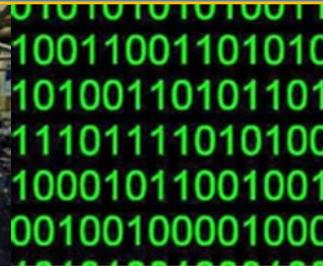


# 2026 King County Economic and Revenue Forecast

Presentation to the King County Forecast Council

Presented on:  
March 13, 2026

Lizbeth Martin-Mahar  
Office of Economic and Financial Analysis

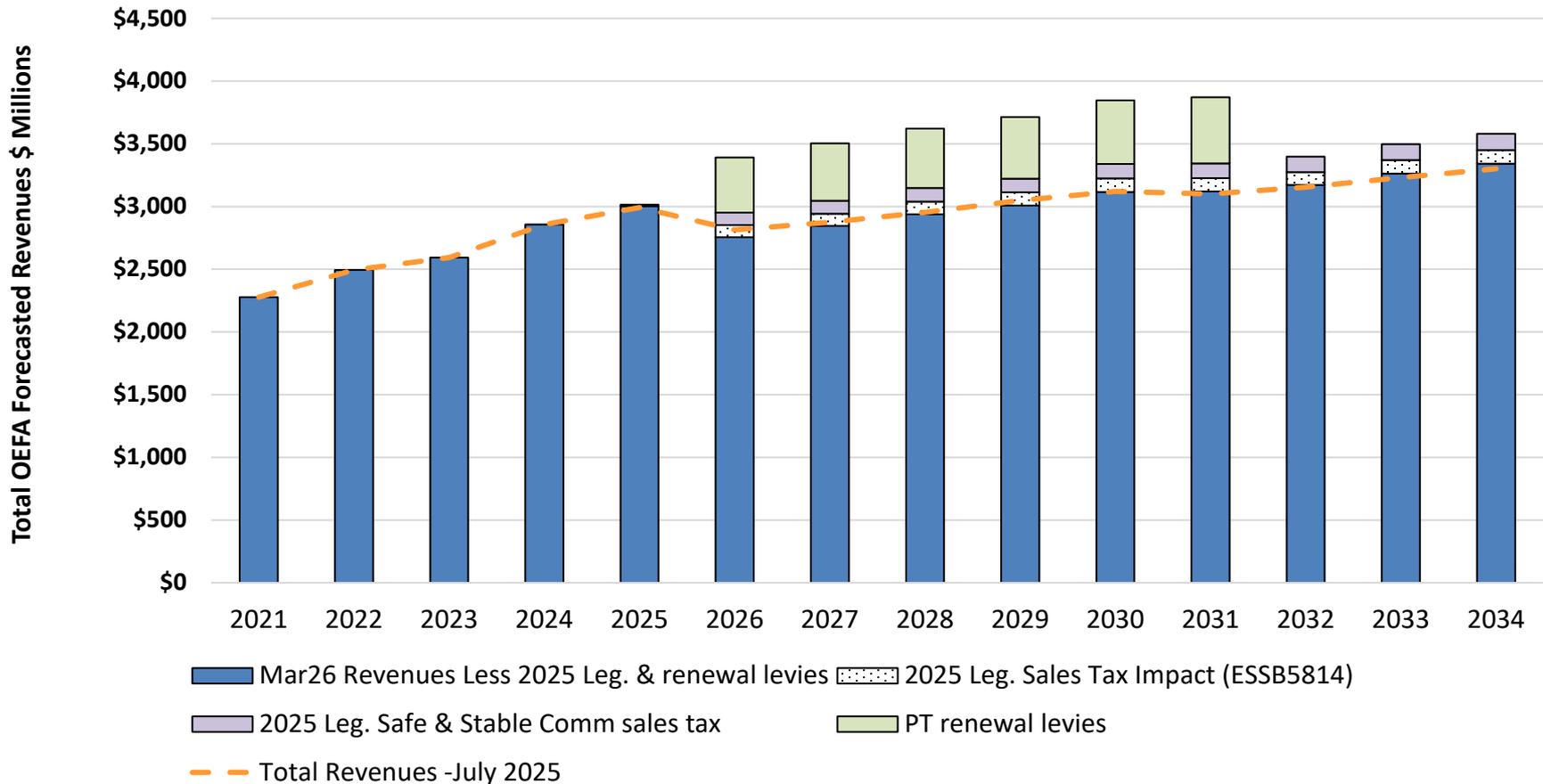


# Comparison OEFA Forecasted Revenues July versus March 2026 Forecasts



## July 2025 and March 2026 Total Revenues

Source: OEFA



# Changes to Key Revenues Compared to July 2025 Forecast

\$ in Millions	2025		2026-2027		2028-2029	
Revenue Type	Total	GF	Total	GF	Total	GF
Total Property Tax	\$ -	\$ -	\$ 1,000.68	\$ 6.30	\$ 1,083.79	\$ 10.07
<i>Property Taxes Less 2025 Renewal Levies</i>	\$ -	\$ -	\$ 104.05	\$ 6.30	\$ 117.75	\$ 10.07
Total Sales Tax	\$ 26.34	\$ 4.61	\$ 216.86	\$ 207.54	\$ 261.52	\$ 219.33
<i>Sales Tax Less 2025 Leg. &amp; SSC levy</i>	\$ 22.59	\$ 4.61	\$ 105.62	\$ 3.36	\$ 150.75	\$ 1.92
Hotel/Lodging/Rental Car Tax	\$ (4.09)	\$ -	\$ (10.94)	\$ -	\$ (12.23)	\$ -
REET	\$ (0.59)	\$ -	\$ (1.32)	\$ -	\$ (2.12)	\$ -
Gambling Tax	\$ (0.12)	\$ (0.12)	\$ (0.23)	\$ (0.23)	\$ (0.25)	\$ (0.25)
E-911 Tax	\$ (0.31)	\$ -	\$ (0.05)	\$ -	\$ 0.91	\$ -
Penalties & Interest	\$ (0.07)	\$ (0.07)	\$ (1.15)	\$ (1.15)	\$ (0.74)	\$ (0.74)
Cannabis Tax	\$ 0.05	\$ 0.05	\$ (0.17)	\$ (0.17)	\$ (0.44)	\$ (0.44)
Recording Fees	\$ 1.39	\$ -	\$ 2.77	\$ -	\$ 2.20	\$ -
<b>Change in Total Taxes</b>	\$ 22.59	\$ 4.46	\$ 1,206.44	\$ 1.80	\$ 1,332.64	\$ 0.49
<i>Change Taxes Less 2025 PT renewals &amp; new leg.</i>	\$ 18.84	\$ 4.46	\$ 198.56	\$ 8.10	\$ 255.82	\$ 10.56

# Navigating Uncertainty - Highlights

## U.S Economy is Slowing

- US Real GDP grew 2.2% in 2025
- US Inflation in 2025 averaged 2.7% -below expectations
- Federal Reserve had 3 rate cuts in 2025; kept same federal funds rate for first 2 months 2026
- 30-year mortgage rates have fallen a little below 6%

## Navigating Uncertainty - New Wars, Court Decisions

- Inflation has been slower than expected due to the Trump tariffs – effect of court ruling
- Tariffs levels remains uncertain as policies change due to court ruling
- Deportation policies are in place, but the future impact on net legal immigration is unclear;
- War in Iran is adding more instability to oil markets and Middle East economies-excluded
- Risks: Higher inflation (tariffs, oil prices, supply chain disturbances), continued weak labor market and govt & company layoffs, stricter immigration policies, and wider foreign conflicts

## KC economy will have minimal growth

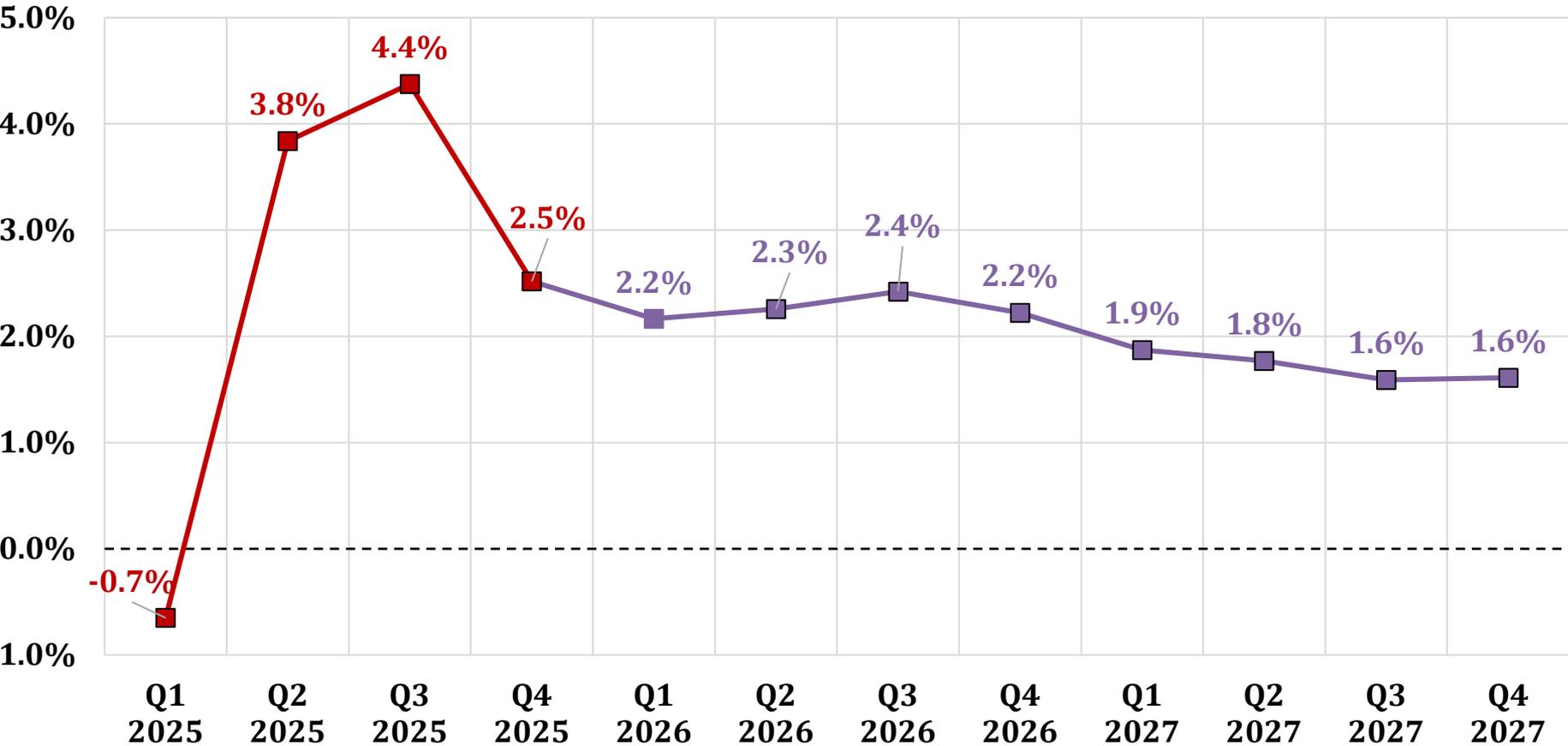
- King County taxable sales came in stronger in 2025 at 2.8% year-over-year
- King County employment in 2025 has been weaker than expected at -0.8%
- KC has lost on average 12,700 jobs in 2025 compared to last year
- 2025 Unemployment in King County averaged 4.4% but has been increasing with December unemployment rate at 4.9%
- King County home prices grew little in 2025, 1.6% over last year

