

2026 King County Economic and Revenue Forecast

Presentation to the King County Forecast Council

Presented on:
March 13, 2026

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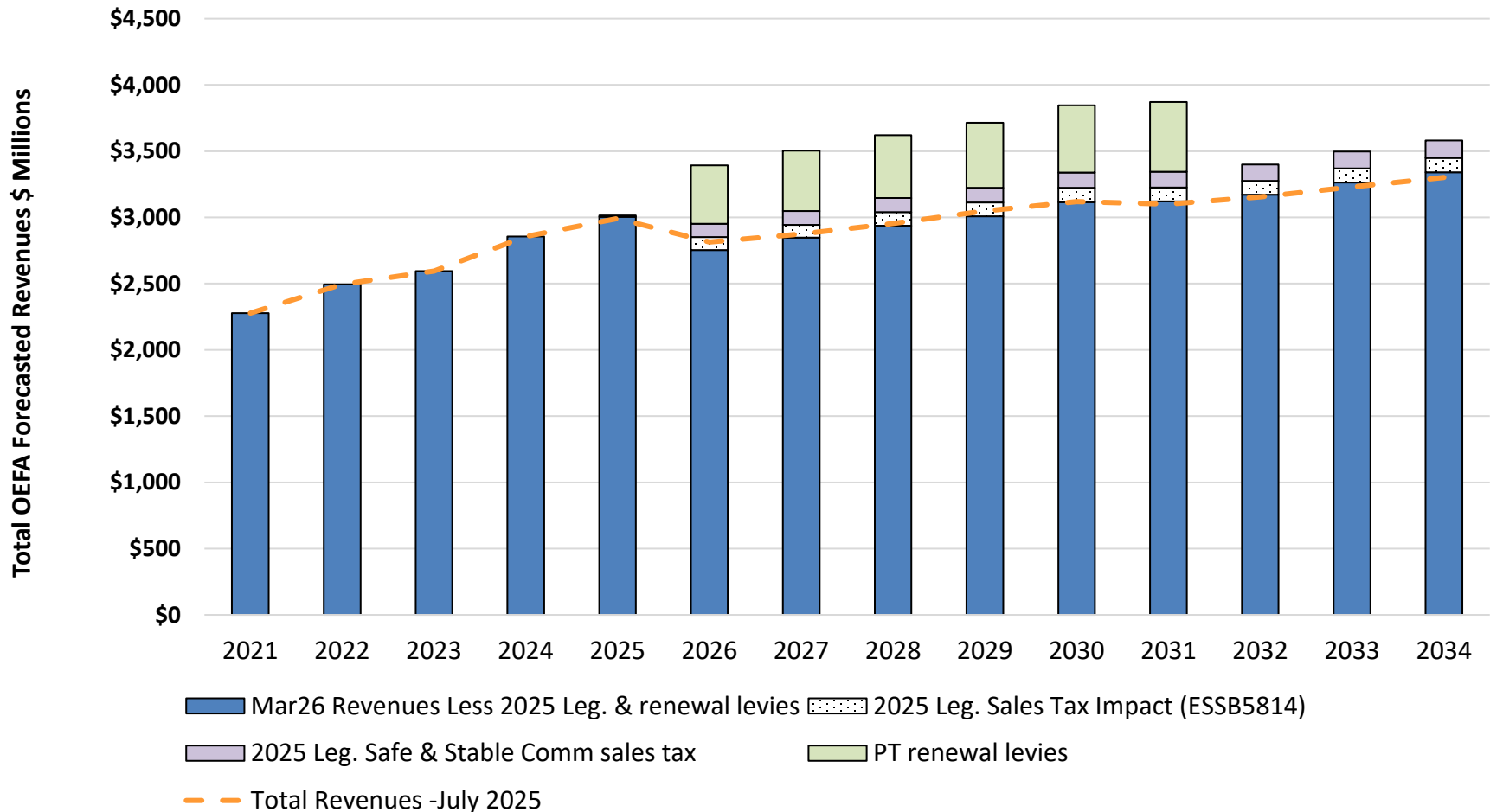


