

Office of Economic & Revenue Forecasts

2026 Q3 Revenue Report

October 2026



1. Introduction

Structure and Schedule of Quarterly Revenue Reports. This report documents revenues received through September 30th and is the third of four reports that the Office of Economic and Revenue Forecasts 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 revised August forecast for 2026 that underlies the Mayor's 2027-2028 Proposed Budget, approved by the City's Economic and Revenue Forecast Council on August 7th, 2026.

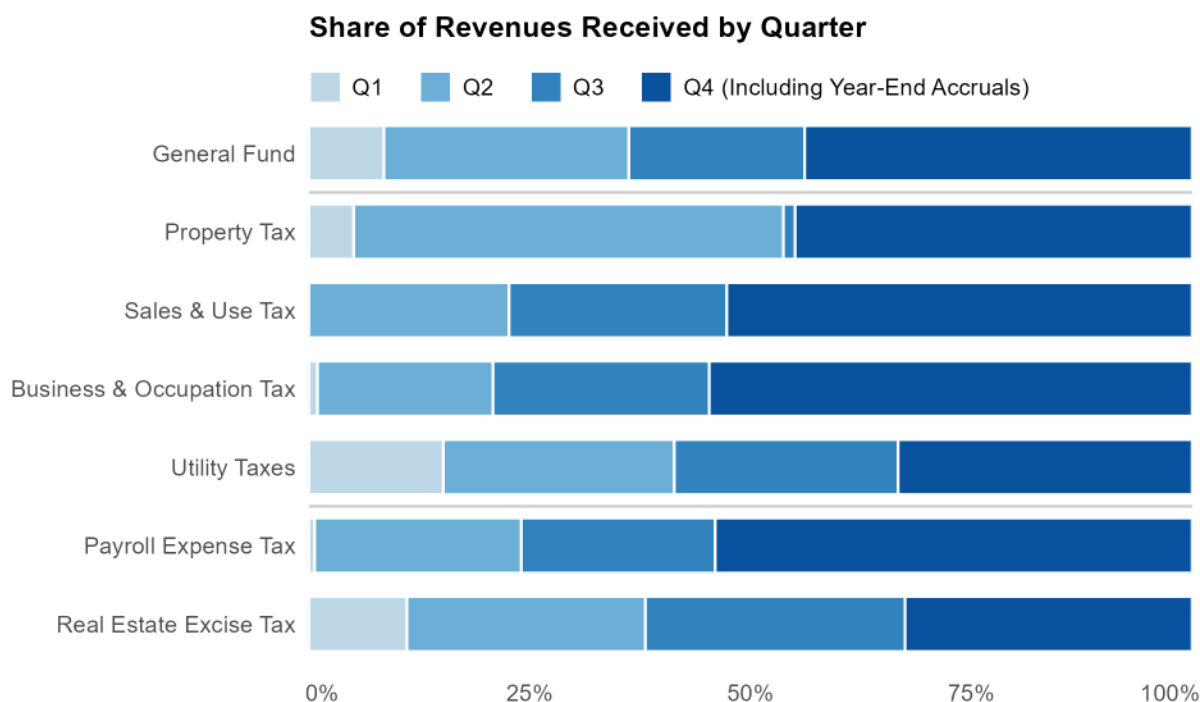
The structure of this report remains largely unchanged from the previous quarterly summaries. Following introduction, Section 2 provides an overview of overall General Fund (GF) revenues, and detailed analyses of the four largest contributors to GF revenues (Property Tax, Retail Sales Tax, Business and 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 2021-2025 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 pandemic. Finally, for Sales & Use Taxes, Business & Occupation Tax, Payroll Expense Tax, and Real Estate Excise Tax, the expected quarterly revenue shares of are derived directly from the underlying forecasts.

