

Forecasting Local Sales Tax Revenues

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Forecasting local sales & use tax revenues

Impacts of destination-based sales tax and new voluntary compliance revenues may well be overshadowed by changes in the general economy that are entirely unrelated. Department collections for the last two months have been considerably below the revenue forecast due in large part to declining retail activity. Motor vehicle sales have been hit most severely with a 17 percent reduction in June over previous year sales. Sales related to housing fell an average of 10 percent and includes furniture and building materials which are the most impacted by the change to destination-based sales tax.

The Economic and Revenue Forecast Council looks at the impacts of the economy on sales tax revenues, and will release their next forecast on September 18.

There are a number of Internet resources that are available to help local governments forecast future revenues. These resources are reliable inputs for a broad range of revenue forecasting models.

Resources for forecasting local sales and use tax revenues

Washington State Department of Revenue (www.dor.wa.gov):

- Click on "Get Statistics and Reports" on the front page.
- Click "Create a Report" on the right side to access the interactive query system. This system provides access to data on:
 - Gross business income
 - Taxable retail sales
 - Local tax distributions
 - Historical local tax rates
 - B&O and public utility taxes

Washington State Economic and Revenue Forecast Council (www.erfc.wa.gov):

- The Forecast Council's web site has a wide variety of descriptive statistics for Washington State. Some of these are forecasted into the future.

- Click on "Economic Forecast," then "Summary." The second page of the publication has forecasted values for income, wages, employment, inflation, and many other useful variables for revenue forecasting.

Employment Security Department (www.workforceexplorer.com):

- Workforce Explorer is a rich data source with county and sometimes city level detail.
- Click on "WA Labor Market" (among the buttons at the top), then on "local area profile" (on the right-hand side under "Economic Information?"). This system retrieves county-level statistics related to employment and income.
- There is other useful data available such as population data and the most local consumer price index. Return to the front page and click on "Data Analyst" under "Quick Links."
- "Current Estimates" (under "Nonfarm Industry Employment") has historical employment data by location and industry.
- "Quarterly Census of Employment & Wages" has employment and wages by location and industry.

Office of Financial Management (www.ofm.wa.gov):

- The Office of Financial Management's web site has a wide variety of descriptive statistics ranging from population to crime rates. It also has a series of "budget driver" statistics designed to help forecast future expenditures.
- Click on Population->Estimates and Forecasts. This area contains information on the official population forecasts used to distribute local sales taxes. Item 3 gives the official population by location for current and previous periods.
- Click on Research & Data->Washington Trends. The "budget drivers" section contains useful variables for forecasting expenditures, such as public school enrollment, and income assistance caseload.