Comparison OEFA Forecasted Revenues July versus March 2026 Forecasts



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 | \$0.00 | \$0.00 | \$1,000.68 | \$6.30 | \$1,083.79 | \$10.07 |
| <i>Property Taxes Less 2025 Renewal Levies</i> | \$0.00 | \$0.00 | \$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. & SSC levy</i> | \$22.59 | \$4.61 | \$105.62 | \$3.36 | \$150.75 | \$1.92 |
| Hotel/Lodging/Rental Car Tax | (\$4.09) | \$0.00 | (\$10.94) | \$0.00 | (\$12.23) | \$0.00 |
| REET | (\$0.59) | \$0.00 | (\$1.32) | \$0.00 | (\$2.12) | \$0.00 |
| Gambling Tax | (\$0.12) | (\$0.12) | (\$0.23) | (\$0.23) | (\$0.25) | (\$0.25) |
| E-911 Tax | (\$0.31) | \$0.00 | (\$0.05) | \$0.00 | \$0.91 | \$0.00 |
| 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 | \$0.00 | \$2.77 | \$0.00 | \$2.20 | \$0.00 |
| Change in Total Taxes | \$22.59 | \$4.46 | \$1,206.44 | \$212.28 | \$1,332.64 | \$227.96 |
| <i>Change Taxes Less 2025 PT renewals & 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

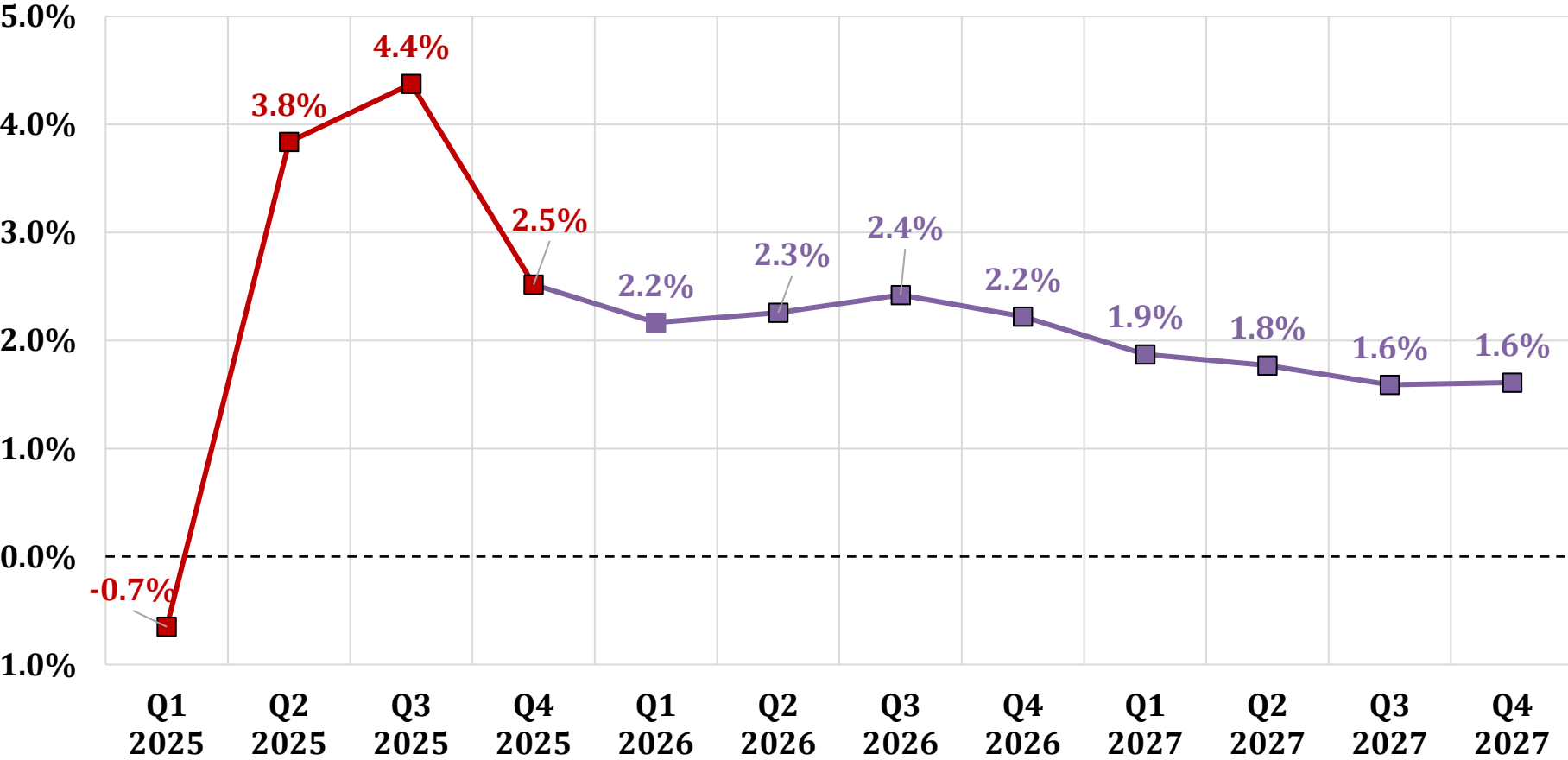
- King County taxable sales came in stronger in 2025 at 2.8% year-over-year
- King County employment in 2025 has been weaker than expected at -0.8%
- KC has lost on average 12,700 jobs in 2025 compared to last year
- 2025 Unemployment in King County averaged 4.4% but has been increasing with December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