Timing of Revenue Receipts. Although one might assume 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 time the third quarterly report is prepared in October, when the Forecast Office also develops its final forecast of current-year revenues, the City has in past years 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, B&O and Payroll taxes shift revenue out of the first quarter and toward the remainder of the year. Property tax payments are due twice a year, first half in April and the second half in October. Business and Occupation

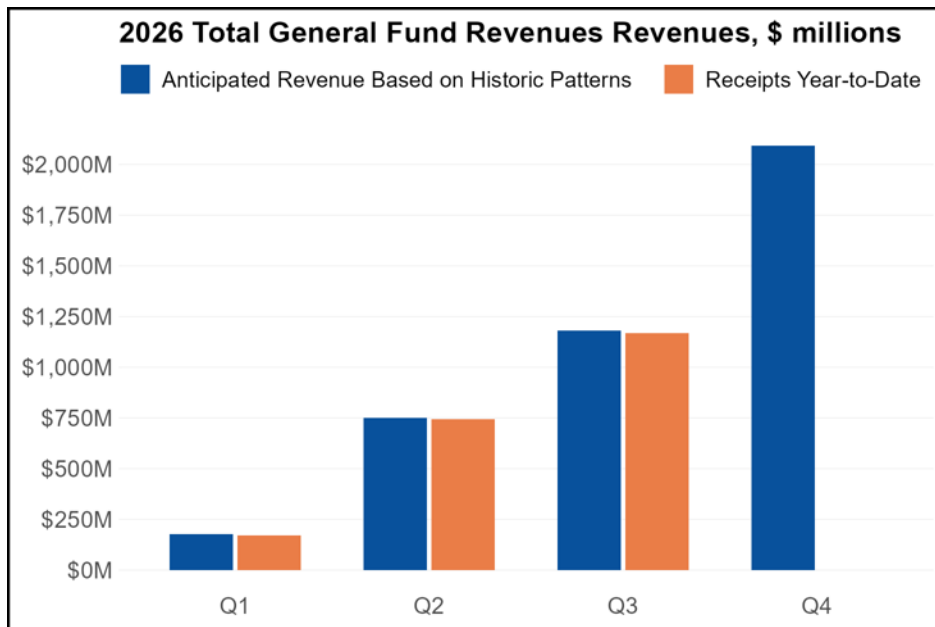
¹ This also has a significant impact on the City's overall financial planning since during the budget process the Mayor and Council are making critical decisions about how to allocate resources from the current year and next with only partial information about how revenues are performing.

Tax returns for first quarter are only due by the end of April, for the second quarter by the end of July, and for the third quarter by the end of October. The 2026 restructure of the B&O tax will further shift tax payments towards the second half of the year as a result of the new standard deduction. Similarly, 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, for the second quarter by the end of July, and for the third quarter by the end of October. 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 General Fund revenues for the first three quarters of 2026 are about \$11.26 million (0.95%) lower than what could be expected based on the August forecast and



the quarterly patterns for payments received by this point in past years.

As shown in the table below, this is entirely due to significantly lower Grants revenues. Notable shortfalls in Grants have occurred in past years and reflect the fact that while the forecast for Grants revenues is based on the overall amount that has been

General Fund, \$ million	Q1	Q2	Q3	Q4
Anticipated Revenue Based on Historic Patterns	\$175.8	\$749.9	\$1,180.5	\$2,091.4
Receipts Year-to-Date	\$172.2	\$743.6	\$1,169.3	
Difference	-\$3.6	-\$6.3	-\$11.3	

awarded, the actual revenues are reimbursements for specific expenditures, some of which have not yet occurred.

Excluding Grants and Fund Balance Transfers, the General Fund revenues through end of September are actually \$11.23 million (1.15%) above expectation.