# GDP growth moderated in 2025 after a weak start to the year



### U.S. Real GDP Growth Forecast

CCARoC-SAAR; with **Actuals** & **Baseline Forecast** February 2026 Forecast  
Source: IHS Global Insight



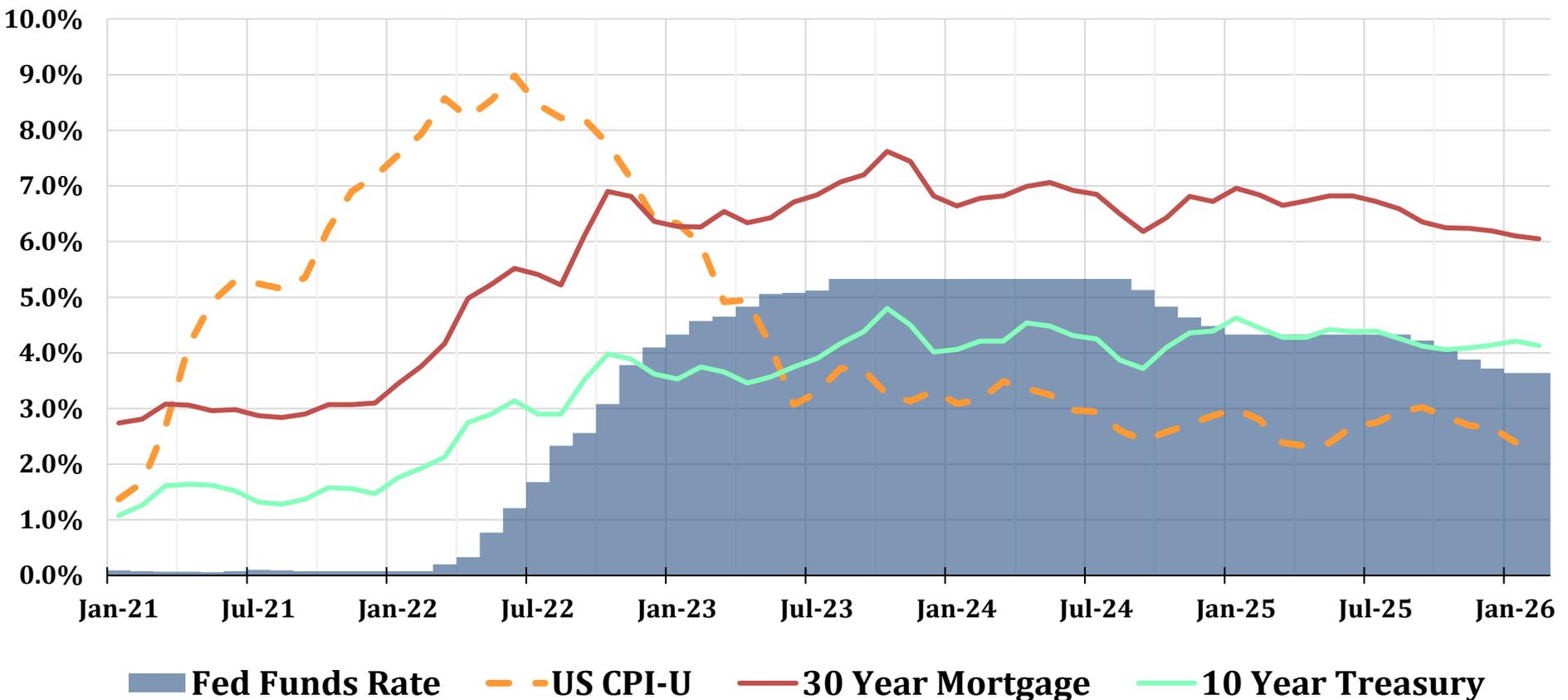
# Stubborn Inflation: Core inflation suggests structural issue



## Combating Inflation with Fed Funds Rate Increases

Fed Funds Rate (Current Target Rate=3.50-3.75); US CPI-U & Core US CPI-U

Source: FRED



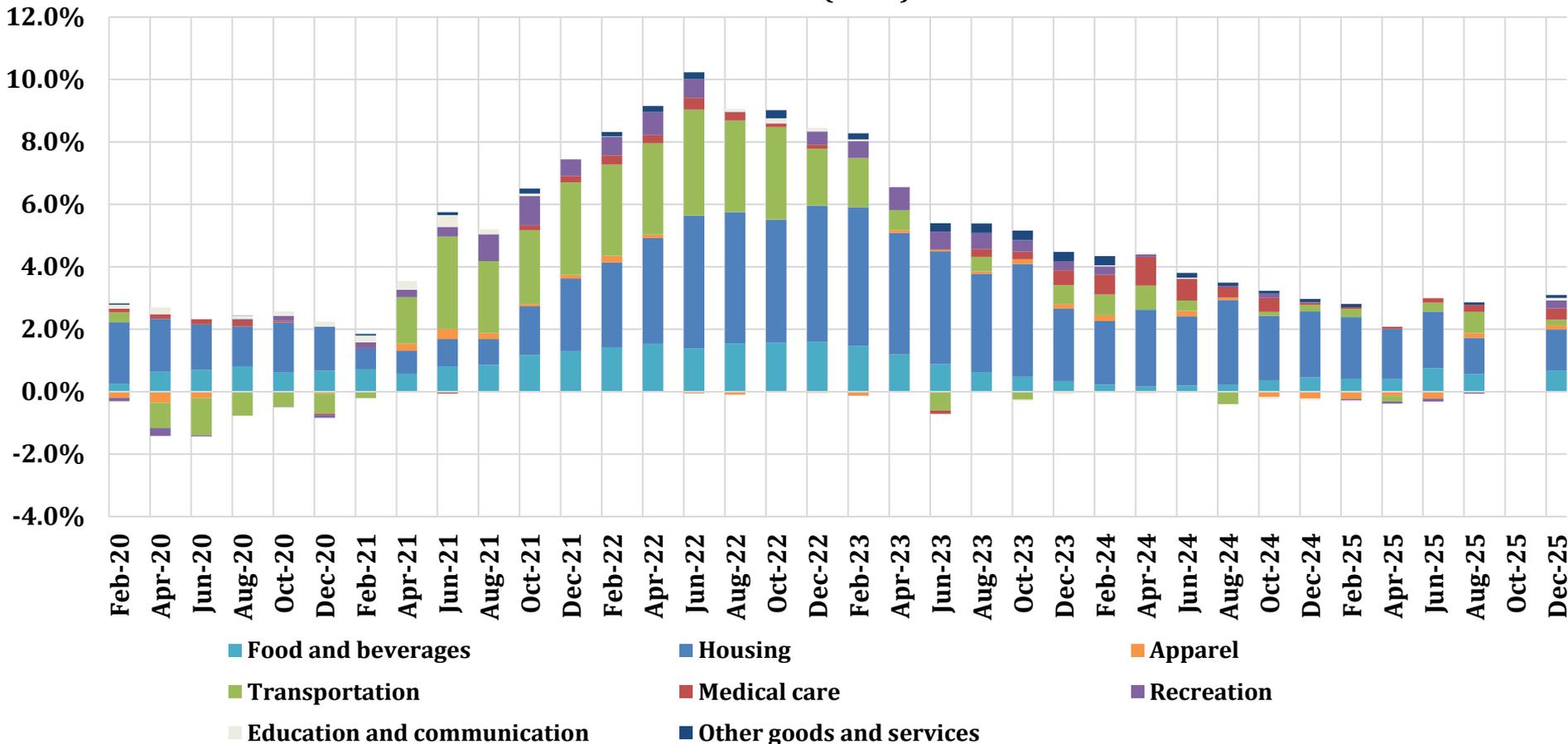
# Local Inflation Components: Housing and food the major contributors to local inflation



