

# Revenue Sustainability Panel: Washington

Presented to  
Pacific Northwest Regional Economics Conference

Steve Lerch  
Executive Director

May 12, 2016  
Vancouver, Washington

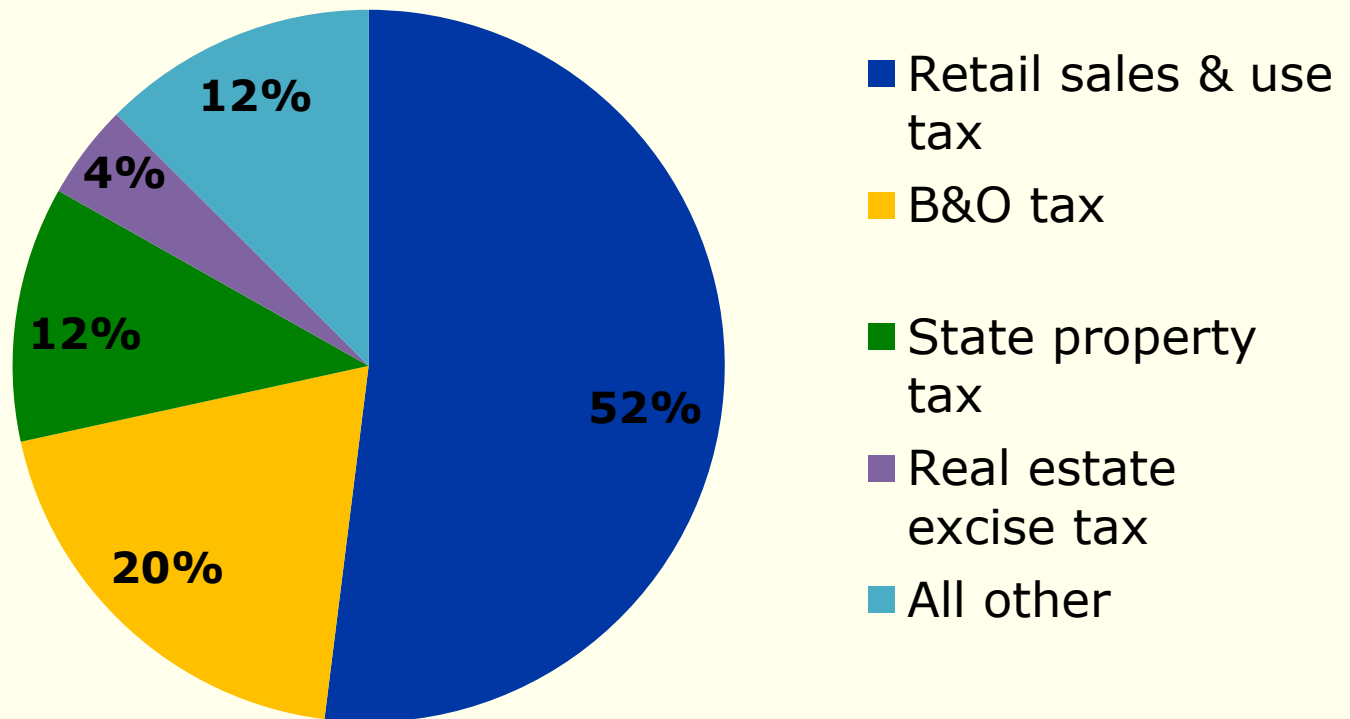


**WASHINGTON STATE  
ECONOMIC AND REVENUE FORECAST COUNCIL**



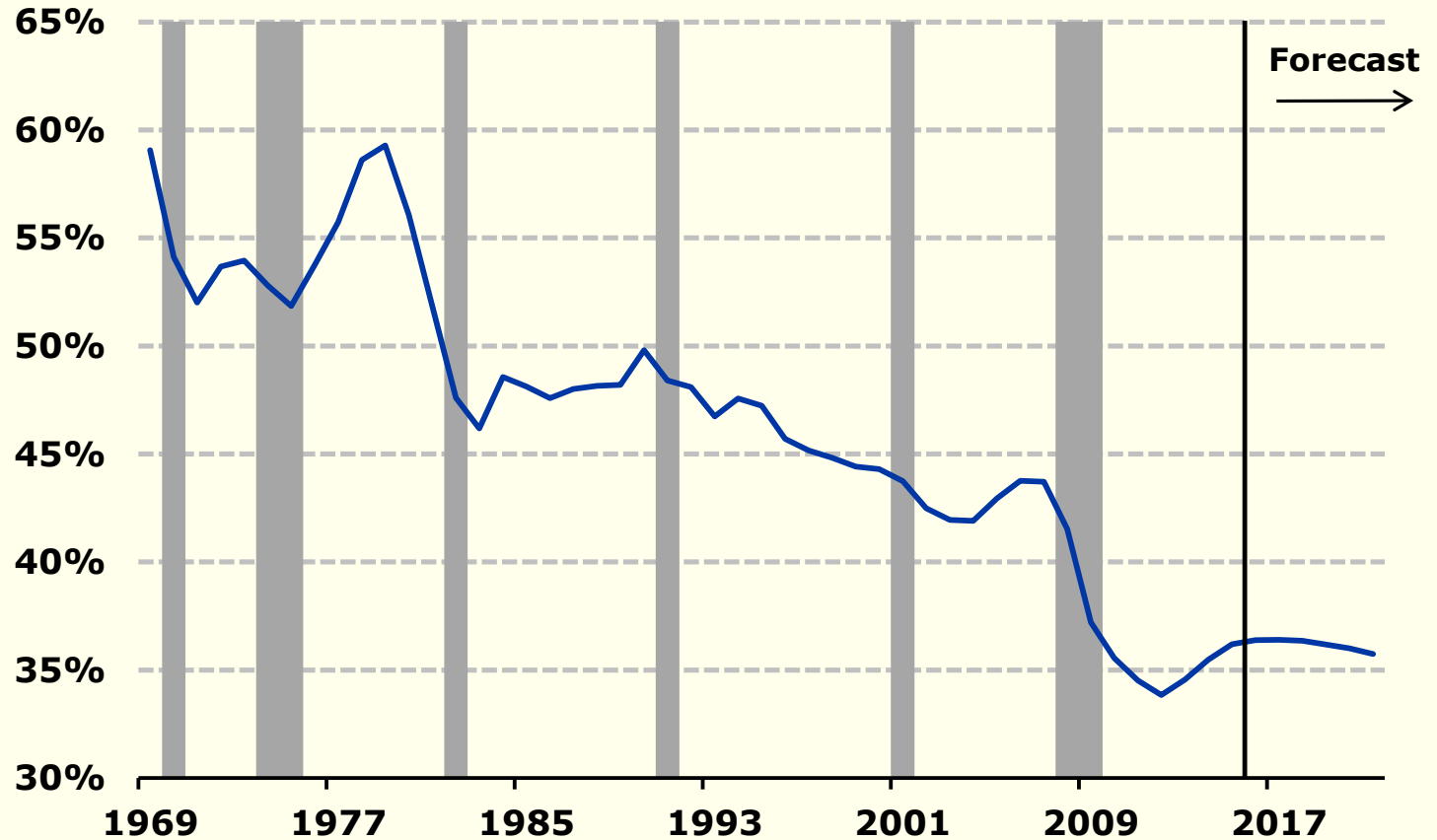
# Retail sales and use taxes account for 52% of collections

