

Office of Economic & Revenue Forecasts

2026 Q1 Revenue Report

May 2026



1. Introduction

Structure and Schedule of Quarterly Revenue Reports. This report documents revenues received through March 31th and is the first of four reports that the Office of Economic and Revenue Forecasts (Forecast Office) will provide regarding the 2026 revenues.

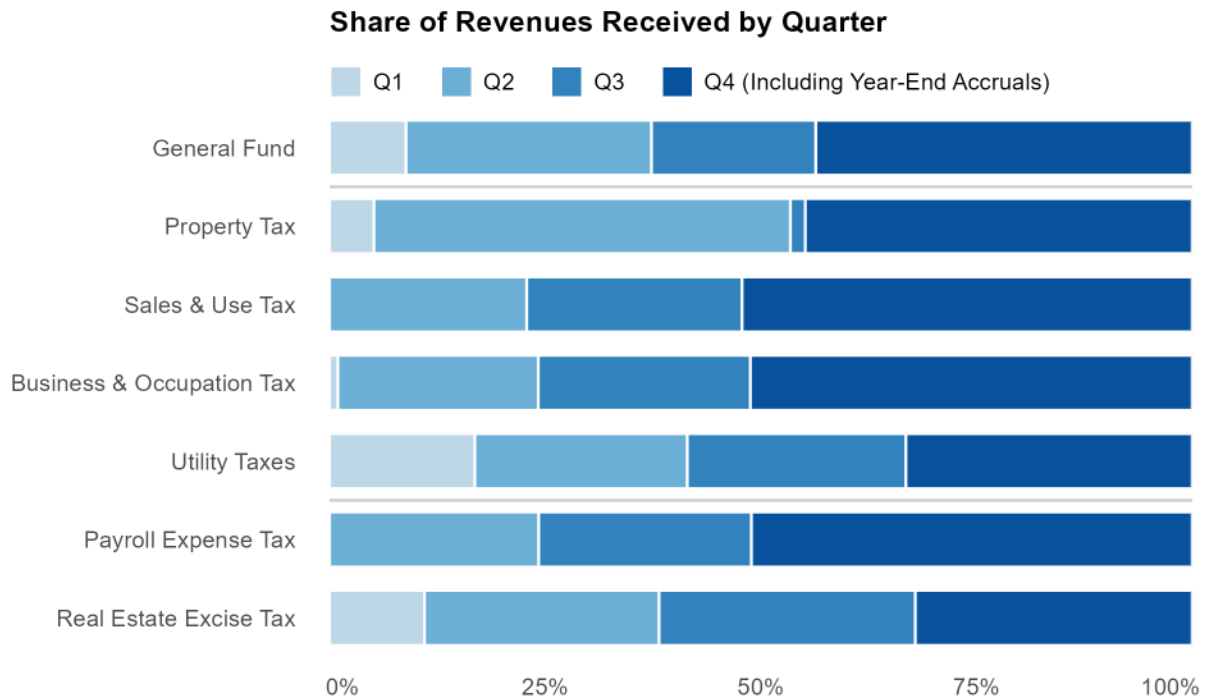
The goal of these reports is to track actual revenue receipts relative to the levels that would be anticipated given the most recent forecasts and historical quarterly patterns. The results presented in this report, in particular, are shown relative to the forecast approved by the City's Economic and Revenue Forecast Council on April 10th 2026. This forecast is an update to the October revenue outlook which underlies the City's 2025 Budget, as adopted by the City Council and signed by the Mayor in November 2025.

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 2026, we are in general using the average share of revenues collected in each quarter of 2019 and 2022-2025 as typical pattern of payments. Detailed information is not readily available before 2019 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 first quarter, the City generally receives less than 8% of the annual General Fund revenues. It is thus not possible to draw many conclusions about the performance of revenues from first quarter results. The chart also shows that even in October, when the final forecast of current-year revenues is prepared, the City has received only 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, Sales and Use, Business and Occupation, 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,