## Local Inflation Rate by Component

Bi-monthly inflation rate for STB CPI-U, **No data available for October 2025**

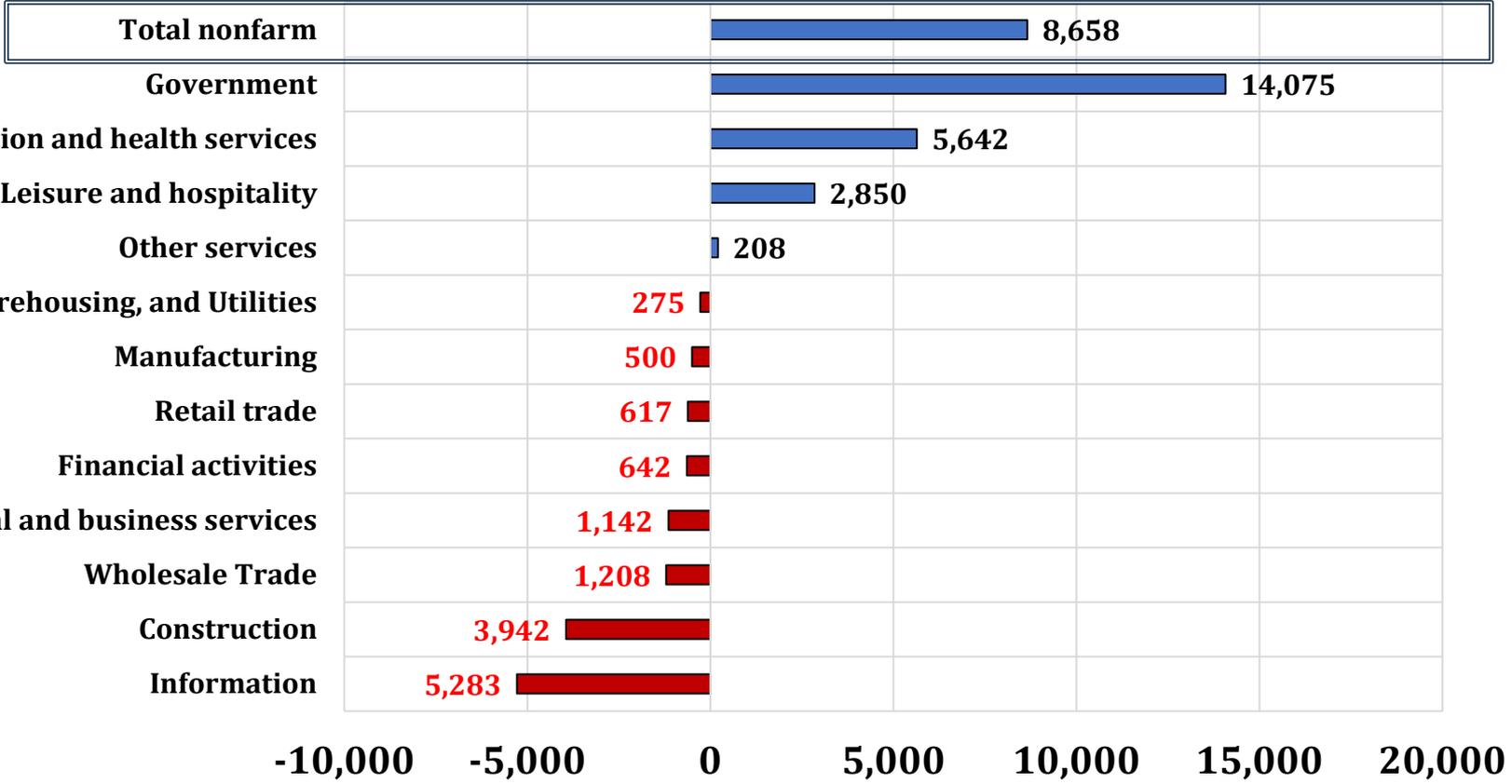
Source: BLS (FRED)



# King County gained 8,700 jobs in 2024: most went to state and local governments



**Change in Average Employment by Industry**  
Average Number of Jobs Gained/Lost in 2024 vs 2023 by Select Industries  
Source: WA ESD

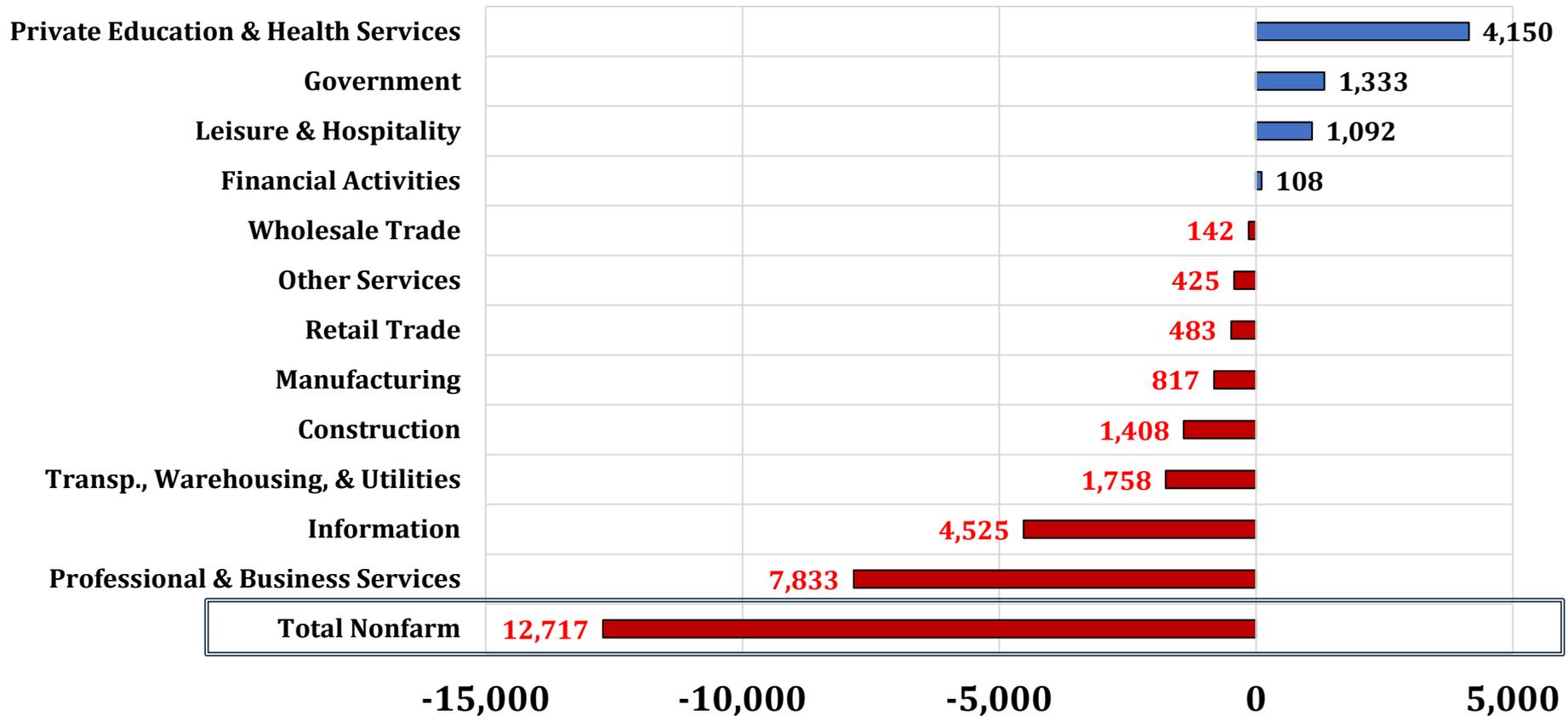


# King County lost 12,700 jobs in 2025: many to our lifeblood industries



## Change in Average Employment by Industry

Average Number of Jobs Gained/Lost in 2025 vs 2024 by Select Industries  
Source: WA ESD



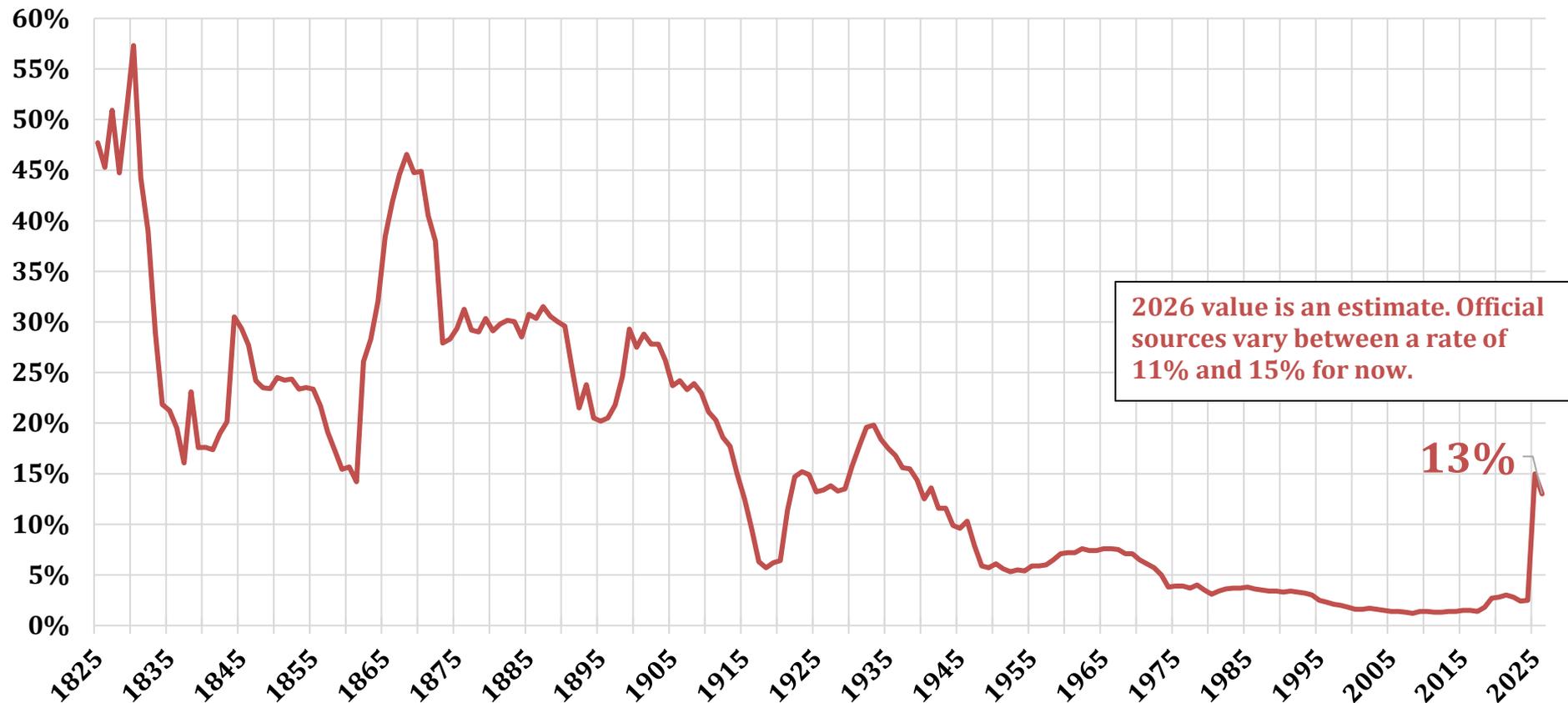
# Tariffs have declined in popularity over the last 200 years until 2025