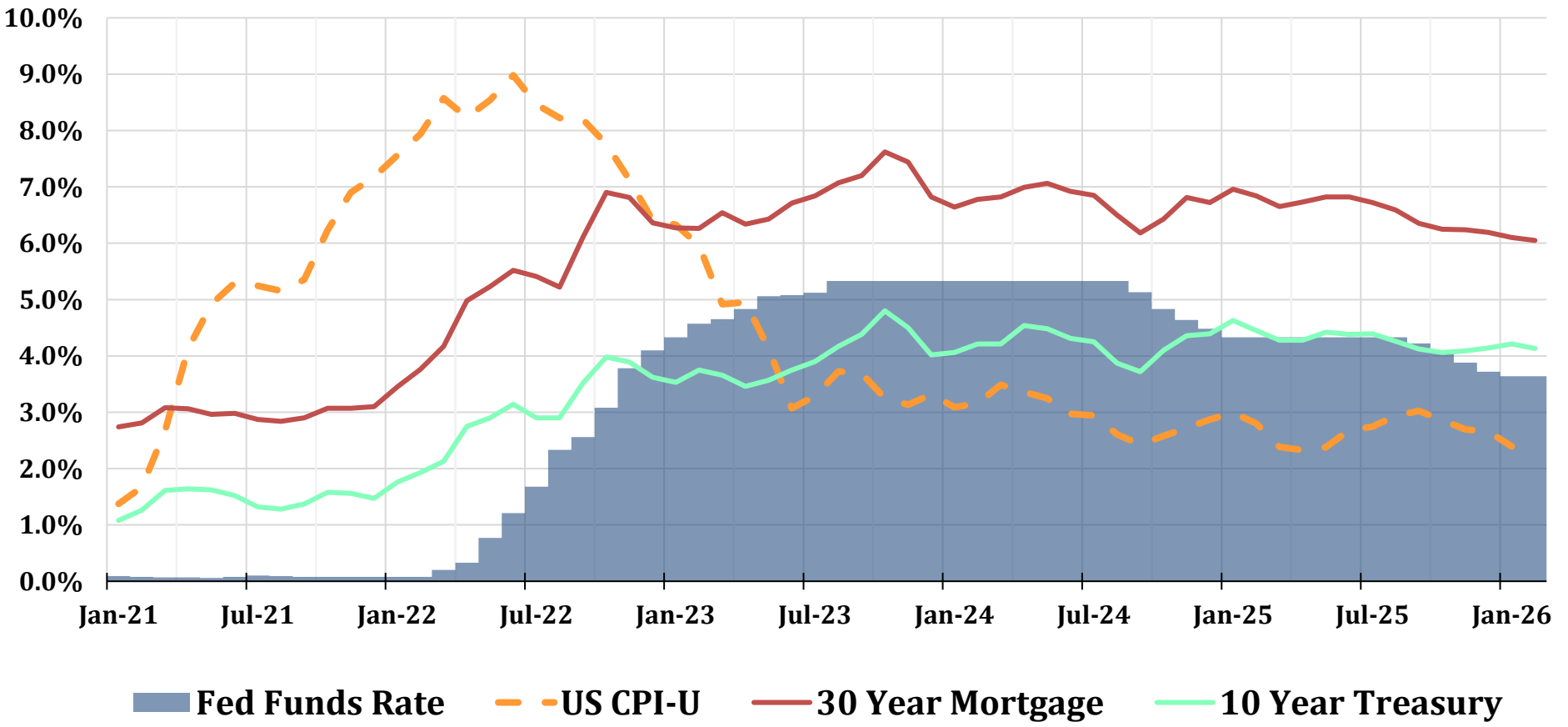
CCARoC-SAAR; with **Actuals** & **Baseline Forecast** February 2026 Forecast
Source: IHS Global Insight