**FY 2015 collections**





# Taxable retail sales as a share of nominal personal income by fiscal year



U.S. and Washington  
Economic Forecast

May 12, 2016

Slide 2

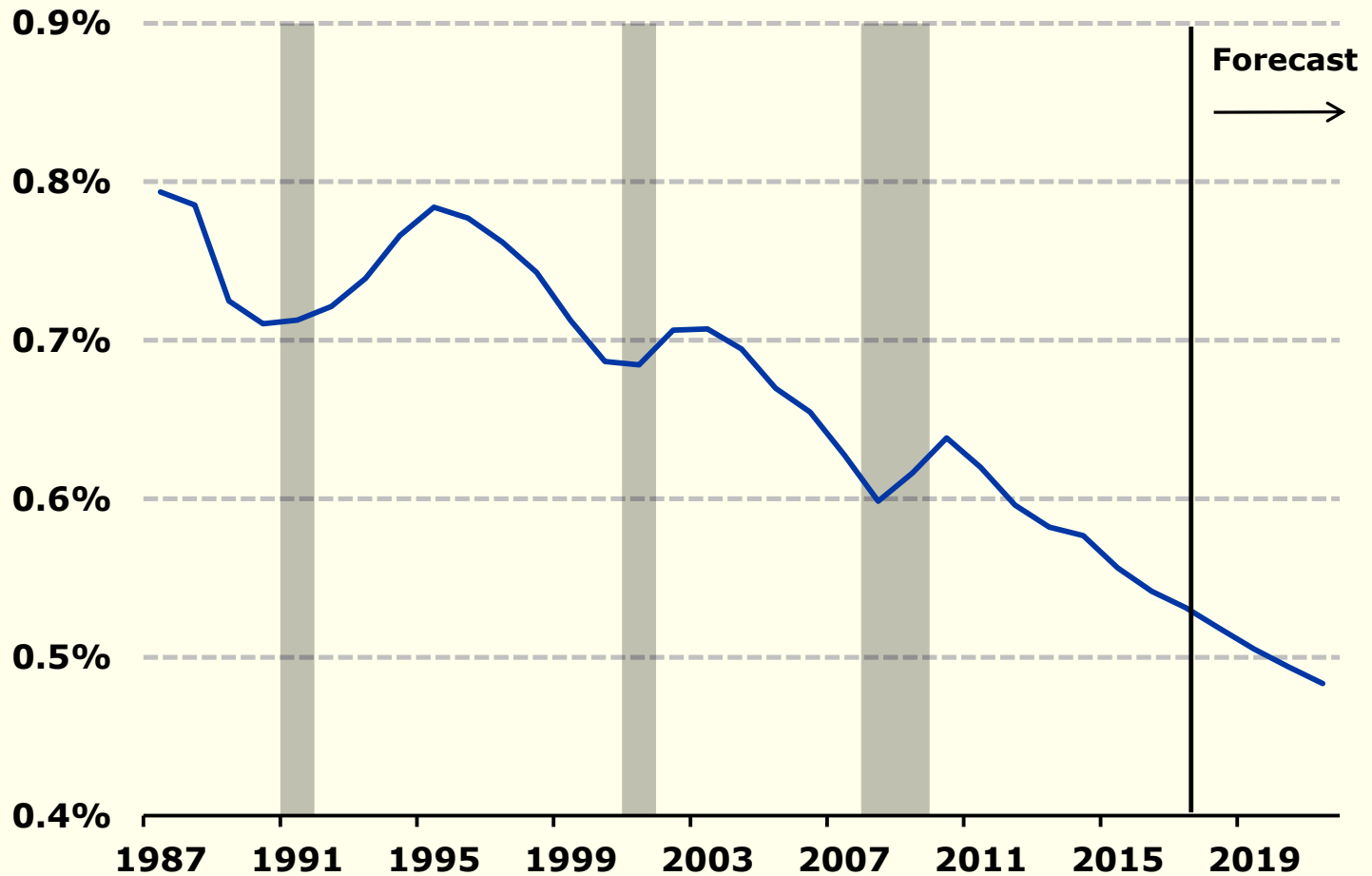
Sources: U.S. Bureau of Economic Analysis; ERFC Feb. 2016 forecast

**WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL**



# State property tax revenue as a share of nominal personal income by fiscal year

Limits on property tax revenue growth (excluding new construction):  
1979-97: 6%;  
1998-2001: lesser of 6% or inflation;  
2002-present: lesser of 1% or inflation