## U.S. Tariff Rate History

Average Tariff Rate on US Imports 1825-2026 w/ estimated rate for 2026

Source: Tax Foundation

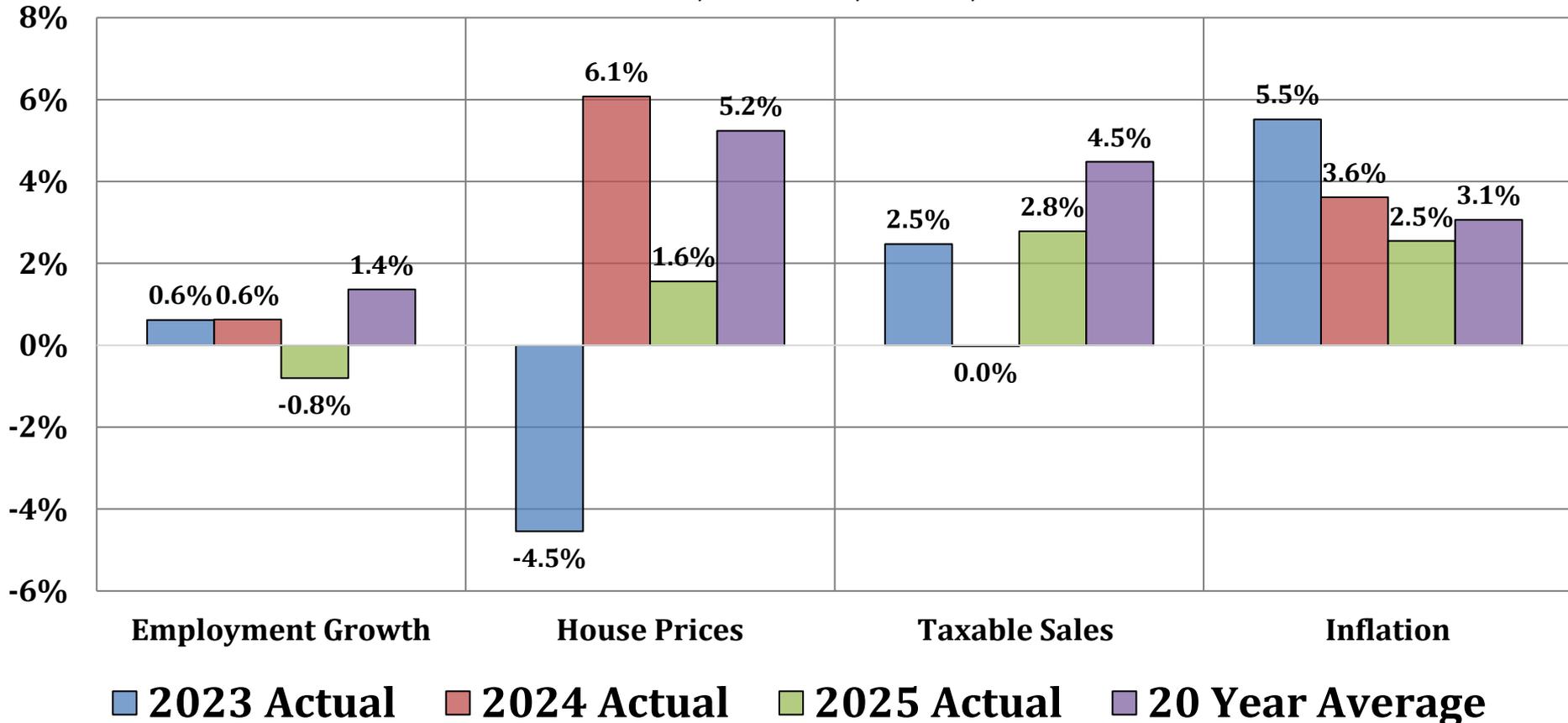


# 2025 ended with lower-than-average employment, house prices, & taxable sales



## King County Economic Indicators

2023-2025 Actuals & 20 Year Average  
Source: PSEF, Case-Shiller, WA DOR, BLS

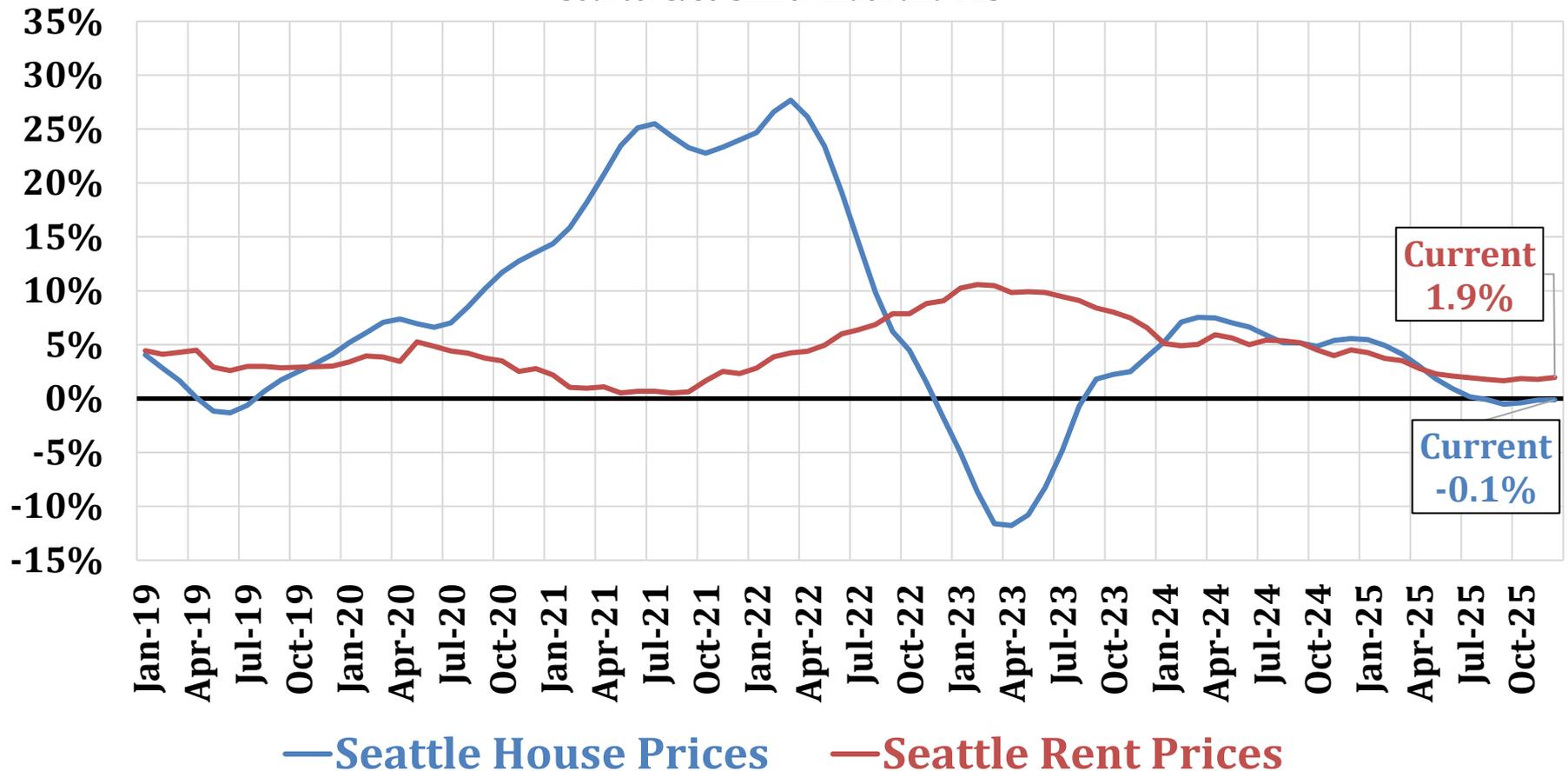


# Housing and rent price increases moderated in 2025



## Seattle House Price Growth & Rent Price Growth

Monthly year-over-year growth in House and Rental Prices; Jan 2019-Current  
Source: Case-Shiller Index and BLS



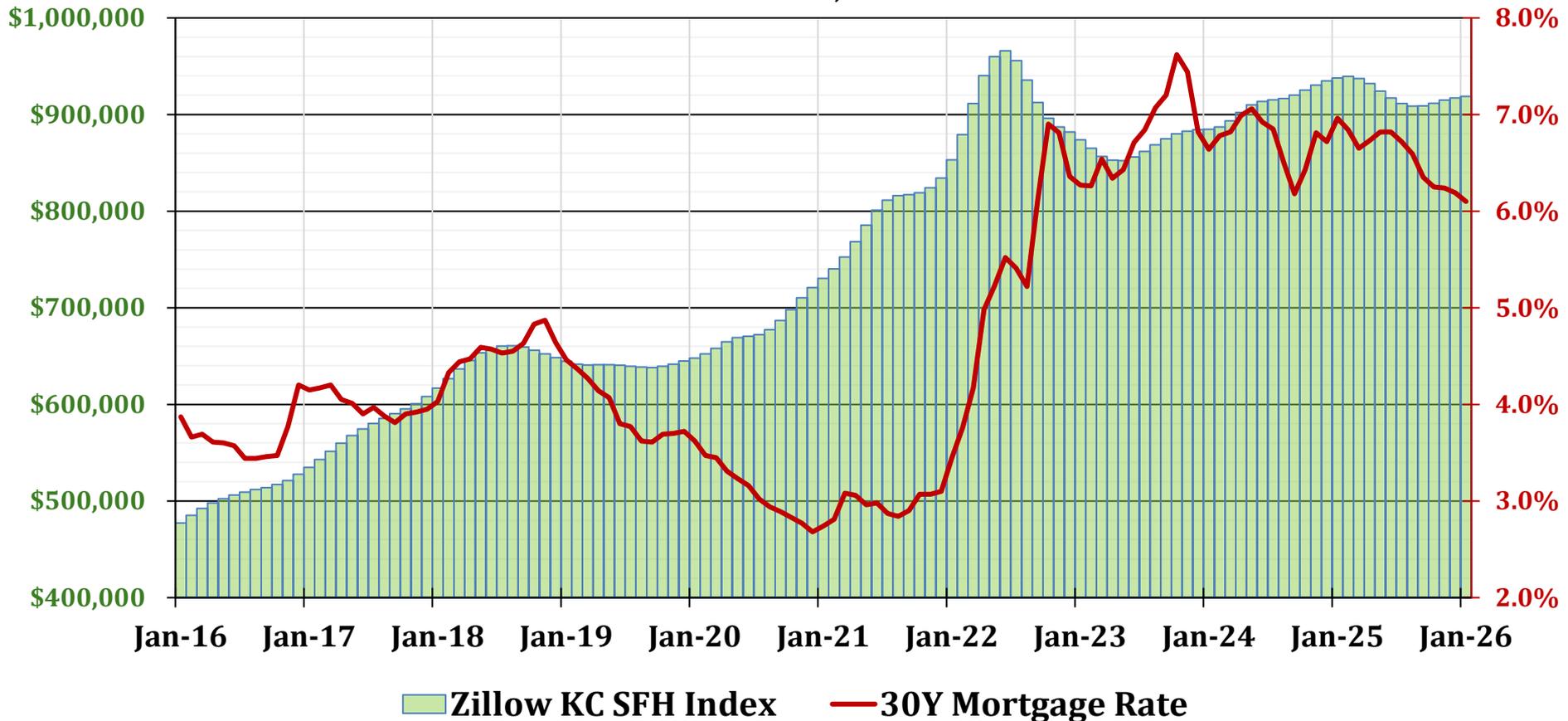
# House prices have been relatively flat since mortgage rates were hiked in 2022