Recent Declines in Inflation At End 2025



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



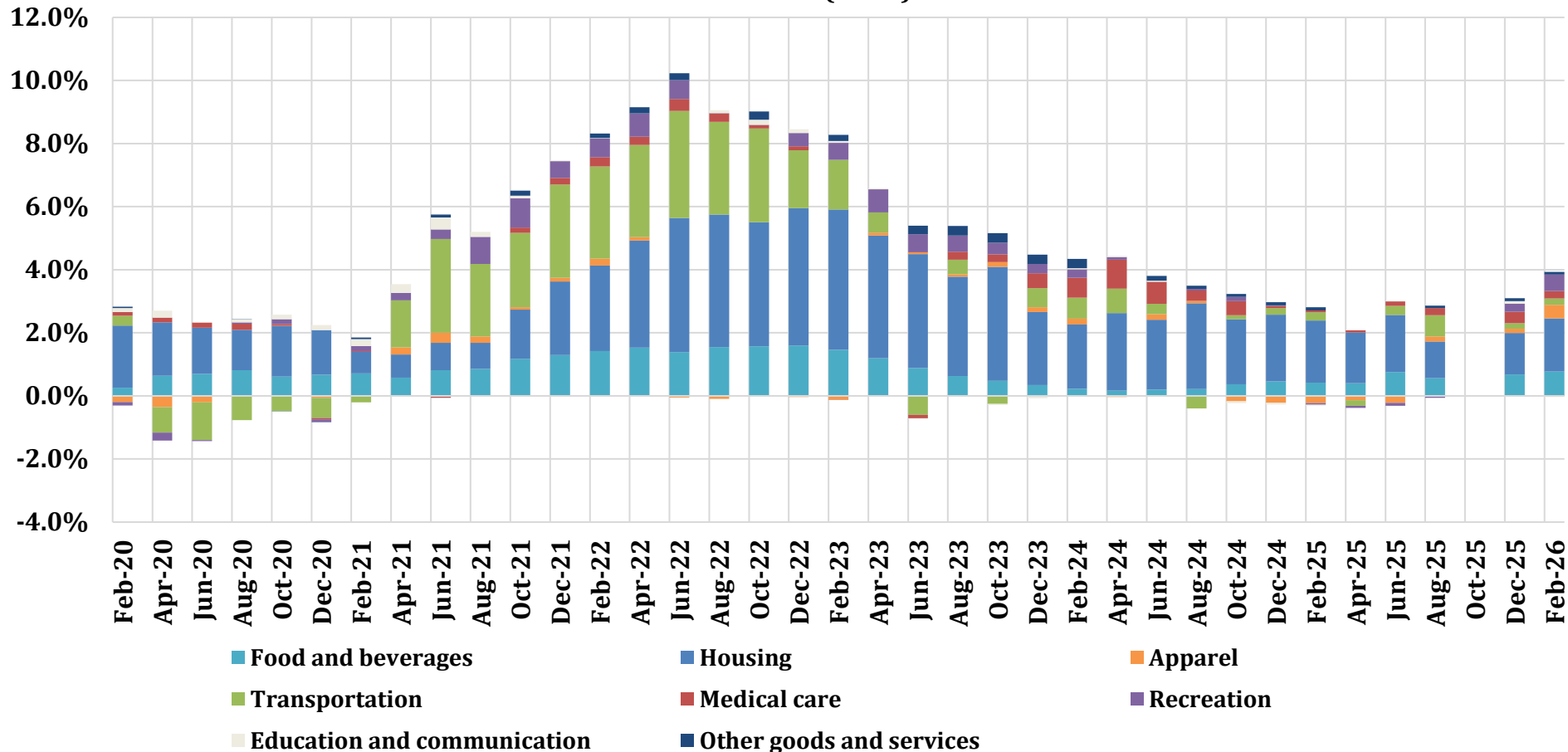
Local Inflation Components: Housing and food the major contributors to local inflation