U.S. and Washington  
Economic Forecast

May 12, 2016

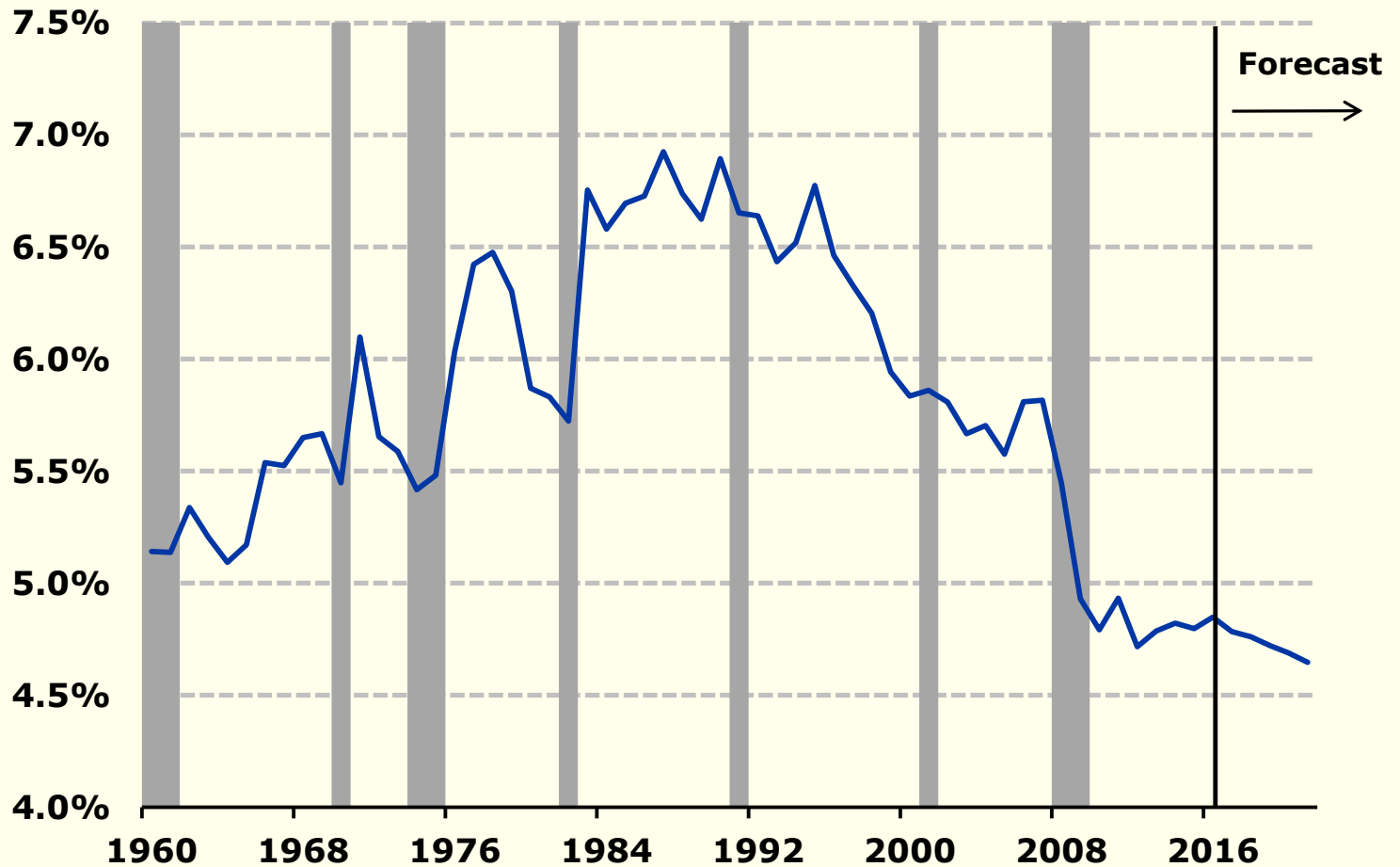
Slide 3

Sources: U.S. Bureau of Economic Analysis; ERFC Feb. 2016 forecast

**WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL**



# Operating budget revenue as a share of nominal personal income by fiscal year



U.S. and Washington  
Economic Forecast

May 12, 2016

Slide 4

