $ mil.	Difference, 2024 Actual vs Forecast, %	Year/Year Change, $ mil.	Year/Year Change, %
Property Tax (Including Medic One Levy)	$377.80	$382.91	$378.98	-$3.94	-1.03%	$1.17	0.31%
Sales & Use Tax	$339.89	$338.07	$340.39	$2.32	0.69%	$0.51	0.15%
Business & Occupation Tax	$356.33	$353.99	$353.34	-$0.65	-0.18%	-$2.99	-0.84%
Utility Tax - Private	$43.24	$37.37	$40.45	$3.08	8.25%	-$2.78	-6.44%
Utility Tax - Public	$185.68	$214.84	$217.67	$2.82	1.31%	$31.98	17.23%
Payroll Expense Tax (2021 obligations)	$3.65	-$0.76	-$0.43	$0.33		-$4.07	
Other City Taxes	$14.11	$13.45	$15.17	$1.72	12.75%	$1.05	7.48%
Parking Meters	$36.99	$39.33	$39.19	-$0.14	-0.36%	$2.20	5.95%
Court Fines	$23.99	$18.87	$18.37	-$0.50	-2.67%	-$5.62	-23.44%
Licenses, Permits, Interest Income, Other	$75.82	$71.09	$72.71	$1.63	2.29%	-$3.10	-4.09%
Revenue from Other Public Entities	$19.07	$19.65	$19.40	-$0.25	-1.25%	$0.33	1.72%
Service Charges & Reimbursements	$76.20	$83.26	$84.12	$0.87	1.04%	$7.93	10.40%
Grants	$35.80	$67.91	$22.78	-$45.13	-66.46%	-$13.02	-36.37%
Fund Balance Transfers	$80.50	$113.97	$113.02	-$0.95	-0.83%	$32.52	40.39%
Total General Fund Revenues	**$1,669.06**	**$1,753.96**	**$1,715.17**	**-$38.79**	**-2.21%**	**$46.10**	**2.76%**
Total General Fund Revenues excluding Grants and Fund Balance Transfers	**$1,552.76**	**$1,572.08**	**$1,579.37**	**$7.29**	**0.46%**	**$26.60**	**1.71%**

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, totals were somewhat below the forecast, with a difference of about 1% or $3.9 million. Relative to 2023, Medic 1/EMS levy revenues increased in 2024 by $3.3 million, this gain was however partially offset by a $2.2 million decline in the general expense levy, resulting in a $1.1 million increase in General Fund property taxes relative to 2023 collections.
- **Sales Tax** revenues outperformed the forecast and ended about $2.3 million or 0.69% above the anticipated level. At 0.15%, the year-over-year growth was however only marginal and well below the 3.5% Seattle area inflation rate. As in 2023, construction and trade sectors were weighing down on the sales tax revenue growth. Taxable sales in construction sector declined by 7.1% year-over-year and those in trade sector by 1.4%, largely offsetting solid growth in leisure and hospitality and the rest of the industries.
- **B&O Tax** Business and Occupation Tax revenues declined 0.84% year-over-year and also underperformed the forecast slightly, by $0.65 million, or 0.18%. Tax obligations in construction, trade, information, as well as professional and business services have declined notably in 2024, offsetting higher revenues from financial activities and education and health services sectors. As discussed in the economic climate section further below, this reflects the fact that employment declined in these industries in 2024.
- **Private utility taxes** decreased by $2.7 million from 2023 levels. The revenues came above forecast by $3 million, however, as tax payments for Telephone and Natural Gas outperformed expectations by $1.96 million and $1.29 million respectively. Telephone tax revenue had an unexpected increase in payments that were over a year late and this lag resulted in an initially pessimistic outlook. Natural Gas tax revenues overperformed due to a sharp increase in natural gas prices shortly after the October forecast. The rest of the private utility taxes combined underperformed the forecast by about one percent.
- **Public Utility Taxes.** Actual revenues came in roughly $2.8 million, or 1.3%, above the forecast; about half of this is due to the higher than expected solid waste collection tax revenues. Revenue collection increased by almost $32 million year-over year, reflecting $8 million in 2023 public utility revenues that were only accounted for in 2024, as well as notable increases in electric utility rates, and wastewater and drainage rates.