## King County House Prices & 30-Year Mortgage Rates

Zillow Home Value Index for King County & Avg 30 Fixed Mortgage Rates

Source: Zillow, FRED



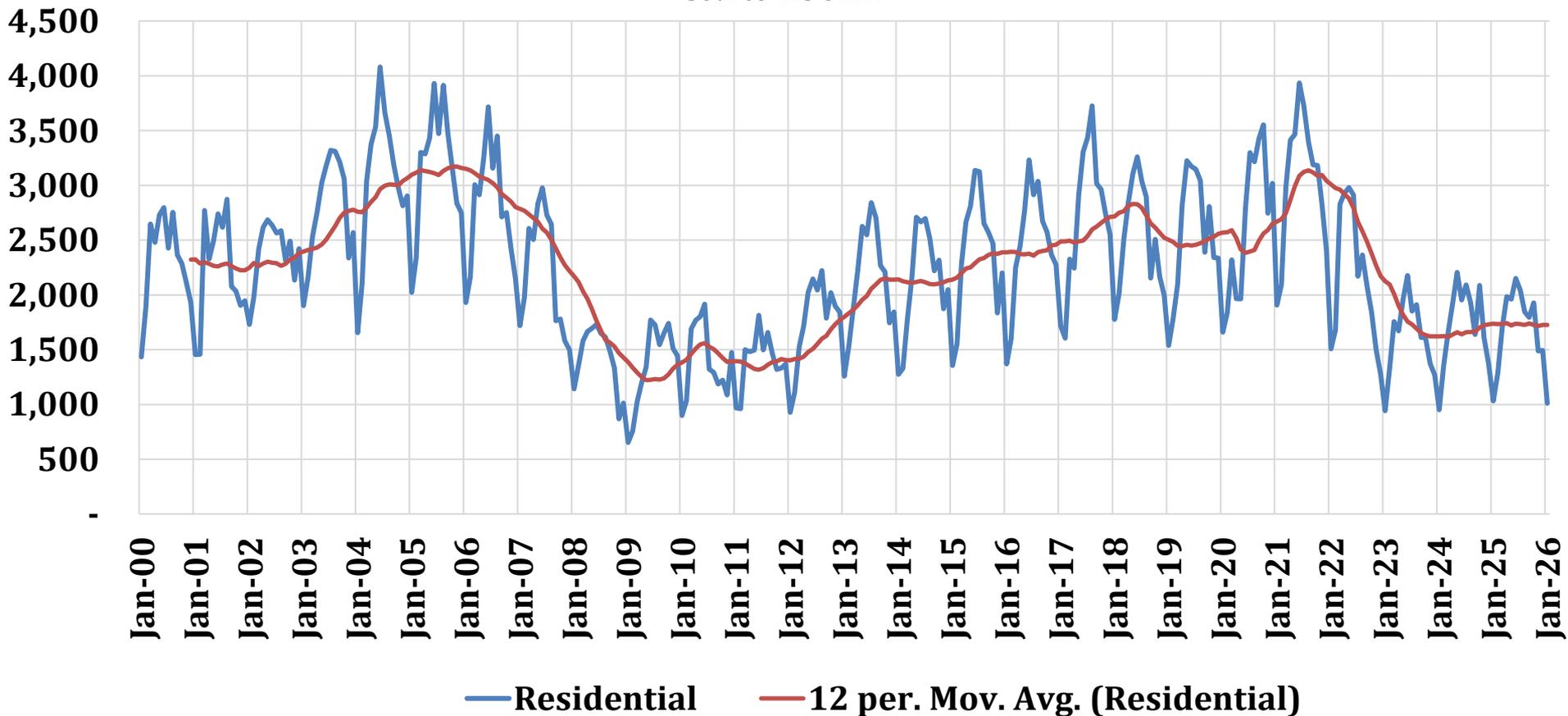
# KC Residential Trends Are Down - Lower prices and reduced transactions



## King County Residential Transactions

Monthly Residential Transactions with Rolling Annual Average

Source: KC OEFA



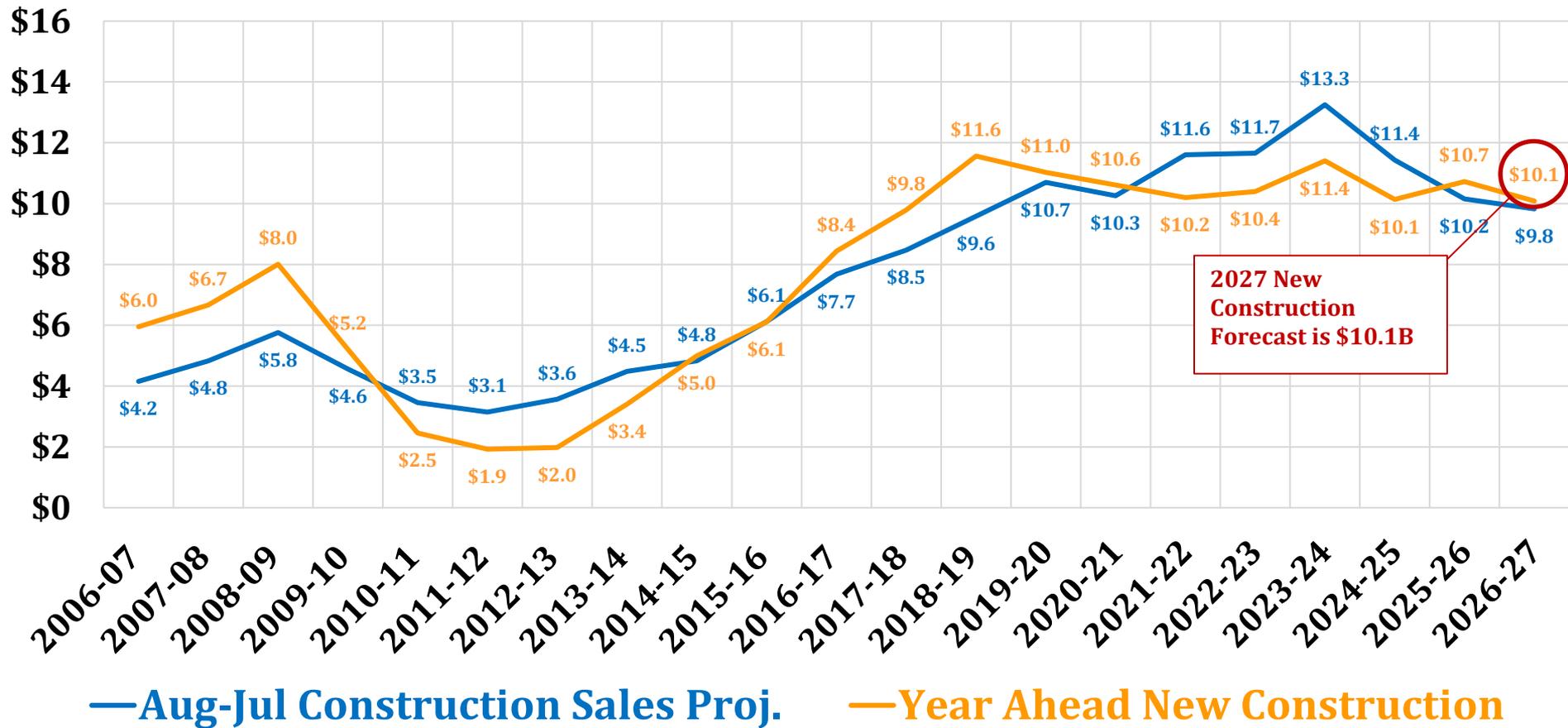
# Bucking the trend: New Construction outpaces taxable sales