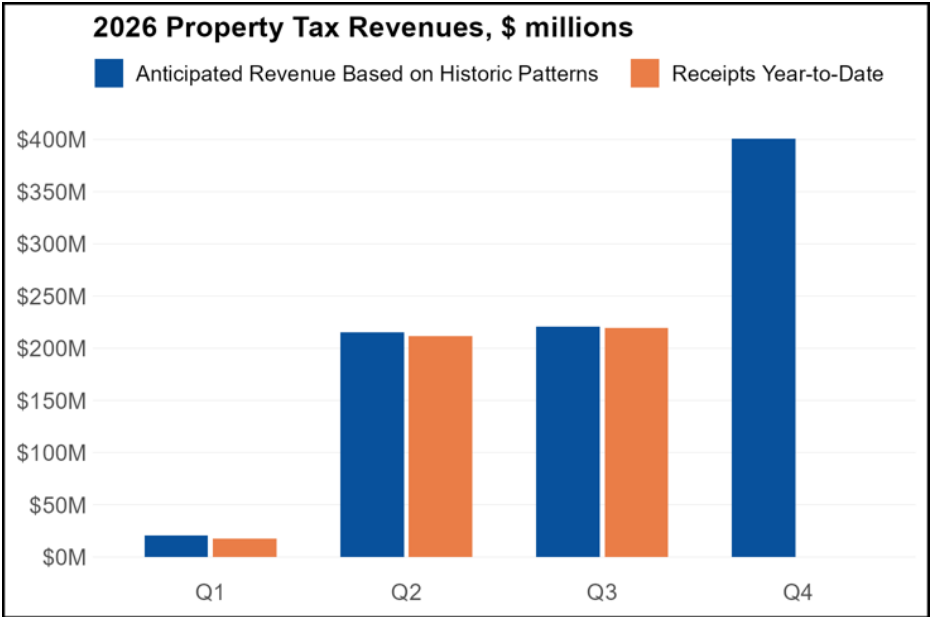
Sales & Use Tax and Business & Occupation Tax collectively came in about \$13.89 million above the expected amount. These gains were partially offset by slightly lower than expected revenues from Property Taxes, Utility Taxes, Licenses, Permits and Interest Income, which combined were about \$3.76 million lower 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. Forecasts for revenues highlighted in blue are prepared by the Office of Economic and Revenue Forecasts, forecasts for remaining revenues are in the purview of the City Budget Office.

Revenue	2026 Revised Forecast, August, \$ mil.	Expected Receipts Q1-Q3 as % of Annual	2026 Q1-Q3 Expected Receipts, \$mil.	2026 Q1-Q3 Actual Receipts, \$ mil.	Difference, 2026 Q1-Q3 Actual vs Expected, \$ mil.
Property Tax (Including Medic One Levy)	\$400.60	55.1%	\$220.54	\$219.64	-\$0.90
Sales & Use Tax	\$422.13	48.2%	\$203.59	\$207.74	\$4.16
Business & Occupation Tax	\$471.07	45.5%	\$214.27	\$224.00	\$9.73
Utility Tax - Private	\$42.32	66.5%	\$28.16	\$26.37	-\$1.78
Utility Tax - Public	\$223.46	66.8%	\$149.24	\$149.75	\$0.51
Other City Taxes	\$16.08	55.1%	\$8.86	\$7.79	-\$1.07
Parking Meters	\$35.76	74.5%	\$26.64	\$26.82	\$0.18
Court Fines	\$20.99	74.6%	\$15.66	\$17.39	\$1.73
Licenses, Permits, Interest Income and Other	\$73.93	57.7%	\$42.66	\$41.08	-\$1.58
Revenue from Other Public Entities	\$20.90	52.4%	\$10.96	\$9.95	-\$1.01
Service Charges & Reimbursements	\$81.12	72.1%	\$58.50	\$59.77	\$1.26
Grants	\$71.39	60.8%	\$43.43	\$20.54	-\$22.89
Fund Balance Transfers	\$211.64	74.7%	\$158.02	\$158.43	\$0.41
Total General Fund Revenues	\$2,091.38	56.4%	\$1,180.52	\$1,169.26	-\$11.26
Total General Fund Revenues excl. Grants and Fund Balance Transfers	\$1,808.35	54.1%	\$979.07	\$990.30	\$11.23

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 averages, revenues received in the first three



quarters are anticipated to be about 55.1% of the annual total.