- **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 2024, there were still some late payments for 2021 obligations but some refund requests as well, which offset the late payment and resulted in the negative net balance of -$0.43 million.
- **Parking Meters.** As the social distancing associated with Covid-19 eased, demand for parking increased and, per City policy, SDOT began to raise parking meter rates in response. Due to gradual return to the office, parking meter revenues continue to beat expectations for 2023.
- **Court Fines.** Court fine revenues spiked in 2023 due to the City reinstating referrals to collection of a backlog of citations created when the City suspended referrals during the COVID-19 pandemic. Through notifications, some people paid prior to referral to collections to avoid penalties and interest charges being added to the fine amount. Following this spike, in 2024 the court fines declined by $5.62 million, or 23.44%, and underperformed the forecast slightly by, $0.50 million (2.67%).
- **Licenses, Permits, Interest Income and Other**. A large amount of payments for business license renewals made in 2022 were only receipted in 2023, shifting some revenue between the two years and creating a temporary spike in business license fees revenues in 2023. This base effect explains the year-over-year decline in revenue collection in 2024 and it was also incorporated into the October forecast. Business license fees actually overperformed the October forecast by $0.53 million, or 2.57%.
- **Grants.** Grant revenues declined $13 million compared to 2023 and ended $45.13 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 2024 fund balance transfers would total $113.9 million, consisting primarily of the $91.9 million of revenue from the JumpStart Payroll Expense Tax Fund and $18.6 million of Coronavirus Local Fiscal Recovery (CLFR) funding. The actual 2024 amount is just $0.95 million or 0.83% lower.

3. Select Non-General Fund Revenue Sources

In addition to its work in forecasting and tracking 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. The next two sections then provide a summary for other non-GF revenues that support general government functions (Section 3.3) and some that are specifically dedicated to transportation purposes (Section 3.4).

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 2024, the tax applied to businesses with total 2023 payroll expense in Seattle of at least $8,511,281 and one or more employees with a 2024 annual compensation of at least $182,385. 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%. [2]

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. This concentration creates significant inherent volatility in this revenue stream. Changes in the financial fortunes and decisions made by a handful of individual companies can materially affect overall revenues.

In particular, as the tech sector grew at a fast pace during the pandemic, the 2021 payroll expense tax revenues significantly exceeded the forecast. Total 2021 tax obligations were approximately $293 million, or about 47.9%, above the forecast from November 2021. But when the tech sector began to cool considerably in 2022, the total payroll tax obligations declined about 13.6% year-over-year to $253 million, which was 10% below 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.

[2] For more details see https://www.seattle.gov/city-finance/business-taxes-and-licenses/seattle-taxes/payroll-expense-tax.

Table 2. Select Non-General Fund Revenues

Revenue	2023 Actual Revenue, $ mil.	2024 Revised Forecast, October, $ mil.	2024 Actual Revenue, $ mil.	Difference, 2024 Actual vs Forecast, $ mil.	Difference, 2024 Actual vs Forecast, %	Year/Year Change, $ mil.	Year/Year Change, %
General Government Revenues							
Payroll Expense Tax	$315.18	$406.78	$360.03	-$46.74	-11.49%	$44.86	14.23%
Real Estate Excise Tax	$47.89	$58.88	$62.73	$3.85	6.53%	$14.83	30.97%
Admission Tax	$25.56	$25.75	$24.75	-$0.99	-3.86%	-$0.80	-3.13%
Sweetened Beverage Tax	$21.52	$20.91	$20.15	-$0.76	-3.65%	-$1.37	-6.37%
Short Term Rental Tax	$11.40	$11.92	$12.06	$0.14	1.20%	$0.66	5.77%
Transportation Specific Revenues							
STBD Sales Tax	$53.12	$52.80	$53.02	$0.22	0.41%	-$0.11	-0.20%
STBD Vehicle License Fee	$16.54	$19.47	$19.62	$0.15	0.78%	$3.08	18.59%
Commercial Parking Tax	$51.69	$52.40	$50.03	-$2.37	-4.52%	-$1.66	-3.21%
SSTPI - School Zone Speed Enforcement	$12.65	$9.75	$8.50	-$1.25	-12.82%	-$4.15	-32.81%