## Construction Taxable Sales vs New Construction

Aug-July Taxable Sales and Year Ahead New Construction Value; in billions \$

Source: OEFA, DOR, DOA



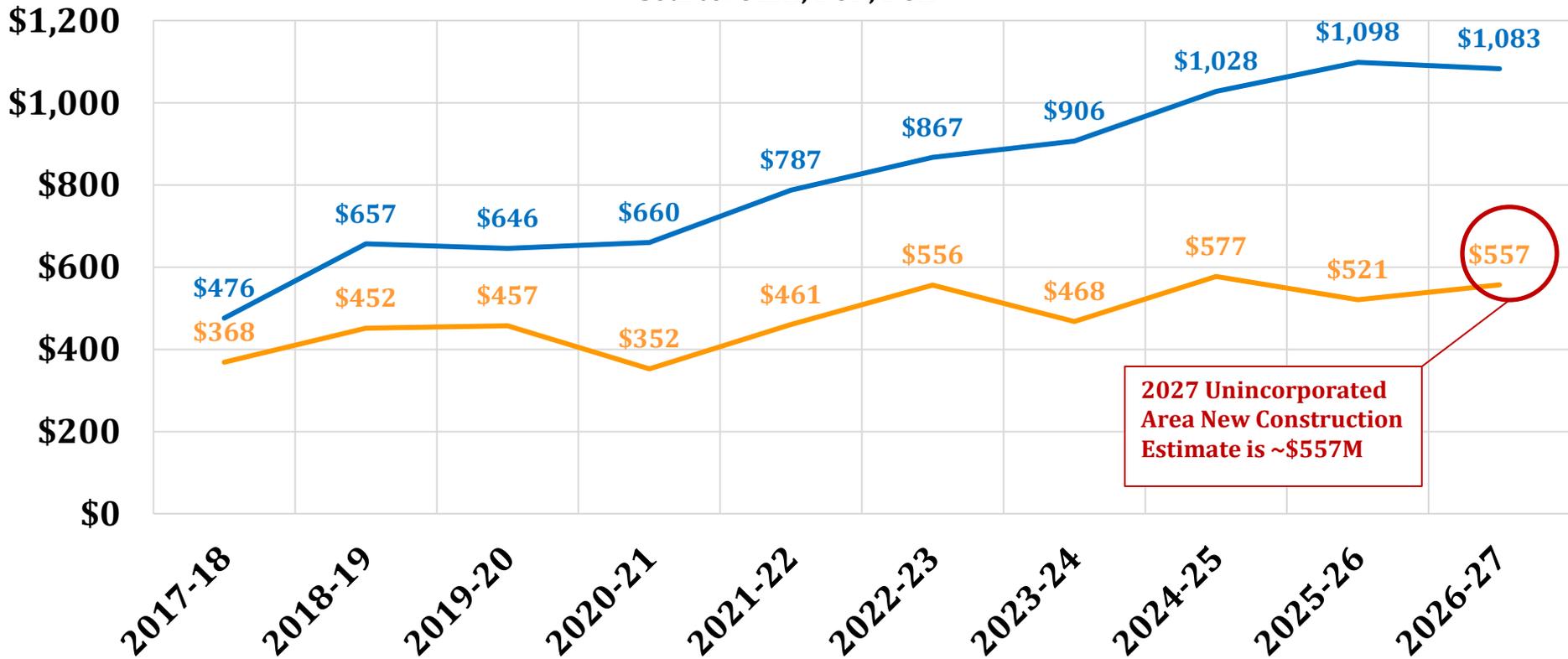
# The UI-KC taxable sales ratio suggests a slight uptick in UI-KC NC in 2027



## UI-KC Construction Taxable Sales vs New Construction

Aug-July Taxable Sales and Year Ahead New Construction Value; in millions \$

Source: OEFA, DOR, DOA



2027 Unincorporated Area New Construction Estimate is ~\$557M

— Aug-July Construction Sales Proj.