The actual year-to-date revenues are in line with the forecast for the Medic One/EMS Levy, but they are slightly below the forecast for the General Expense Levy. As of end of September, the City has received 54.8% of the total 2026 forecasted receipts, which is about \$0.9 million

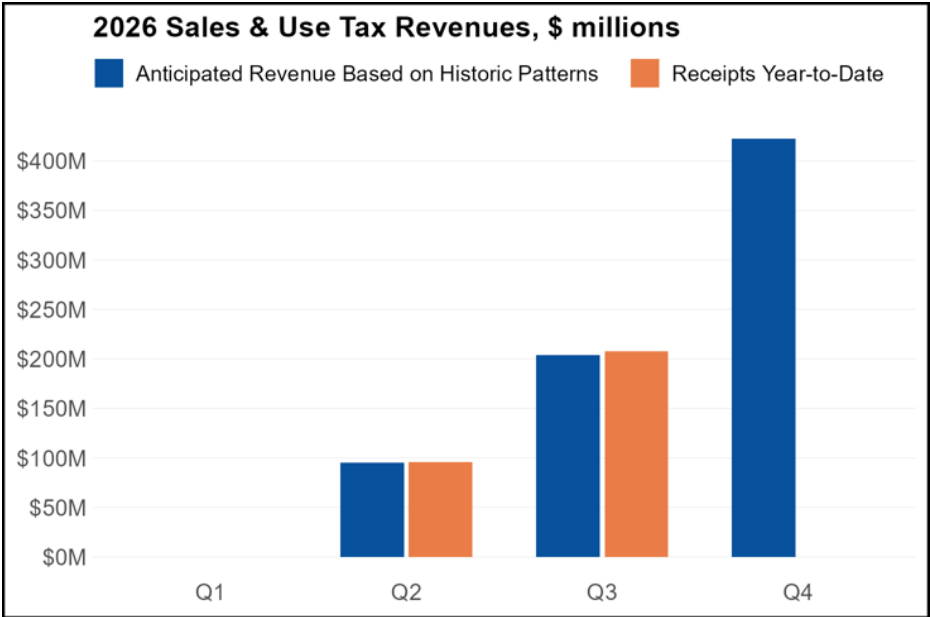
Property Tax, \$ million	Q1	Q2	Q3	Q4
Anticipated Revenue Based on Historic Patterns	\$20.3	\$215.2	\$220.5	\$400.6
Receipts Year-to-Date	\$17.8	\$211.9	\$219.6	
Difference	-\$2.6	-\$3.3	-\$0.9	

less than what would be projected at this point based on the historical averages.

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. However, 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. Some property tax payers also prefer to pay the entire amount in April and changes in the size of this group can result in year-to-year variations in the share of revenues received by quarter. Finally, beginning in 2025, total property tax refunds have trended noticeably upward, which also could help explain the gap between forecasted revenues and actual collections.

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 Tax, \$ million	Q1	Q2	Q3	Q4
Anticipated Revenue	\$0.0	\$95.3	\$203.6	\$422.1
Receipts Year-to-Date	\$0.0	\$95.8	\$207.7	
Difference	\$0.0	\$0.6	\$4.2	

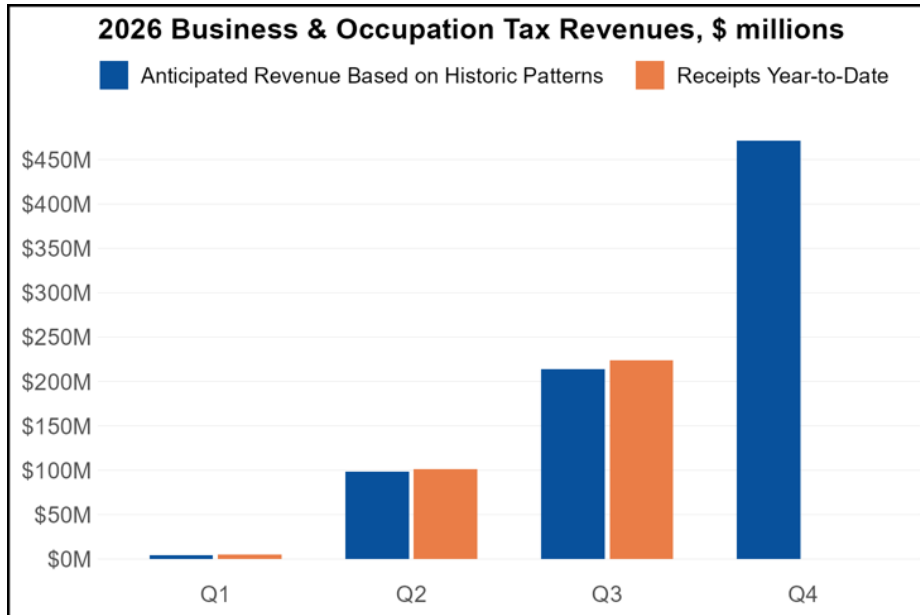
As a result, by the end of the third quarter, the City has received and

posted to the sales tax revenue account six distribution payments from DOR, for taxable sales activity that occurred primarily in January through June of 2026.