Local Inflation Rate by Component

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

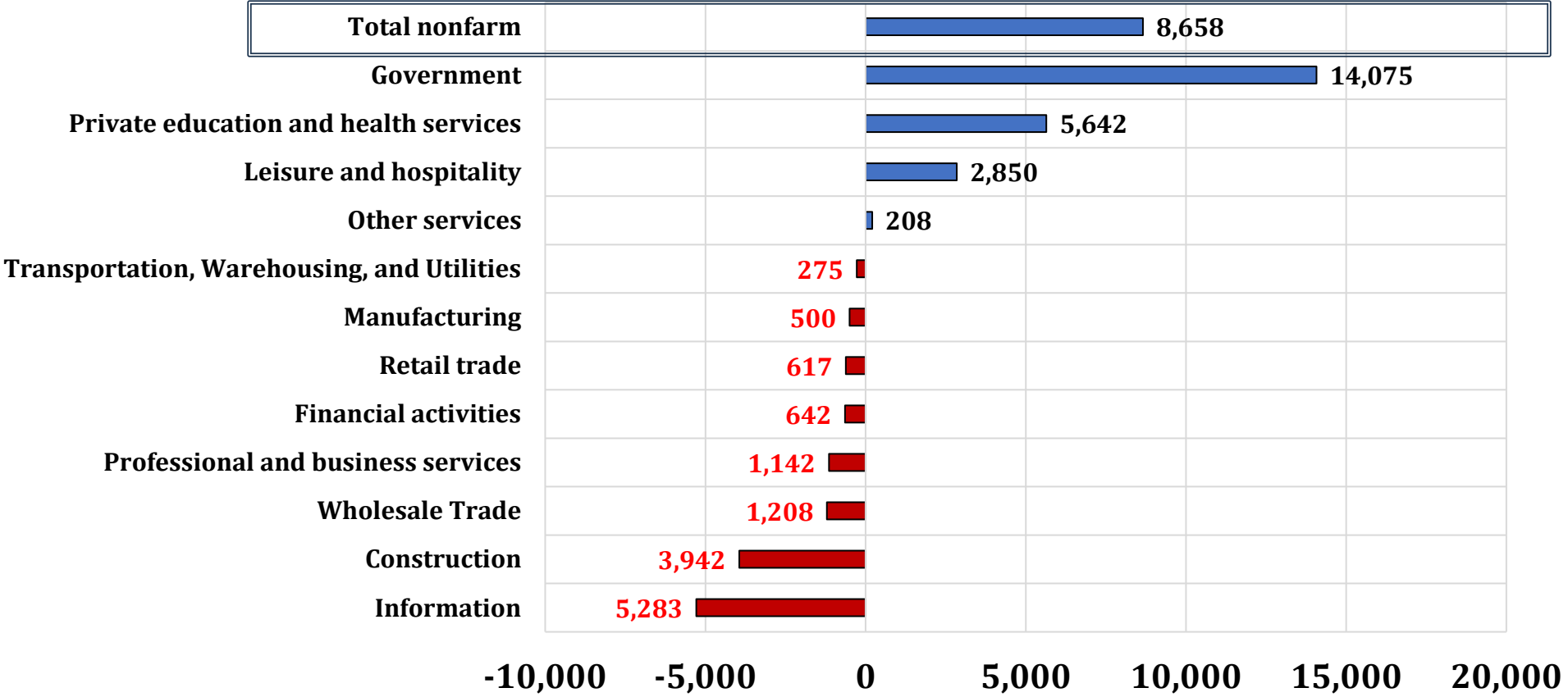
Source: BLS (FRED)