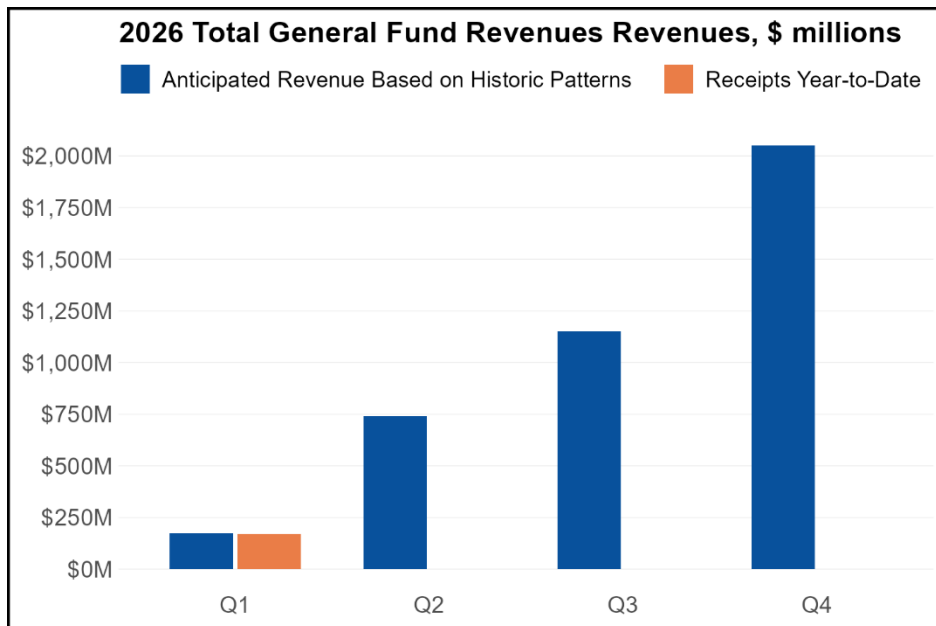
¹ This also has a significant impact on the City’s overall financial planning since during the budget process the Mayor and Council are making critical decisions about how to allocate resources from the current year and next with only partial information about how revenues are performing.

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. The 2026 restructure of Business and Occupation tax will further shift tax payments towards the second half of the year as a result of new standard deduction. 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 quarter of 2026 is about \$2.2 million (1.28%) lower than expected given quarterly patterns for payments received by this point in past years. As shown in



the table below summarizing General Fund revenues by source, lower than typical revenues for Grants are the primary factor behind the shortfall. This reflects the fact that grants revenues are reimbursements for specific expenditures, some of which have not yet occurred.

General Fund, \$ million	Q1	Q2	Q3	Q4
Receipts Year-to-Date	\$171.8			
Anticipated Revenue Based on Historic Patterns	\$174.0	\$742.4	\$1,150.4	\$2,049.6
<i>Difference</i>	-\$2.2			

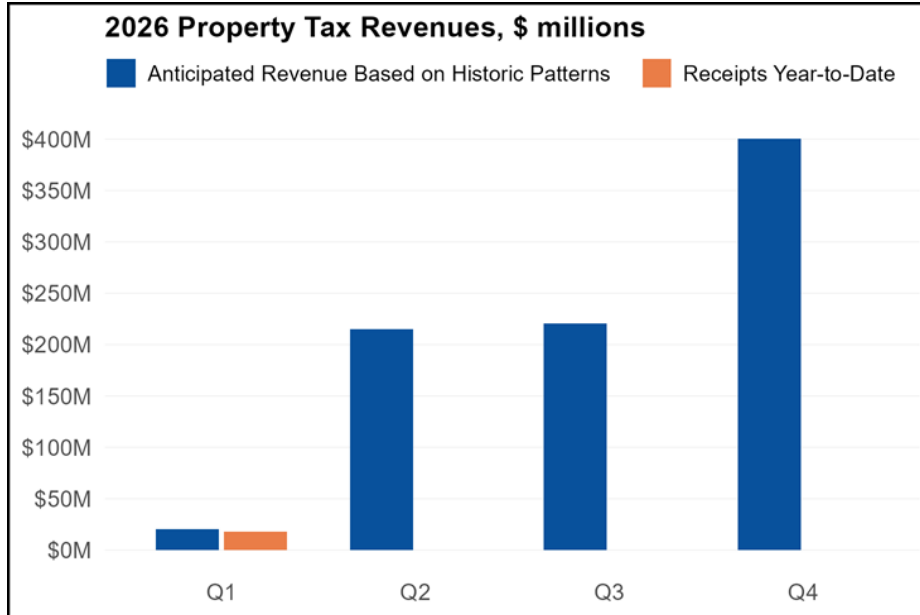
Revenues for General Fund excluding Grants and Fund Balance Transfers are \$1.9 million (1.65%) higher than anticipated.