For the first three quarters of 2026, the sales tax revenues are \$4.2 million (2.04%) above the anticipated amount. Based on a preliminary analysis, higher than previously predicted impact of the Washington State Engrossed Substitute Senate Bill 5814, which has an expanded tax base, appears to be the primary factor behind stronger performance.

Business & Occupation (B&O) Tax

Businesses have to file B&O tax returns on quarterly or annual basis, depending on the size of the business. Quarterly filings are due one month after the close of the quarter,



B&O Tax, \$ million	Q1	Q2	Q3	Q4
Anticipated Revenue	\$4.6	\$98.3	\$214.3	\$471.1
Receipts Year-to-Date	\$4.7	\$101.2	\$224.0	\$479.8
Difference	\$0.1	\$2.8	\$9.7	\$8.7

and returns and payments then need to be processed. Tax payments received for an obligation quarter are thus known about two months after the quarter end. Small businesses and new taxpayers pay B&O taxes annually. In 2021 the due date for annual taxpayers moved from January 31st to April 30th. Not all taxpayers took

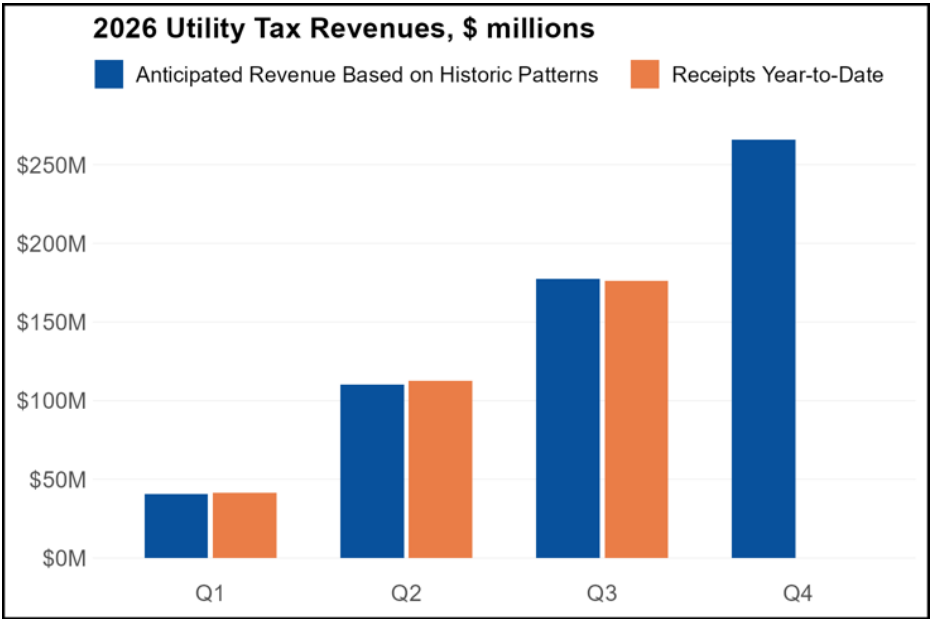
advantage of this new flexibility, but many have. This shifted about half of the revenues for previous year's obligations to the second quarter of the current year.

The 2026 B&O restructure has resulted in a shift of tax payments towards Q3 and Q4 obligations and towards the annual payments that will be received in 2027.² Revenues received through the end of September are expected to represent about 45.5% of the annual total and consist primarily of payments for Q1 and Q2 tax obligations. These revenues came in about \$9.7 million above the anticipated amount. Approximately \$7.5 million of revenues above the forecast are due to expected refunds that were requested and their estimated impact has already been incorporated in the forecast, but these requests have not been fully reviewed and processed yet. This increases revenue collection totals above expectations, temporarily.