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



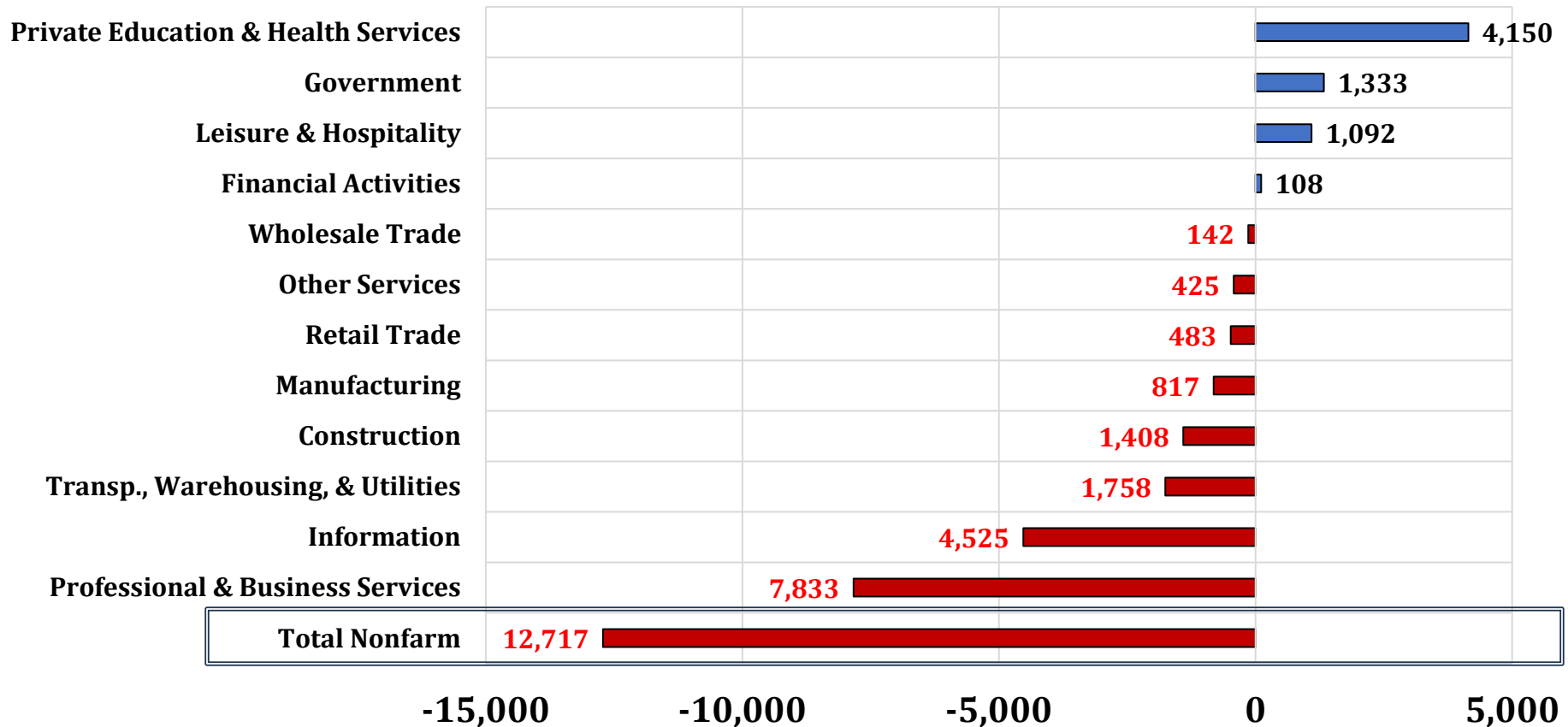
King County lost 12,700 jobs in 2025: many to our lifeblood industries