The table below provides a summary of General Fund’s major revenue categories, it is followed by discussion of the most significant sources. A more detailed breakdown of receipts by revenues source is provided in Section 3.

Revenue	2026 Revised Forecast, April, \$ mil.	Historical Average, Q1 as % of Annual	2026 Q1 Estimate Based on Historical Average, \$mil.	2026 Q1 Receipts, \$ mil.	Difference, 2026 Q1 Actual vs Forecast, \$ mil.
Property Tax (Including Medic One Levy)	\$400.60	5.1%	\$20.33	\$17.77	-\$2.56
Sales & Use Tax	\$402.21	0.0%	\$0.00	\$0.03	\$0.03
Business & Occupation Tax	\$471.26	1.0%	\$4.58	\$4.71	\$0.13
Utility Tax - Private	\$44.20	16.9%	\$7.48	\$7.75	\$0.27
Utility Tax - Public	\$221.87	14.9%	\$33.03	\$33.63	\$0.60
Other City Taxes	\$16.36	8.5%	\$1.39	\$1.35	-\$0.04
Parking Meters	\$36.05	21.0%	\$7.58	\$8.44	\$0.86
Court Fines	\$19.14	22.1%	\$4.23	\$4.65	\$0.42
Licenses, Permits, Interest Income and Other	\$71.69	25.6%	\$18.32	\$18.95	\$0.63
Revenue from Other Public Entities	\$21.06	9.0%	\$1.89	\$0.04	-\$1.86
Service Charges & Reimbursements	\$79.37	20.8%	\$16.47	\$19.87	\$3.40
Grants	\$53.12	10.7%	\$5.66	\$1.99	-\$3.67
Fund Balance Transfers	\$212.68	24.9%	\$53.05	\$52.59	-\$0.46
Total General Fund Revenues	\$2,049.61	8.5%	\$174.01	\$171.79	-\$2.23
Total General Fund Revenues excl. Grants and Fund Balance Transfers	\$1,783.81	6.5%	\$115.30	\$117.20	\$1.90

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 patterns the first quarter revenue results are



anticipated to be small, about 5.1% of annual total, and consist if early payments.

The actual year-to-date revenues are somewhat lower. City has received 4.4% of the total 2026 forecasted receipts, which is about \$2.6 million less than what would be projected at this point based on the historical averages.

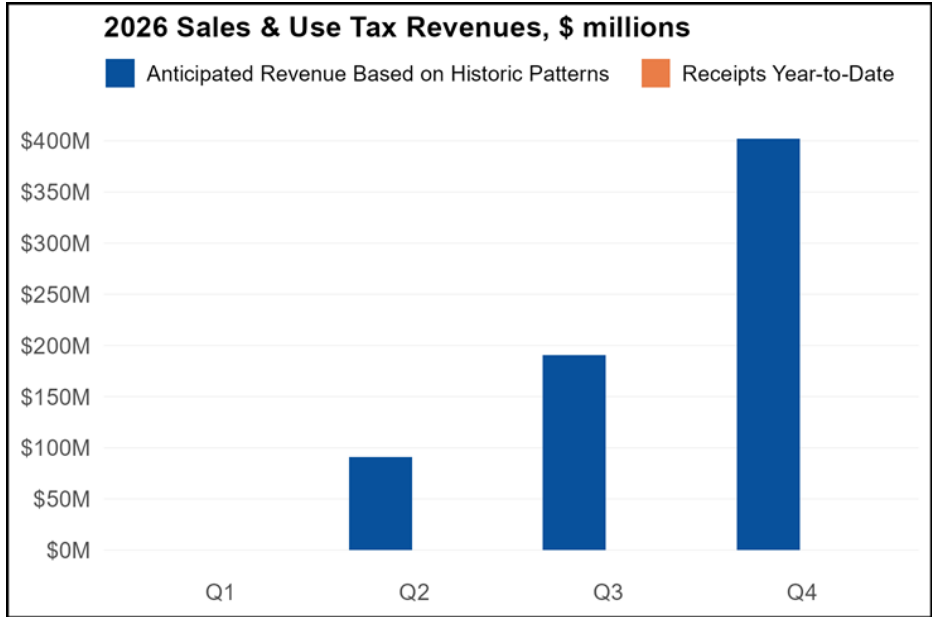
Property Tax, \$ million	Q1	Q2	Q3	Q4
Receipts Year-to-Date	\$17.8			
Anticipated Revenue	\$20.3	\$215.2	\$220.5	\$400.6
Difference	-\$2.6			

Because property

tax obligations are fixed at the beginning of the year, compared to other revenue sources, property tax payments are in general 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 can thus lead to higher delinquency rates.