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, stock prices resumed to grow, and in addition the return to the office continued, and so the payroll expense tax obligations recovered as well. They grew 23% year-over-year to $311 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 on its own this would imply a 6.5% increase in revenues. The actual Payroll Expense Tax revenues ultimately grew just 14.23% - a notable slowdown from previous year, despite stock market growing 25% in 2024, compared to just 4.5% in 2023. As a result, the actual revenues fell 11.49% short of the $406.8 million October forecast; the $360 million of actual revenues is $46.8 million less than anticipated.

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 generated a record $112 million in 2021, revenues however declined considerably in the following two years, dropping by 47.6% year-over-year in 2023, after falling 18.5% the year before that. Interest rates increased dramatically since summer 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. In 2024 REET revenues started to recover, they grew by $14.8 million, almost 31% year-over-year, reaching $62.7 million, which exceeded the October by $3.85 million or 6.53%. About $1.9 million of that is revenue due to unexpectedly large remittance from Washington State Department of Revenue since October 2024.

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 (AKA the “soda tax”), and the Short-term Rental Tax. City policy, as established by ordinance, directs each of these sources to a set of dedicated general government purposes. The table above compares the 2024 year-end results for each to the final October forecasts and the 2023 actual revenues.

Given the impacts on large entertainment events (Admissions Tax), restaurant activity (Sweetened Beverage Tax), and tourist travel (Short-term Rental Tax), these sources had been significantly negatively impacted by the pandemic and continue to recover at different rates.

- Admissions tax revenue fell short of the forecast, producing about $1 million (3.86%) less in revenue than anticipated and decreasing about 3.13% on an annual basis. This is to a large extent caused by a strong base effect - in 2023, admission tax revenues grew 17.3% as the cruise ship season saw a record breaking 1.78 million revenue passengers, Seattle hosted the Major League Baseball All-Star Week, Taylor Swift and Beyoncé concerts, and Seattle Kraken accomplished a run of play-off games.
- Short-Term Rental Tax revenues exceeded forecasts by $0.14 million (1.20%), having increased $0.66 million (5.77%) year-over-year.
- Revenues from the Sweetened Beverage tax underperformed the forecast by about $0.76 million (3.65%). Sweetened Beverage Tax revenues declined by $1.37 million (6.37%) relative to 2023.