Change in Average Employment by Industry

Average Number of Jobs Gained/Lost in 2025 vs 2024 by Select Industries

Source: WA ESD

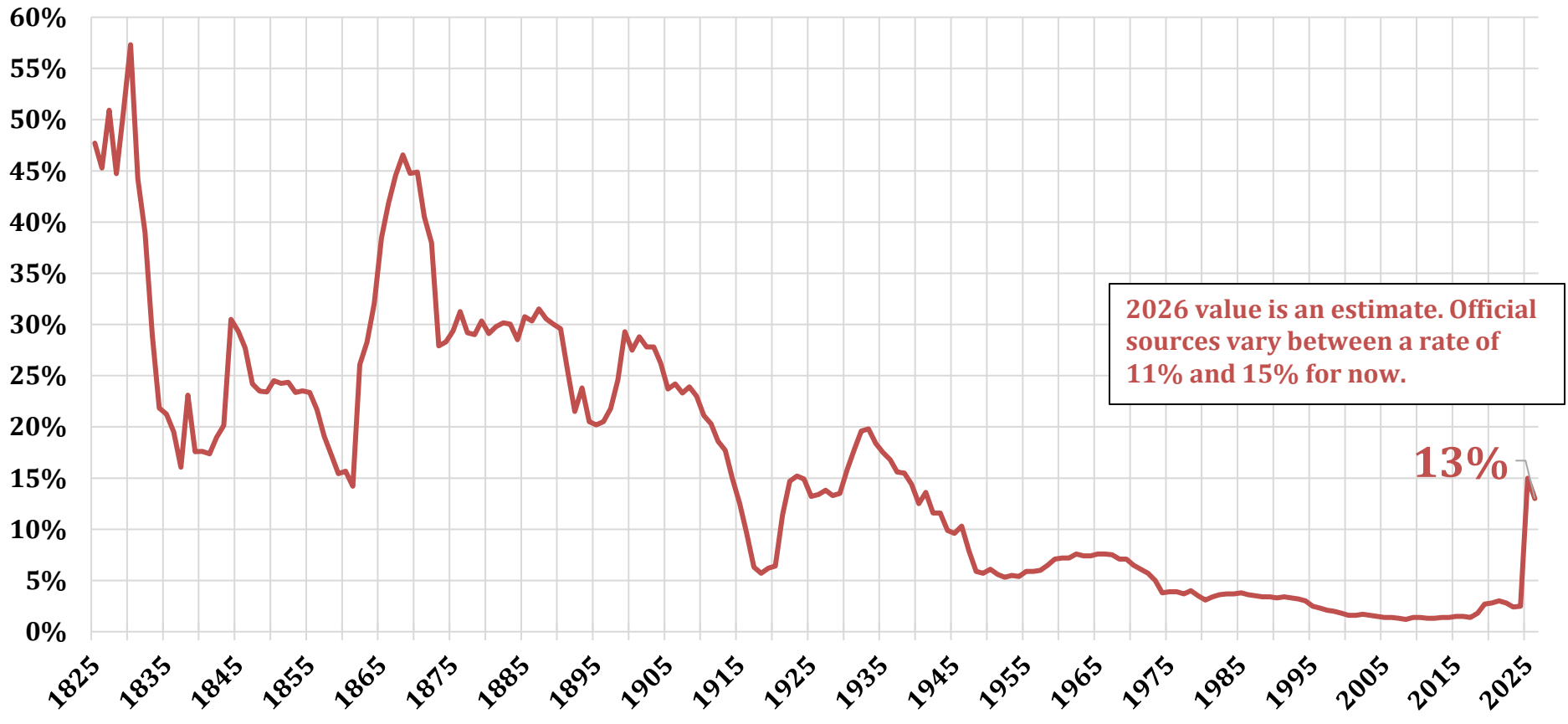


Tariffs have declined in popularity over the last 200 years until 2025



U.S. Tariff Rate History

Average Tariff Rate on US Imports 1825-2026 w/ estimated rate for 2026
Source: Tax Foundation