Sales and Use Tax

The State of Washington’s Department of Revenue (DOR) transmits a monthly distribution of the retail sales tax attributable to economic activity in the city. These



distributions occur in general two months following the month during which the underlying taxable transactions occurred, and the distribution payment is then deposited to the City’s sales tax revenue account in the following month.

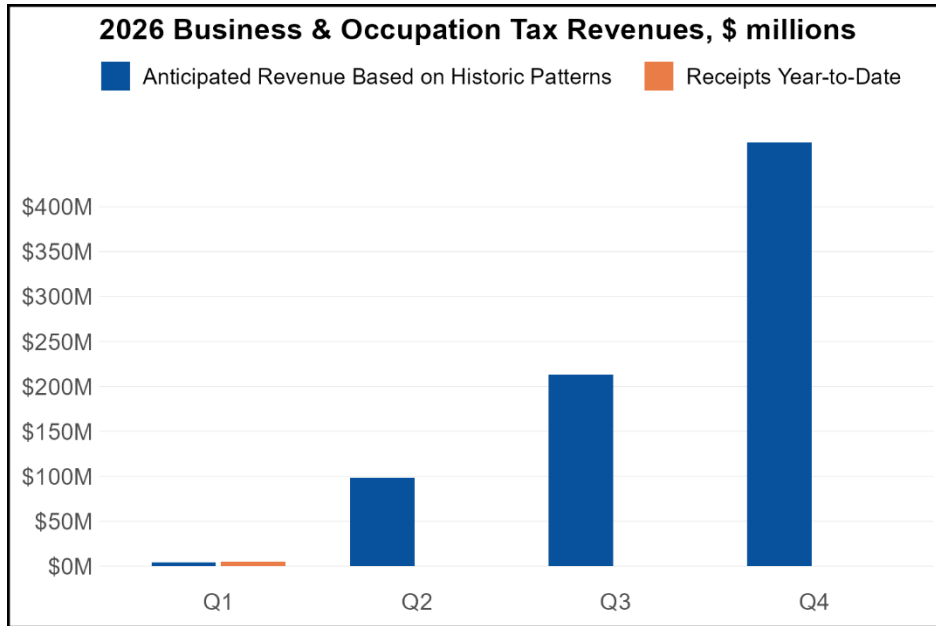
Sales & Use Tax, \$ million	Q1	Q2	Q3	Q4
Receipts Year-to-Date	\$0.0			
Anticipated Revenue Based on Historic Patterns	\$0.0	\$91.2	\$190.3	\$402.2
<i>Difference</i>	\$0.0			

In particular, the distribution payment for taxable sales activity that

occurred primarily in January is only accounted for in April, as a result there is no sales tax revenue for 2026 in the first quarter of this year.

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 completely known until approximately two months after the quarter end. B&O revenues received through the end of March have thus in past years amounted to only

B&O Tax, \$ million	Q1	Q2	Q3	Q4
Receipts Year-to-Date	\$4.7			
Anticipated Revenue	\$4.6	\$98.2	\$213.6	\$471.3
Difference	\$0.1			

about 1% of the annual total.