3.4 Transportation-Specific Non-GF Revenues

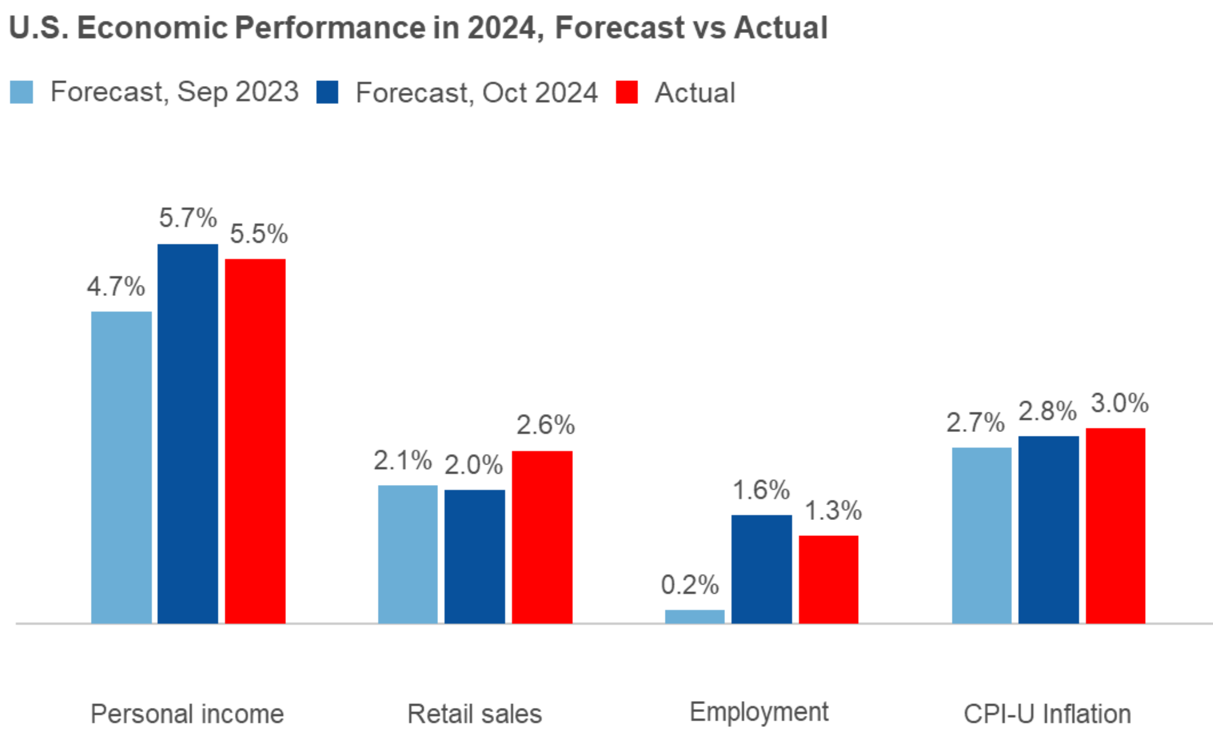
Funding for the Seattle Department of Transportation (SDOT) comes from a variety of sources, including a few dedicated revenue streams. Two of the most significant sources – a 0.15% Sales Tax and a $40 Vehicle License Fee (VLF) – originated under the authority of the Seattle Transportation Benefit District (STBD). While the 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.

- Per the table above, both have generated revenues slightly above the forecast, Sales Tax by $0.22 million and the Vehicle License Fees by about $0.15 million. STBD sales tax revenues however declined 0.2% relative to 2023, same factors as those outlined in the GF section above for regular sales tax were behind the weak performance year-over-year. The VLF revenues jumped 18.59% year-over-year as the fee increased from $40 to $50 in 2024.
- Commercial Parking Tax revenues, which are also dedicated to transportation purposes, fell somewhat short of the expectations from to the October forecast, producing $2.37 million or 4.52% less than anticipated.