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 August forecast for 2026.

The chart and table presented here summarize the total utility tax payments through 2026 Q3, amounts received for individual utility taxes can be found in Section 3.

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

Utility Taxes, \$ million	Q1	Q2	Q3	Q4
Anticipated Revenue	\$40.6	\$110.1	\$177.4	\$265.8
Receipts Year-to-Date	\$41.4	\$112.5	\$176.1	
Difference	\$0.8	\$2.4	-\$1.3	

payments for January through August obligations.

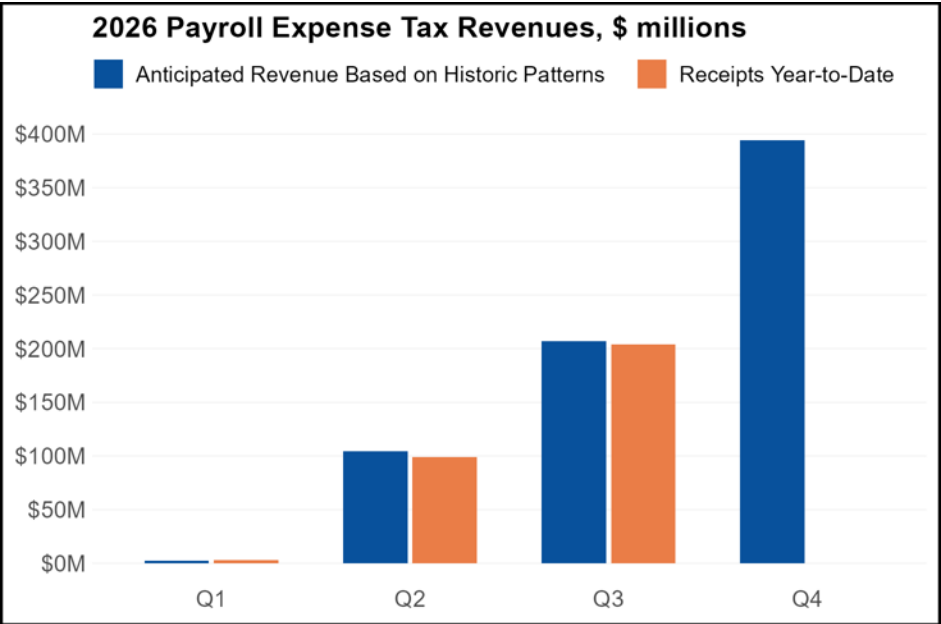
While total public utility taxes through September are broadly in line with expectations, private utility tax revenues, which include taxes on telephone, cable, natural gas, brokered natural gas, steam, and private solid waste collection, are about \$1.8 million (6.4%) below the August forecast. The shortfall is concentrated on the two telecommunication taxes and is partially offset by stronger natural gas and solid waste receipts. Telephone utilities are \$1.2 million (15.8%) below expectations: 2024 and 2025 receipts were boosted by sizable late and catchup payments that have not recurred, and payments this year are lower across most of the tax base. Natural Gas, in spite of warmer temperatures in 2026, saw a rate increase which added revenue.