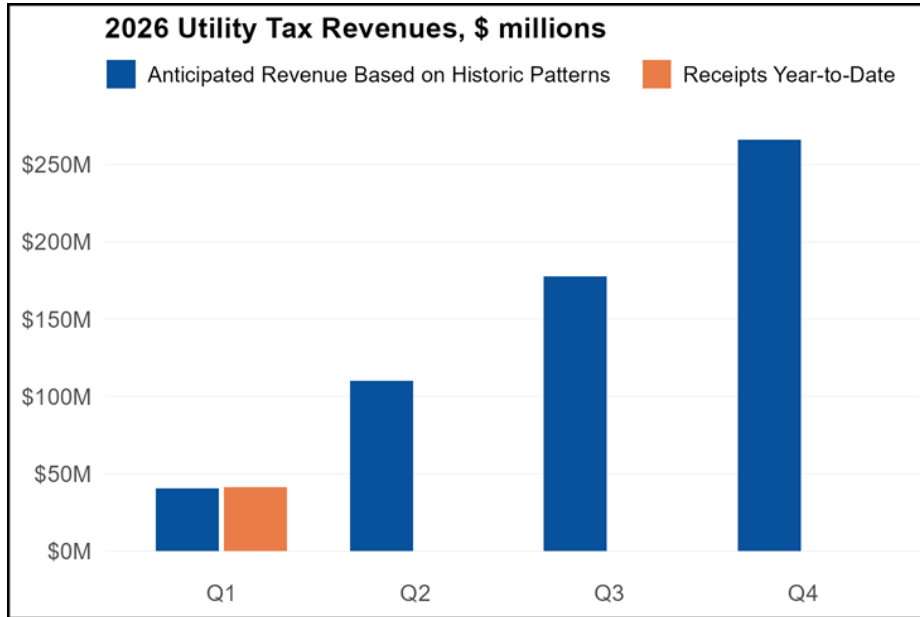
Furthermore, small businesses and new taxpayers have are allowed to pay their B&O taxes annually, rather than quarterly. Starting in 2021, the due date for these annual payers shifted from January 31st to April 30th. Not all annual taxpayers took advantage of this new flexibility, but many have, so this shifted about half of the revenues from previous year's obligations to the second quarter of the current year.

Finally, the 2026 restructure of B&O tax will shift tax payments towards the second half of the year as a result of new standard deduction.²

² The restructure has increased B&O tax rates, increased the threshold for taxable receipts from \$100,000 to \$2 million, and introduced a \$2 million standard deduction. For more details see [https://www.seattle.gov/city-finance/business-taxes-and-licenses/business-taxes/seattle-shield-business-and-occupation-\(bando\)-tax-changes](https://www.seattle.gov/city-finance/business-taxes-and-licenses/business-taxes/seattle-shield-business-and-occupation-(bando)-tax-changes).

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, about 13% of the April forecast for 2026.

Details about the amount received for individual utility taxes can be found in Section 3. The chart and table presented here summarize the total utility tax payments through 2026 Q1.

Utility Taxes, \$ million	Q1	Q2	Q3	Q4
Receipts Year-to-Date	\$41.4			
Anticipated Revenue Based on Historic Patterns	\$40.5	\$110.1	\$177.5	\$266.1
<i>Difference</i>	\$0.9			

Payments generally arrive with a one-month lag, so the results for the first quarter generally reflect payments

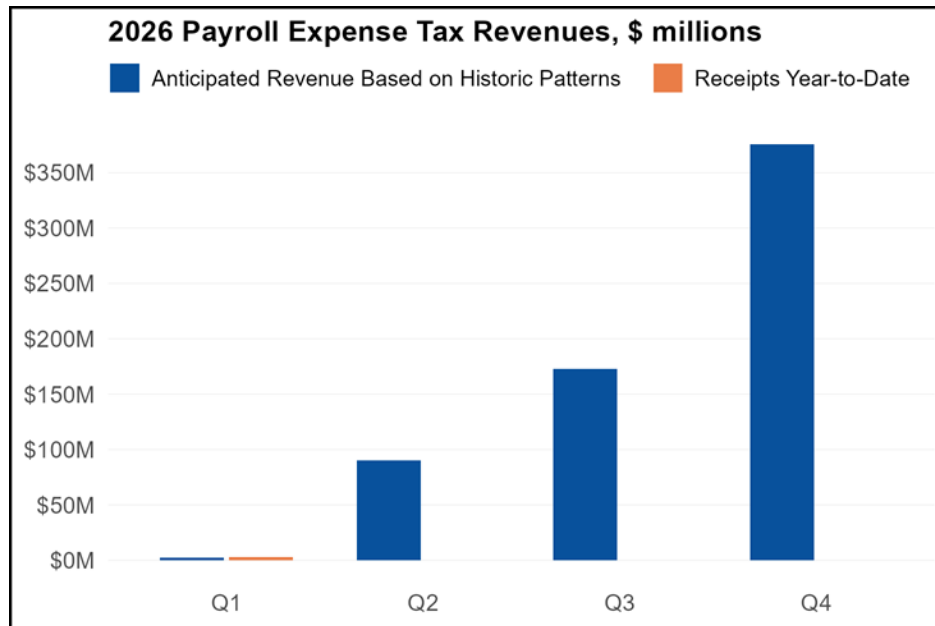
for January and February obligations, with receipts for December obligations accrued to the previous year. Private and Public Utilities Tax revenues as of first quarter are somewhat higher than expected, totaling \$0.9 million (2.2%) more than anticipated at this point based on April forecast.