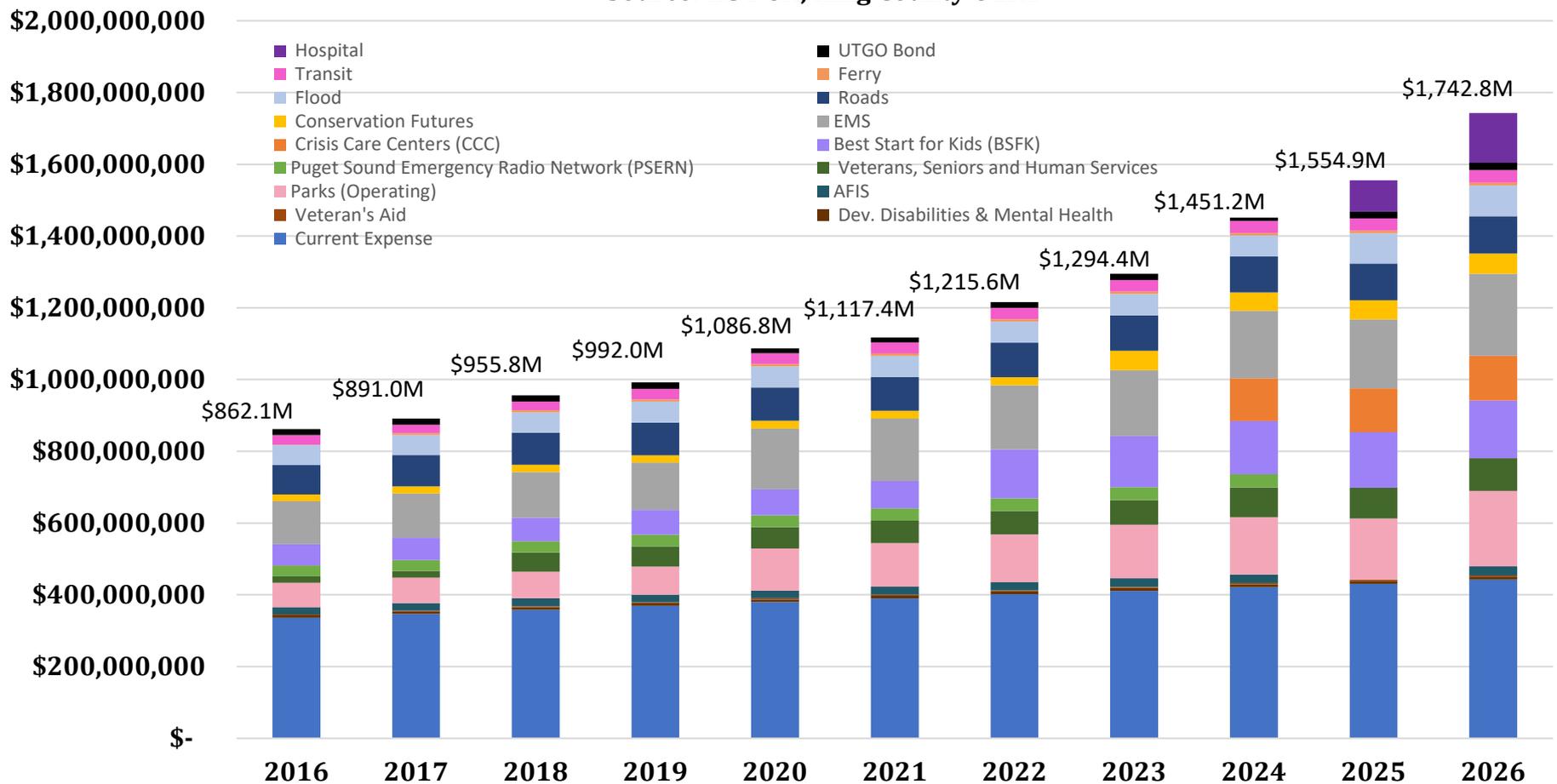
— Year Ahead New Construction

# Property Taxes By Taxing District from 2016 to 2026



## King County Property Taxes By Taxing District

In millions \$, Actuals 2016-2026  
Source: KC DOA, King County OEFA

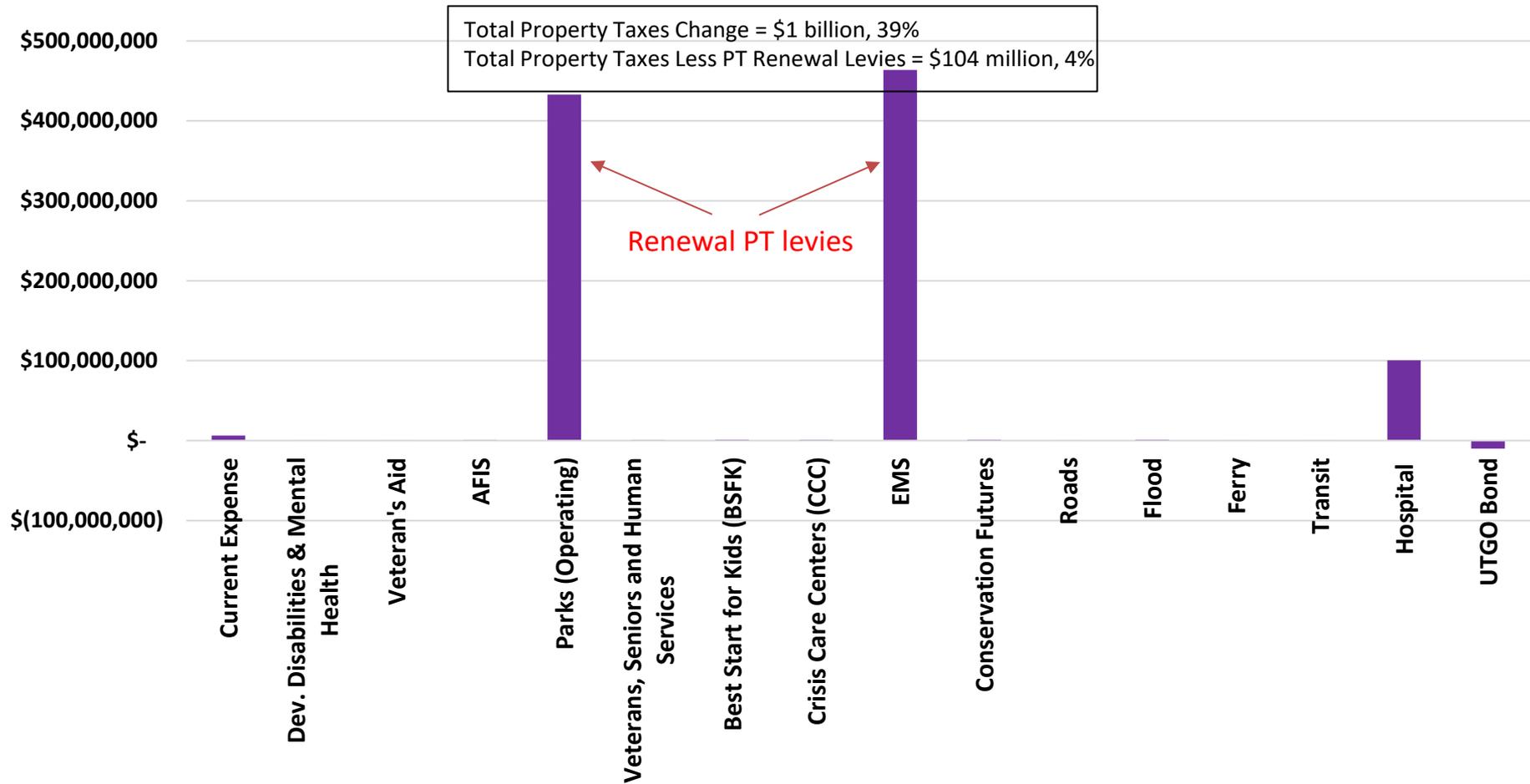


# Small change to property tax levies except for renewals over this biennium



## 2026 & 2027 Biggest Change is Parks & EMS Levies

Incremental Change of Property Tax Levies from July 2025



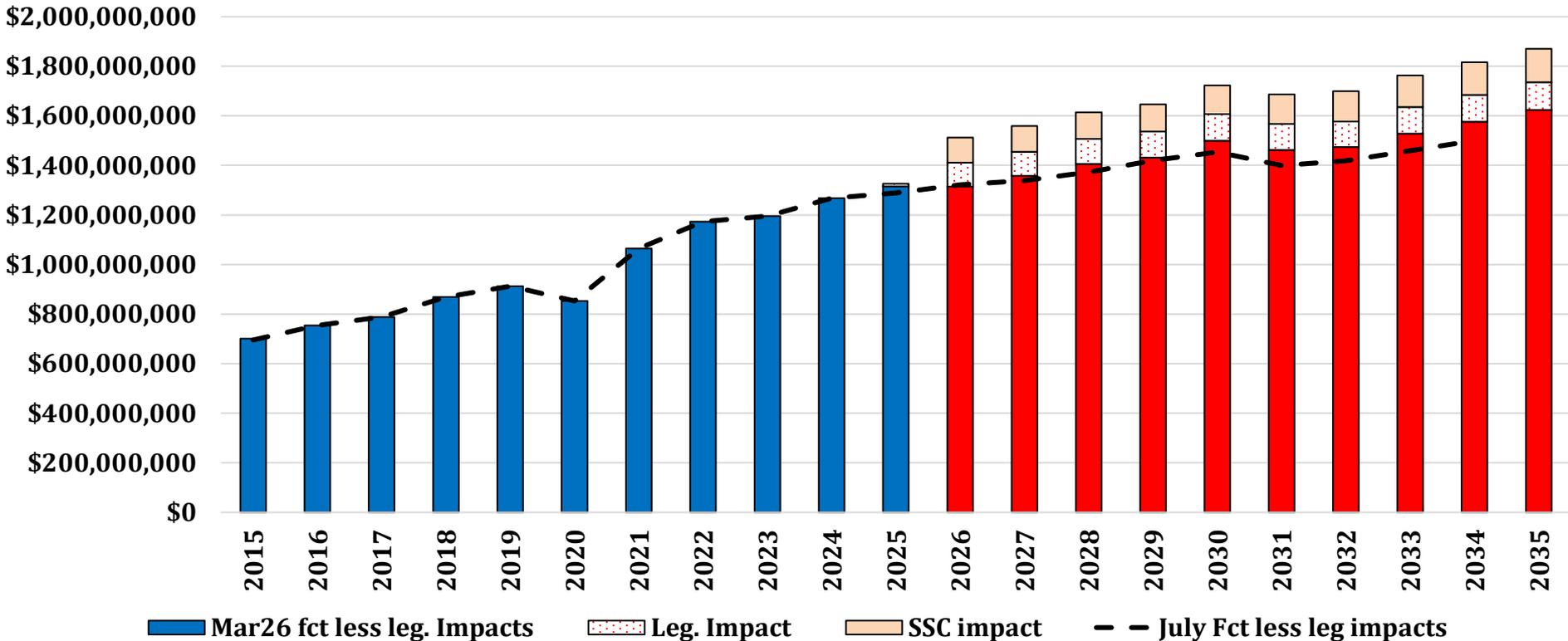
# King County Sales Tax Collections

## March 2026 vs July 2025



### King County Total Sales Tax Collections

Actuals (Bar) and **March 2026 Forecast (Bar)** with July 2025 Forecast (Dashed Line)  
 Source: DOR, OEFA



March & July forecast values include estimated sales associated with expansion of the tax base with ESSB 5814 & 2026 estimates include enhanced expectations from the World Cup. March fct also includes SSC levy.

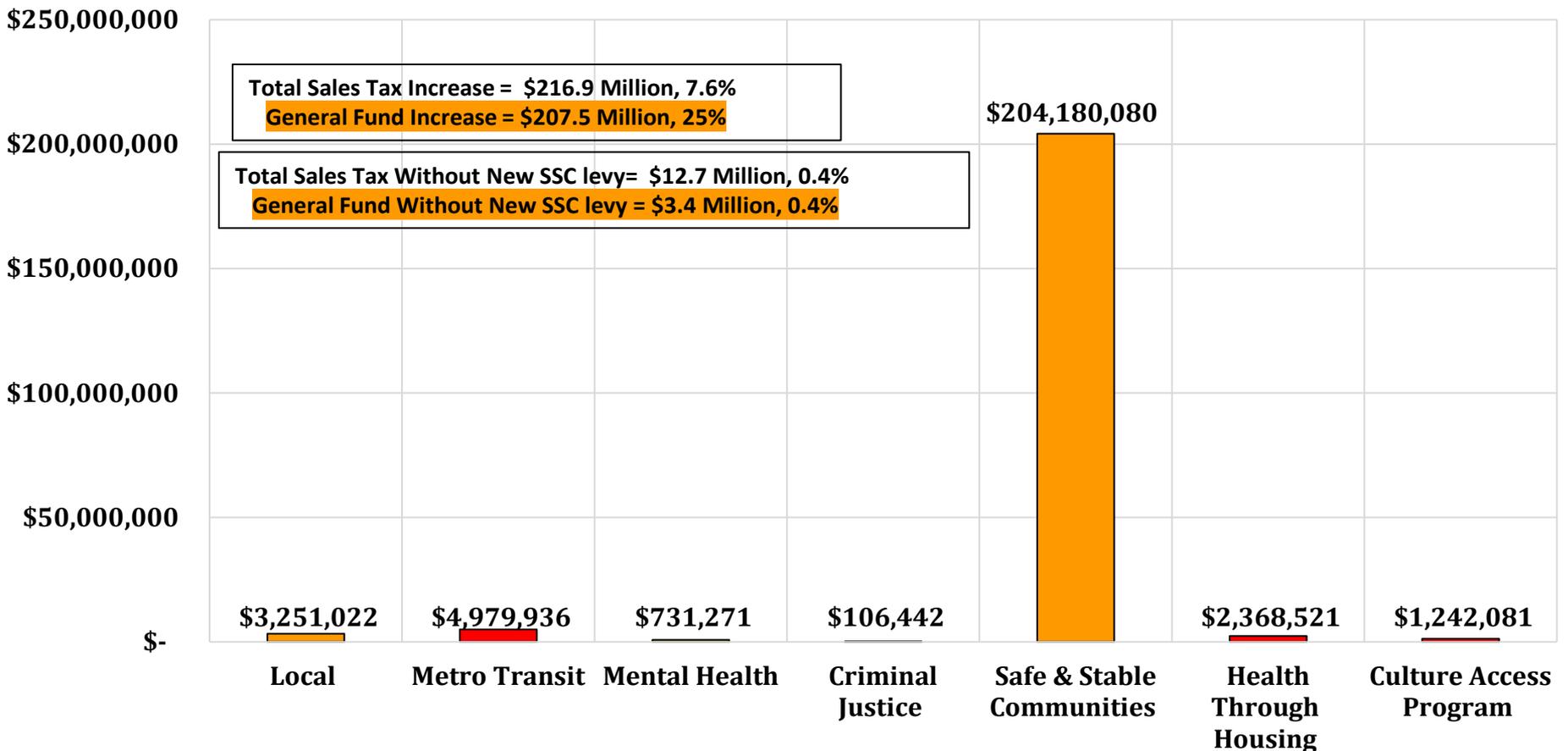
# Minimal incremental increase to sales taxes: 0.1% Safe & Stable Communities Tax added to the March 2026 Forecast



## 2026-27 Sales Tax Increments for March 2026 Forecast

Change in 2026-27 Biennium Sales Taxes from July 2025 Forecast

Source: OEFA



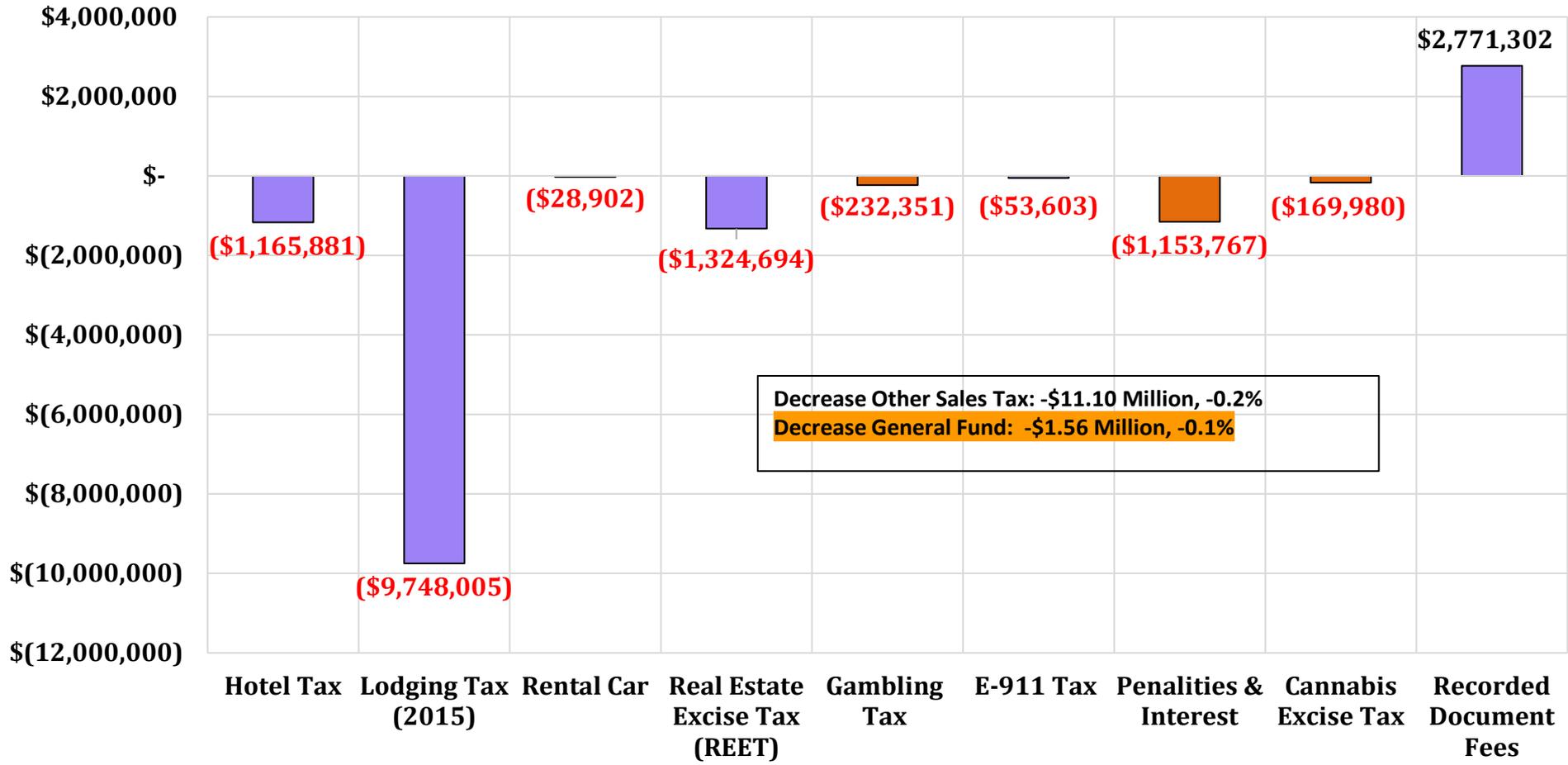
# Mixed Change in Other Taxes Since July 2026-27 Biennium