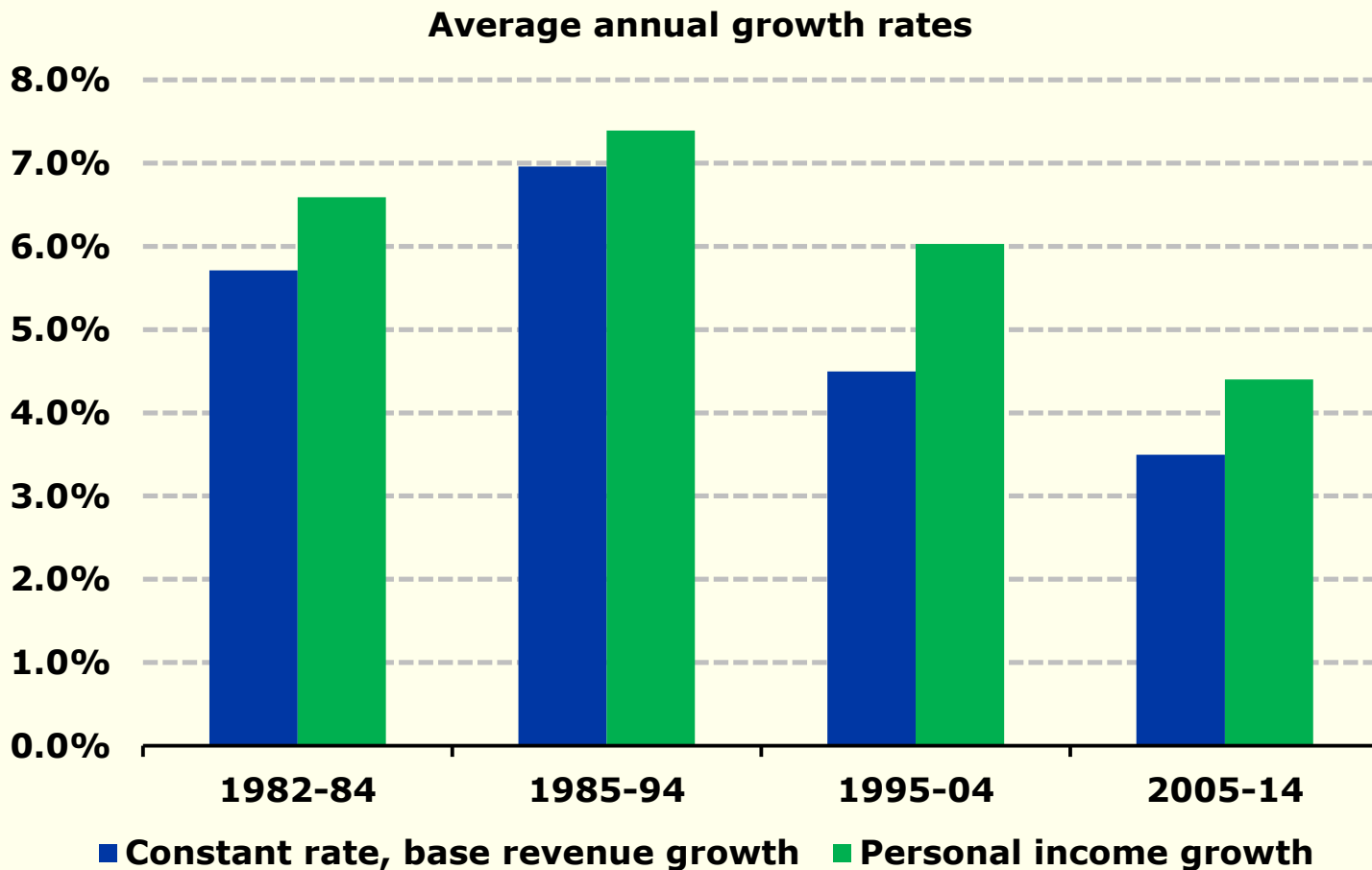
Sources: U.S. Bureau of Economic Analysis; ERFC Feb. 2016 forecast

**WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL**



# Growth of four major tax sources holding tax rates & bases constant compared to personal income growth

Revenue growth = growth in retail sales, B&O, use and public utility taxes maintaining current tax rates and bases back to 1981