4. Overview of Economic Climate

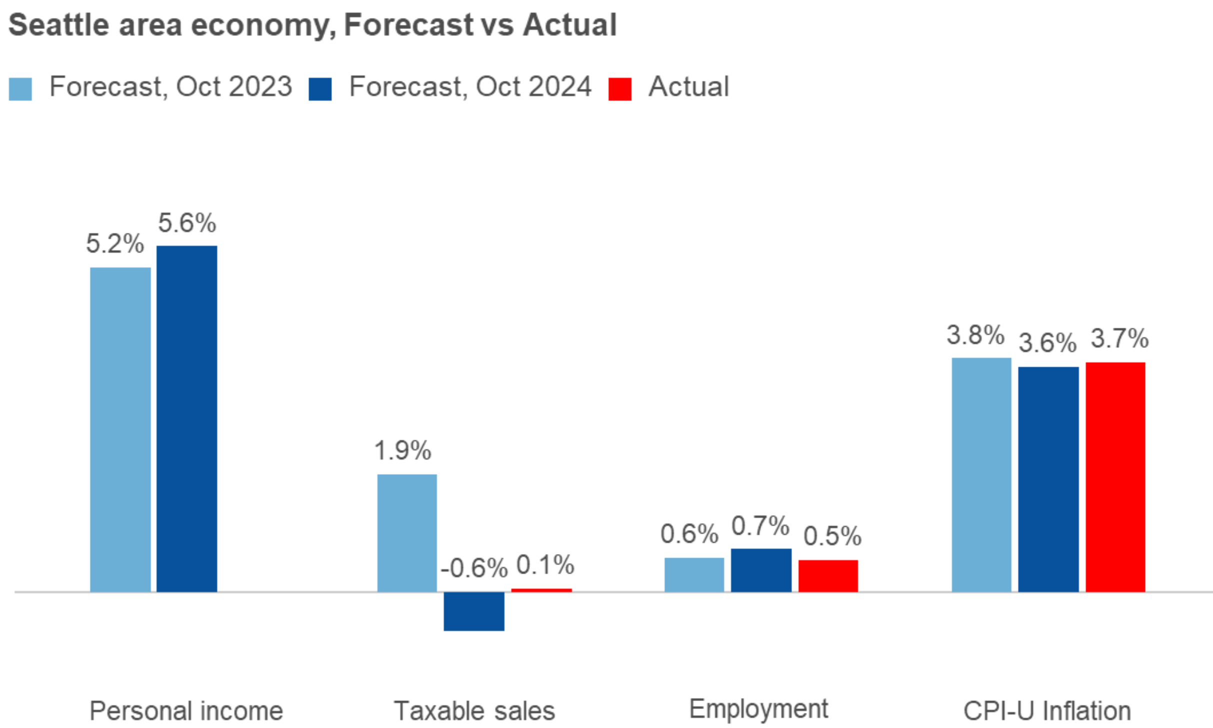
To provide some additional context for the revenue results presented in this report, this section provides an overview of economic developments with a focus on how conditions have evolved since the forecast for 2024 Adopted Budget was developed in October 2023.

Focusing first on the national economy, the chart below compares the forecasts of some of the key economic indicators provided by S&P Global 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.



- Despite significantly restrictive monetary policy, the national labor market and consumer spending have been much more resilient than expected. As a result, the U.S. economy avoided a recession in 2024 and grew at a solid pace.
- The aggressive monetary policy tightening by the Federal Reserve Bank brought inflation down, tough it still remains above Fed's target of 2%.

The chart below shows similar indicators for the regional economy. Hiring slowdowns and construction downturn led to noticeably slower regional employment growth in 2024 compared to the national economy. This also negatively impacted the revenue collection.



- Regional personal income data is released with a significant lag and first estimates of actual 2024 personal income will only be available in November 2025.
- Taxable sales grew in 2024 much slower than the already low 1.9% prediction from October 2023. Solid national retail sales did not carry over to the sales tax revenue collected in Seattle, as consumer spending in the city was weaker than in national economy and the sales tax from trade sector actually declined 1.4% year-over-year. Moreover, the downturn in the construction sector was rather sharp, taxable sales in this sector declined 7.1% from 2023, further weighing down on total sales tax revenue collection.
- Regional employment in general grew in line with the forecast expectations, overall employment growth has however slowed down significantly from 2023. Strong growth in Educational and Health Services, and in Government sectors was to a large extent offset by declining in employment in Construction, Trade, Information, Financial Activities, and in Professional and Business Services sectors. Regional employment growth was once again notably weaker than in the national economy.
- While the regional inflation remained much higher than at the national level, its deceleration was faster, closing the gap partially. Seattle MSA CPI-U was about the same as the forecasts from October 2023 and October 2024.