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



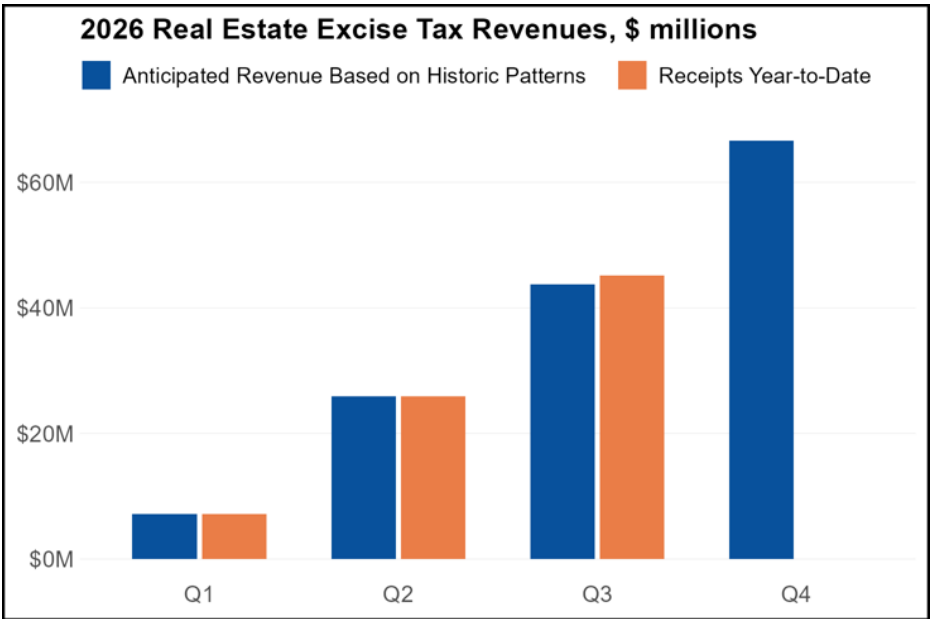
Payroll Tax, \$ million	Q1	Q2	Q3	Q4
Anticipated Revenue	\$2.5	\$104.2	\$207.2	\$394.0
Receipts Year-to-Date	\$3.0	\$98.9	\$203.8	
Difference	\$0.5	-\$5.3	-\$3.4	

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 and these may be calculated as 25% of the total obligation in the previous filing year. As a large number of taxpayers use this

approach, we anticipate roughly 25% of previous year’s annual payments to be made each of the first three quarters, with potentially large adjustments in the final quarter. Returns are due a month after the end of the quarter and revenues received through end of September are thus primarily estimated payments for Q1 and Q2, but also include some late payments for previous obligation years, and to a much smaller extent early payments for Q3.

Real Estate Excise Tax (REET)

REET is collected on every property transaction that occurs within Seattle city limits. The tax is composed of two separate 0.25% taxes, for a total of 0.5%, which can each



REET, \$ million	Q1	Q2	Q3	Q4
Anticipated Revenue	\$7.2	\$26.0	\$43.8	\$66.6
Receipts Year-to-Date	\$7.2	\$26.0	\$45.2	
Difference	\$0.0	\$0.0	\$1.4	

be used for different purposes. Several factors make it a challenging revenue stream to forecast. The housing market is significantly more volatile than personal income or consumer spending. Large and difficult to predict transactions, such as sales of office or apartment buildings, have a significant impact on annual revenues and the distribution

of revenues over the four quarters. Significant legislative changes, as in 2020, also affect the timing of transactions.

As interest rates increased dramatically in 2022 and 2023, fewer individuals were willing and able to take on a mortgage, resulting in fewer buyers. On the selling side, higher interest rates 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 REET from commercial real estate sales. REET revenues started to recover in 2024 and 2025 and the 30-year fixed mortgage rate briefly declined below 6% in early 2026, but by October the conflict with Iran has pushed it up to 7.5%, significantly weakening the housing market. Revenues through 2026 Q3 are nevertheless \$1.4 million (3.21%) above the August forecast, as a result of three large property sales in August, each over \$150 million, which combined added about \$3.3 million to REET revenues.