Source: BEA, ERFC, OFM, Global Insight; historical data through 2014

U.S. and Washington  
Economic Forecast

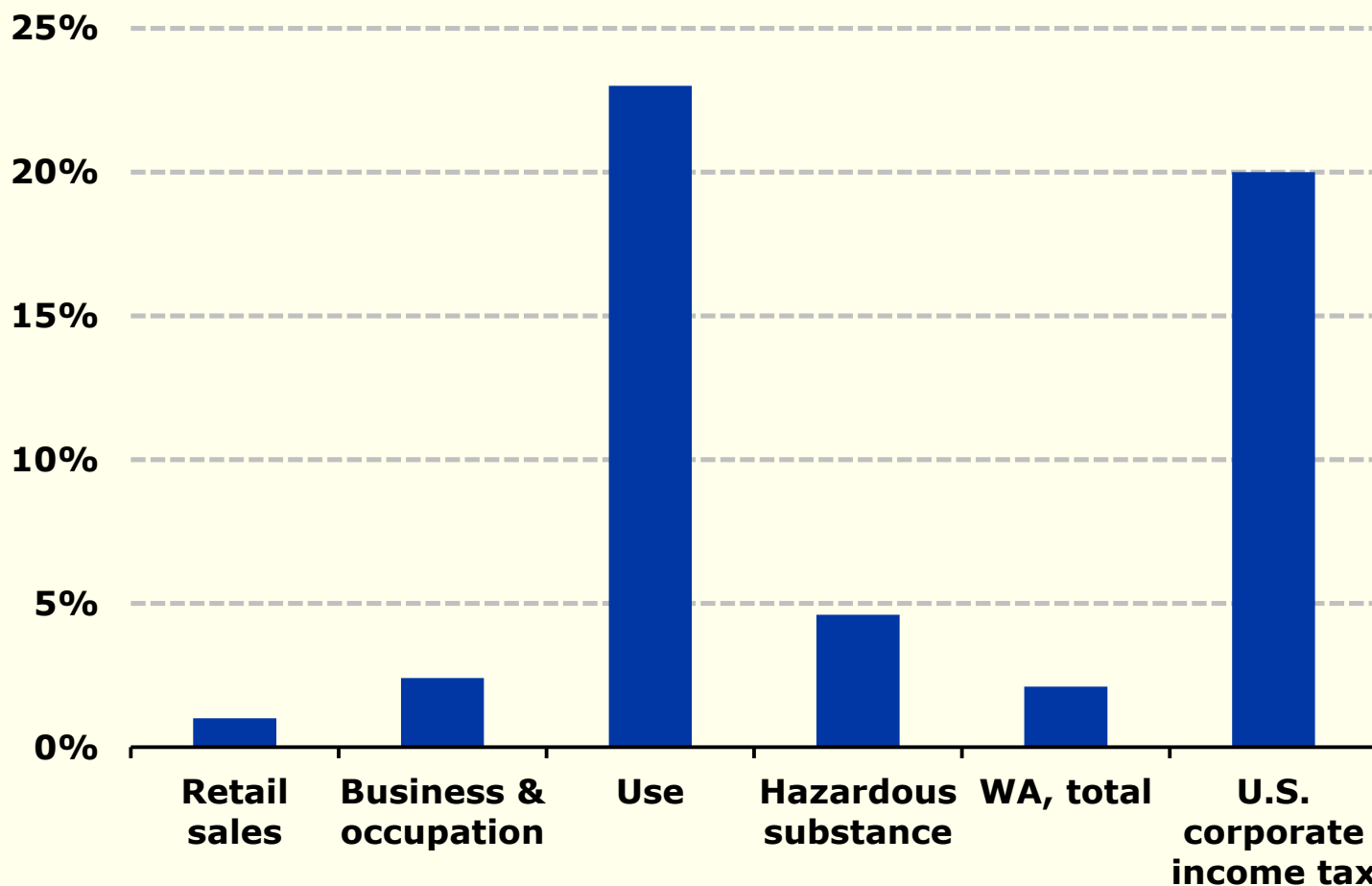
May 12, 2016

Slide 5

**WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL**



# Registered business noncompliance as percent of liability by tax



U.S. and Washington  
Economic Forecast

May 12, 2016

Slide 6

Sources: WA Dept. of Revenue, FY 2006 data; IRS, GAO TY 2006 data

**WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL**



# Consumer sales tax loss from cross-border sales (FY 2014)

- \$3 billion loss in border county retail sales
- \$193 million loss in states sales tax receipts
- \$54 million in local sales tax receipts