## 2026-27 Other Tax Increments For March Forecast

Change in 2026-27 Biennium Other Taxes from July 2025 Forecast

Source: OEFA



# March Alternative Forecast - Passage Millionaire Tax (ESSB 6346) Overview

## Assumptions

- Based on the version of ESSB 6346 that passed out of the House Finance Committee
- Repeals the expansion of retail sales base contained in 2025 ESSB 5814 with few exceptions
  - Certain advertising services remain part of the retail sales base
- Effective date for this repeal is January 1, 2029
- Estimates start from baseline March 2026 forecast

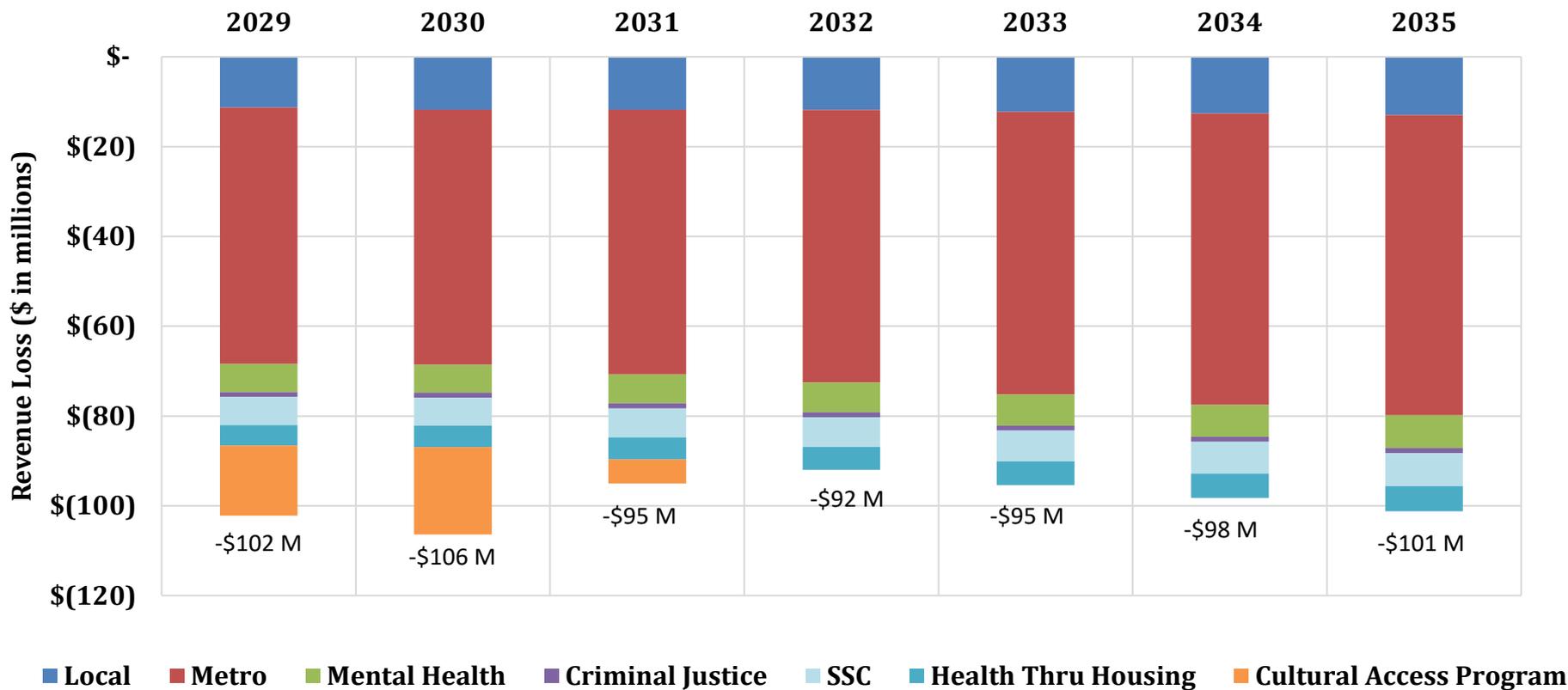
## Alternative Results Compared to Baseline Forecast

- The difference in the taxable sales projections between the alternative and the baseline forecasts grows from -1% in 2029 to -6% by 2035
- The decline in sales taxes for all KC levies: -\$102 million and -\$106 million when there was a full year of cultural access program taxes but declined to average \$96.5 million when that levy sunsets
- Metro sales taxes are impacted the most by the decline: -\$57 million in 2029 to -\$67 million by 2035, 66% of the total decline of the alternative forecast in the later years

# Decline in Forecasted Revenues – ESSB 6346 Alternative vs Baseline Forecast Total Revenue With 2025 Leg. Impacts



## King County Sales Tax Losses If Retail Sales Base Expansion Is Repealed



# March 2026 Alternative Pessimistic Forecast Overview

## Assumptions

- Baseline March forecast of taxable sales has annual growth of 3.3% from 2027-2035
- Pessimistic national March 2026 forecast from GI has lower growth rates in real GDP and real personal consumption with 4th Qtr 2026 and 1<sup>st</sup> Qtr 2027 having nearly no change.
- March GI pessimistic national forecasts were adjusted further to model a minor US recession
- Alternative forecast had adjustments to incorporate expanded retail sales in ESSB 5814

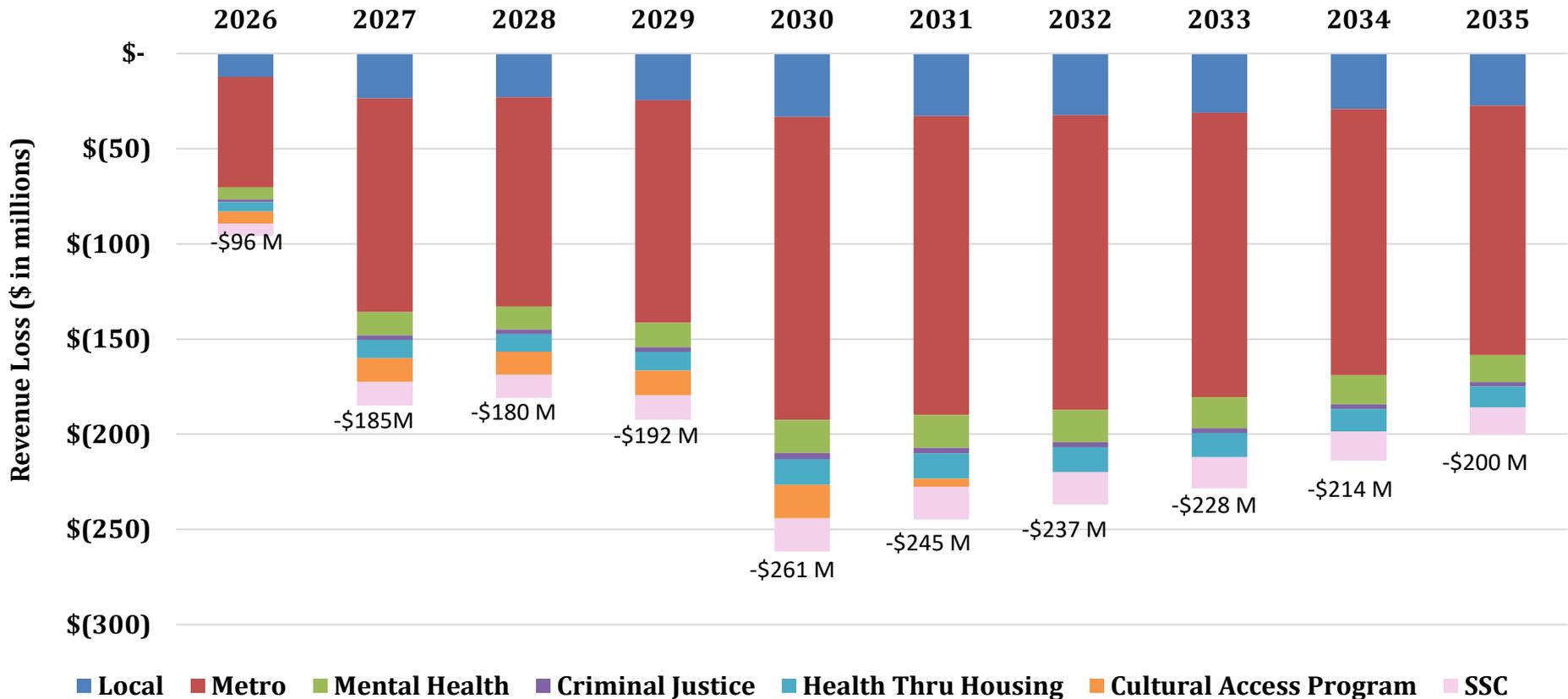
## Pessimistic Results Compared to Baseline Forecast

- The difference in the taxable sales projections between the alternative and the baseline forecasts grows from -6% in 2026 to -14% by 2035.
- Taxable sales under the alternative forecast had only negative change YOY in 2026 (with ESSB 5814 impacts) versus 6% growth in the baseline forecast
- The decline in sales taxes for KC started at -\$96 million in 2026 to -\$200 million in 2035
- Metro sales taxes are impacted the most by the decline from -\$58 million to -\$131 million by 2035, 65% of the sales tax total decline in the pessimistic forecast

# Decline in Forecasted Revenues In Alternative vs Baseline Forecast Total Revenue With 2025 Leg. Impacts



## KC Sales Tax Losses Under Alt. Pessimistic Scenario



**King County**  
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<http://www.kingcounty.gov/independent/forecasting.aspx>