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

3.1 General Fund Revenues

Revenue	2026 Revised Forecast, August, \$ mil.	Expected Receipts, Q1-Q3 as % of Annual	2026 Q1-Q3 Expected Receipts, \$mil.	2026 Q1-Q3 Actual Receipts, \$ mil.	Difference, 2026 Q1-Q3 Actual vs Expected, \$ mil.
Property Tax	\$324.98	55.0%	\$178.87	\$177.93	-\$0.94
Medic One/EMS Levy	\$75.62	55.1%	\$41.67	\$41.71	\$0.05
Sales & Use Tax	\$347.27	48.7%	\$169.02	\$172.62	\$3.60
Sales & Use Tax - Criminal Justice	\$74.86	46.2%	\$34.57	\$35.12	\$0.55
Business & Occupation Tax	\$471.07	45.5%	\$214.27	\$224.00	\$9.73
Utility Tax - Cable Television	\$11.01	67.5%	\$7.43	\$6.51	-\$0.92
Utility Tax - Telephone	\$12.19	64.2%	\$7.83	\$6.59	-\$1.24
Utility Tax - Natural Gas	\$14.41	68.7%	\$9.90	\$10.30	\$0.41
Utility Tax - Steam	\$1.92	67.4%	\$1.30	\$1.07	-\$0.22
Utility Tax - Brokered Natural Gas	\$1.31	53.6%	\$0.70	\$0.65	-\$0.05
Utility Tax - Solid Waste	\$1.48	67.9%	\$1.01	\$1.25	\$0.24
Utility Tax - City Light	\$72.86	68.4%	\$49.85	\$51.13	\$1.28
Utility Tax - City Water	\$40.17	63.8%	\$25.62	\$26.38	\$0.76
Utility Tax - Drainage & Wastewater	\$75.74	66.5%	\$50.33	\$50.77	\$0.43
Utility Tax - City Solid Waste	\$34.70	67.5%	\$23.43	\$21.47	-\$1.97
Payroll Expense Tax (2021 obligations)	\$1.55		\$1.55	\$1.55	\$0.00
Transportation Network Company Tax	\$5.46	46.9%	\$2.56	\$2.59	\$0.03
Leasehold Excise Tax	\$8.50	50.6%	\$4.30	\$3.26	-\$1.05
Other Taxes	\$0.56	78.8%	\$0.44	\$0.39	-\$0.05
Parking Meters	\$35.76	74.5%	\$26.64	\$26.82	\$0.18
Court Fines	\$20.99	74.6%	\$15.66	\$17.39	\$1.73
Business License Fees	\$21.96	32.9%	\$7.22	\$8.36	\$1.14
Other Licenses, Permits	\$20.89	74.1%	\$15.47	\$14.89	-\$0.58
Interest Income	\$14.83	73.7%	\$10.94	\$9.91	-\$1.02
Other Revenue	\$16.25	55.6%	\$9.03	\$7.91	-\$1.12
Revenue from Other Public Entities	\$20.90	52.4%	\$10.96	\$9.95	-\$1.01
Service Charges & Reimbursements	\$81.12	72.1%	\$58.50	\$59.77	\$1.26
Grants	\$71.39	60.8%	\$43.43	\$20.54	-\$22.89
Transfer from - Payroll Expense Tax Fund	\$210.70	75.0%	\$158.02	\$157.77	-\$0.25
Transfer from - Other Fund	\$0.94	0.0%	\$0.00	\$0.66	\$0.66
Total General Fund Revenues	\$2,091.38	56.4%	\$1,180.52	\$1,169.26	-\$11.26
Total General Fund Revenues excl. Grants and Fund Balance Transfers	\$1,808.35	54.1%	\$979.07	\$990.30	\$11.23

3.2 Major Non-General Fund Revenues

Revenue	2026 Revised Forecast, August, \$ mil.	Expected Receipts, Q1-Q3 as % of Annual	2026 Q1-Q3 Expected Receipts, \$mil.	2026 Q1-Q3 Actual Receipts, \$ mil.	Difference, 2026 Q1-Q3 Actual vs Expected, \$ mil.
General Government Revenues					
Payroll Expense Tax	\$394.00	52.6%	\$207.20	\$203.80	-\$3.40
Payroll Expense Tax - Interest Income	\$10.42	74.5%	\$7.77	\$7.05	-\$0.72
Real Estate Excise Tax	\$66.60	65.7%	\$43.76	\$45.17	\$1.40
Admission Tax	\$24.77	56.5%	\$13.98	\$12.61	-\$1.37
Sweetened Beverage Tax	\$21.96	48.3%	\$10.60	\$9.93	-\$0.67
Short Term Rental Tax	\$11.67	44.3%	\$5.17	\$5.39	\$0.22
Transportation Specific Revenues					
STBD Sales Tax	\$59.14	48.7%	\$28.78	\$29.00	\$0.22
STBD Vehicle License Fee	\$19.73	64.1%	\$12.64	\$13.87	\$1.24
Commercial Parking Tax	\$51.69	61.7%	\$31.92	\$29.94	-\$1.98
ATSC - Traffic Cameras	\$19.56	70.1%	\$13.71	\$14.07	\$0.36