# Sin-tax evasion

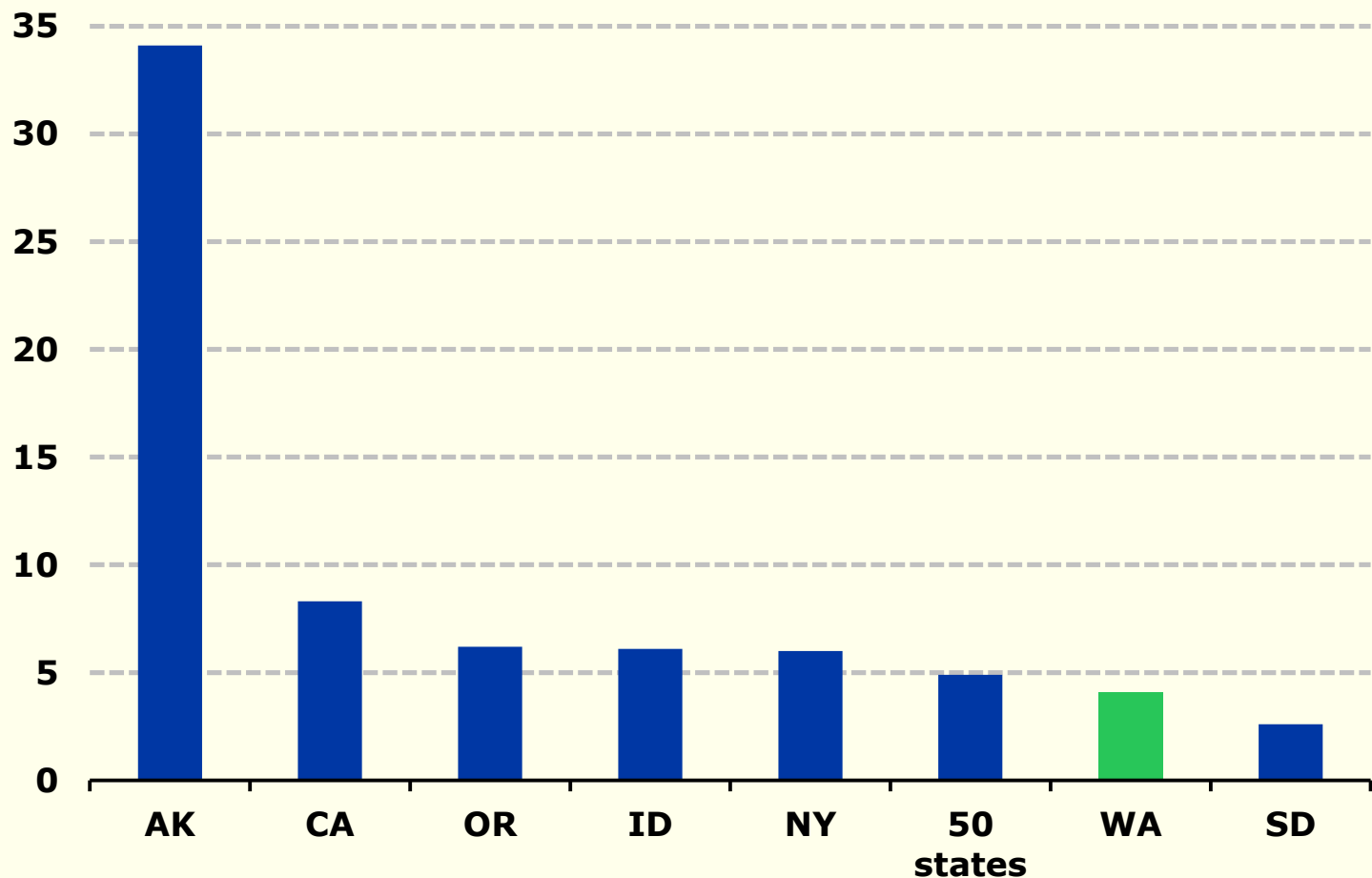
OR cannabis taxes are lower than WA; too soon to estimate impact on WA sales

- Cigarette taxes
  - WA: \$3.025/pack
  - ID: \$0.57/pack
  - OR: \$1.32/pack
  - One-third of cigarettes consumed in state were not taxed in WA; revenue loss = \$313 M/year
- Spirits taxes
  - WA: \$35.22/gallon
  - ID: \$10.90/gallon
  - OR: \$22.72/gallon
  - 1.1% of spirits consumed in WA purchased in ID, OR; revenue loss = \$2.7 M/year

Sources: WA Dept. of Revenue; Campaign for Tobacco Free Kids; Tax Foundation



# Standard deviation of percent change in total tax revenue adjusted for rate & base changes, 1994 - 2012



U.S. and Washington  
Economic Forecast

May 12, 2016

Slide 9

Source: Pew Charitable Trusts, Fiscal 50: State Trends and Analysis, 2016

**WASHINGTON STATE ECONOMIC AND REVENUE FORECAST COUNCIL**