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



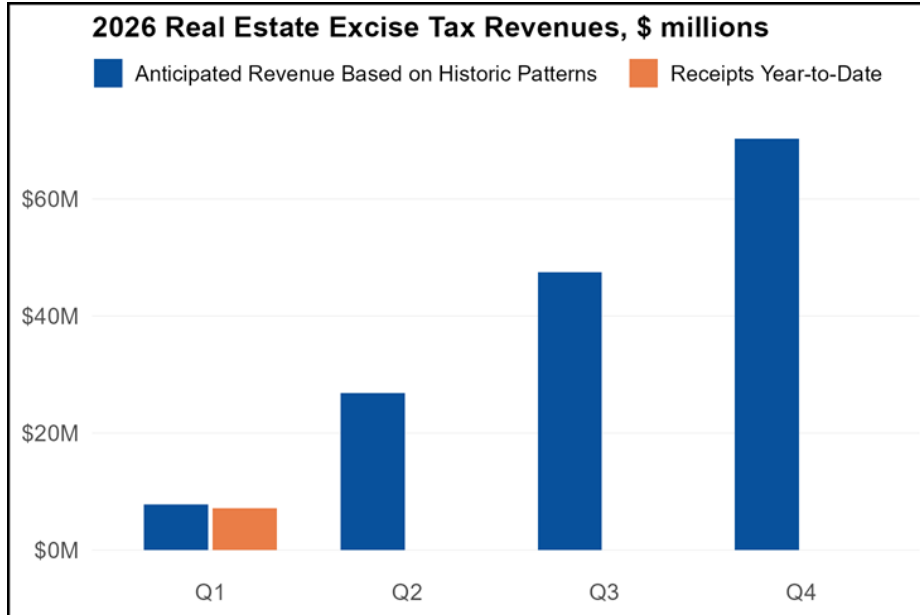
compensation and with the overall payroll of the company. Since tax obligations depend on annual payrolls, they cannot be determined until year end. Firms are required to make estimated quarterly payments, these may be calculated as 25% of the total obligation in the previous filing year. A large number of taxpayers use this

Payroll Expense Tax, \$ mil.	Q1	Q2	Q3	Q4
Receipts Year-to-Date	\$3.0			
Anticipated Revenue Based on Historic Patterns	\$2.4	\$90.4	\$172.9	\$375.7
<i>Difference</i>	\$0.6			

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, the small amount of revenues received in 2026 Q1 are thus primarily late payments for previous obligation years, and to a smaller extent early payments for Q1.

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
Receipts Year-to-Date	\$7.2			
Anticipated Revenue Based on Historic Patterns	\$7.8	\$26.8	\$47.5	\$70.3
<i>Difference</i>	<i>-\$0.6</i>			

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.

Since interest rates have increased dramatically in 2022, 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. The 30-year fixed mortgage rate was expected to decline below 6% in 2026, but the conflict in Middle East has pushed it back up to 6.5%, weakening the spring housing market. Revenues collected in the first quarter of 2026 are slightly below the forecast, by about \$0.6 million.

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

3.1 General Fund Revenues

Revenue	2026 Revised Forecast, April, \$ mil.	Historical Average, Q1 as % of Annual	2026 Q1 Estimate, \$mil.	2026 Q1 Receipts, \$ mil.	Difference, Actual vs Forecast, \$ mil.
Property Tax	\$324.98	5.1%	\$16.50	\$14.41	-\$2.10
Medic One/EMS Levy	\$75.62	5.1%	\$3.83	\$3.36	-\$0.47
Sales & Use Tax	\$332.33	0.0%	\$0.00	\$0.00	\$0.00
Sales & Use Tax - Criminal Justice	\$69.88	0.0%	\$0.00	\$0.03	\$0.03
Business & Occupation Tax	\$471.26	1.0%	\$4.58	\$4.71	\$0.13
Utility Tax - Cable Television	\$10.79	14.1%	\$1.52	\$1.67	\$0.15
Utility Tax - Telephone	\$14.47	15.3%	\$2.21	\$1.72	-\$0.48
Utility Tax - Natural Gas	\$13.94	22.4%	\$3.12	\$3.71	\$0.58
Utility Tax - Steam	\$1.99	18.6%	\$0.37	\$0.39	\$0.02
Utility Tax - Brokered Natural Gas	\$1.58	0.0%	\$0.00	\$0.00	\$0.00
Utility Tax - Solid Waste	\$1.44	17.8%	\$0.26	\$0.25	\$0.00
Utility Tax - City Light	\$71.66	18.6%	\$13.31	\$13.57	\$0.26
Utility Tax - City Water	\$39.38	13.2%	\$5.20	\$5.57	\$0.37
Utility Tax - Drainage & Wastewater	\$75.89	10.8%	\$8.19	\$7.88	-\$0.30
Utility Tax - City Solid Waste	\$34.94	18.1%	\$6.33	\$6.61	\$0.28
Payroll Expense Tax (2021 obligations)	\$1.26		\$1.26	\$1.26	\$0.00
Transportation Network Company Tax	\$5.70	0.0%	\$0.00	\$0.01	\$0.01
Leasehold Excise Tax	\$8.75	0.0%	\$0.00	\$0.00	\$0.00
Other Taxes	\$0.65	20.3%	\$0.13	\$0.09	-\$0.04
Parking Meters	\$36.05	21.0%	\$7.58	\$8.44	\$0.86
Court Fines	\$19.14	22.1%	\$4.23	\$4.65	\$0.42
Business License Fees	\$21.96	24.7%	\$5.43	\$6.38	\$0.95
Other Licenses, Permits	\$19.51	36.0%	\$7.01	\$6.89	-\$0.12
Interest Income	\$14.95	25.4%	\$3.80	\$3.86	\$0.06
Other Revenue	\$15.27	13.5%	\$2.07	\$1.81	-\$0.25
Revenue from Other Public Entities	\$21.06	9.0%	\$1.89	\$0.04	-\$1.86
Service Charges & Reimbursements	\$79.37	20.8%	\$16.47	\$19.87	\$3.40
Grants	\$53.12	10.7%	\$5.66	\$1.99	-\$3.67
Transfer from - Payroll Expense Tax Fund	\$212.20	25.0%	\$53.05	\$52.59	-\$0.46
Transfer from - Other Fund	\$0.48	0.0%	\$0.00	\$0.00	\$0.00
Total General Fund Revenues	\$2,049.61	8.5%	\$174.01	\$171.79	-\$2.23
Total General Fund Revenues excl. Grants and Fund Balance Transfers	\$1,783.81	6.5%	\$115.30	\$117.20	\$1.90

3.2 Major Non-General Fund Revenues

Revenue	2026 Revised Forecast, April, \$ mil.	Historical Average, Q1 as % of Annual	2026 Q1 Estimate Based on Historical Average, \$mil.	2026 Q1 Receipts, \$ mil.	Difference, 2026 Q1 Actual vs Forecast, \$ mil.
General Government Revenues					
Payroll Expense Tax	\$375.73	0.6%	\$2.43	\$3.01	\$0.58
Payroll Expense Tax - Interest Income	\$9.39	21.6%	\$2.03	\$2.59	\$0.56
Real Estate Excise Tax	\$70.32	11.1%	\$7.81	\$7.19	-\$0.61
Admission Tax	\$25.07	10.3%	\$2.59	\$3.03	\$0.44
Sweetened Beverage Tax	\$22.75	1.3%	\$0.29	-\$0.47	-\$0.76
Short Term Rental Tax	\$12.23	0.0%	\$0.00	\$0.00	\$0.00
Transportation Specific Revenues					
STBD Sales Tax	\$56.59	0.0%	\$0.00	\$0.00	\$0.00
STBD Vehicle License Fee	\$20.89	14.6%	\$3.05	\$3.29	\$0.24
Commercial Parking Tax	\$53.09	12.6%	\$6.68	\$6.99	\$0.32
ATSC - Traffic Cameras	\$22.86	22.4%	\$5.13	\$4.16	-\$0.97