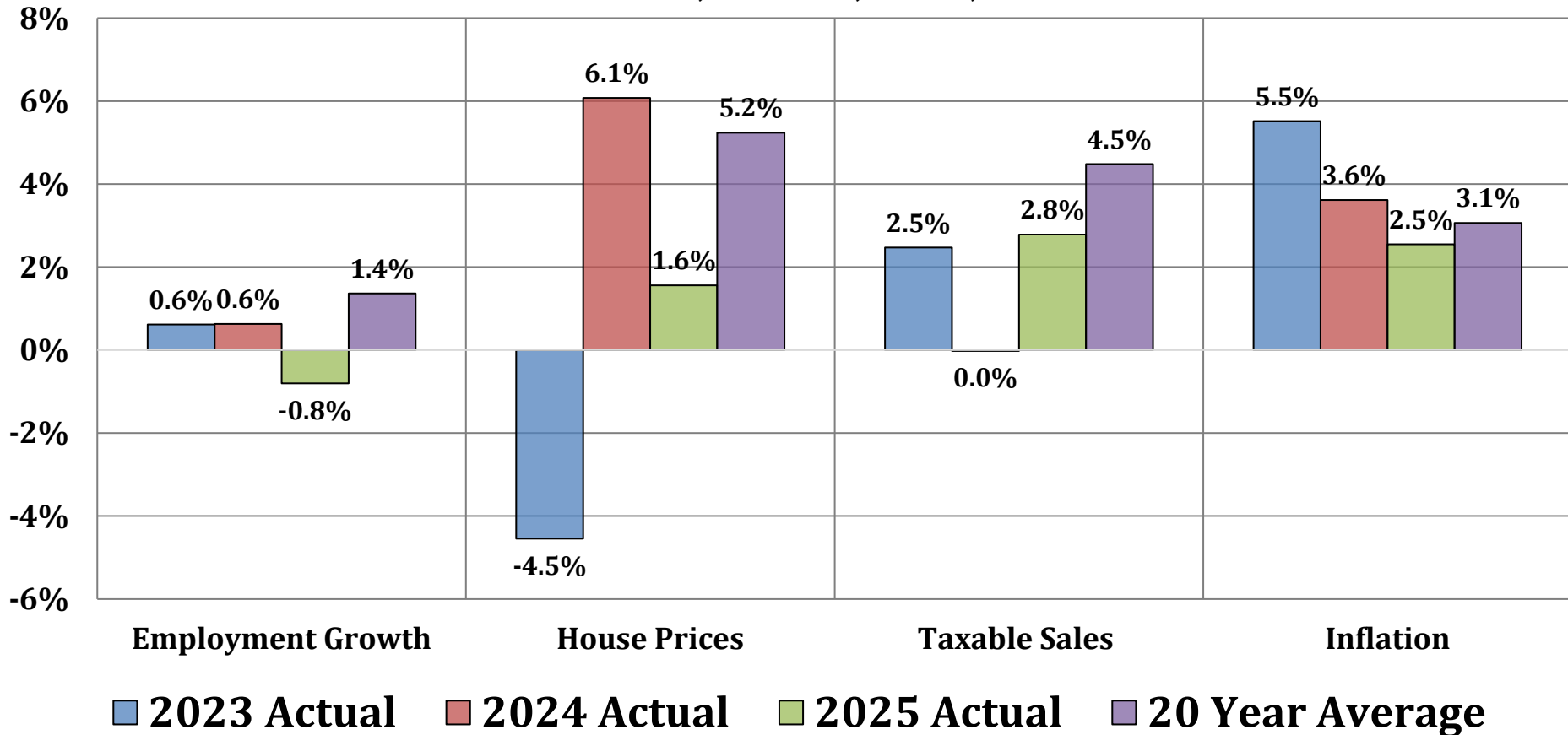
2026 value is an estimate. Official sources vary between a rate of 11% and 15% for now.

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

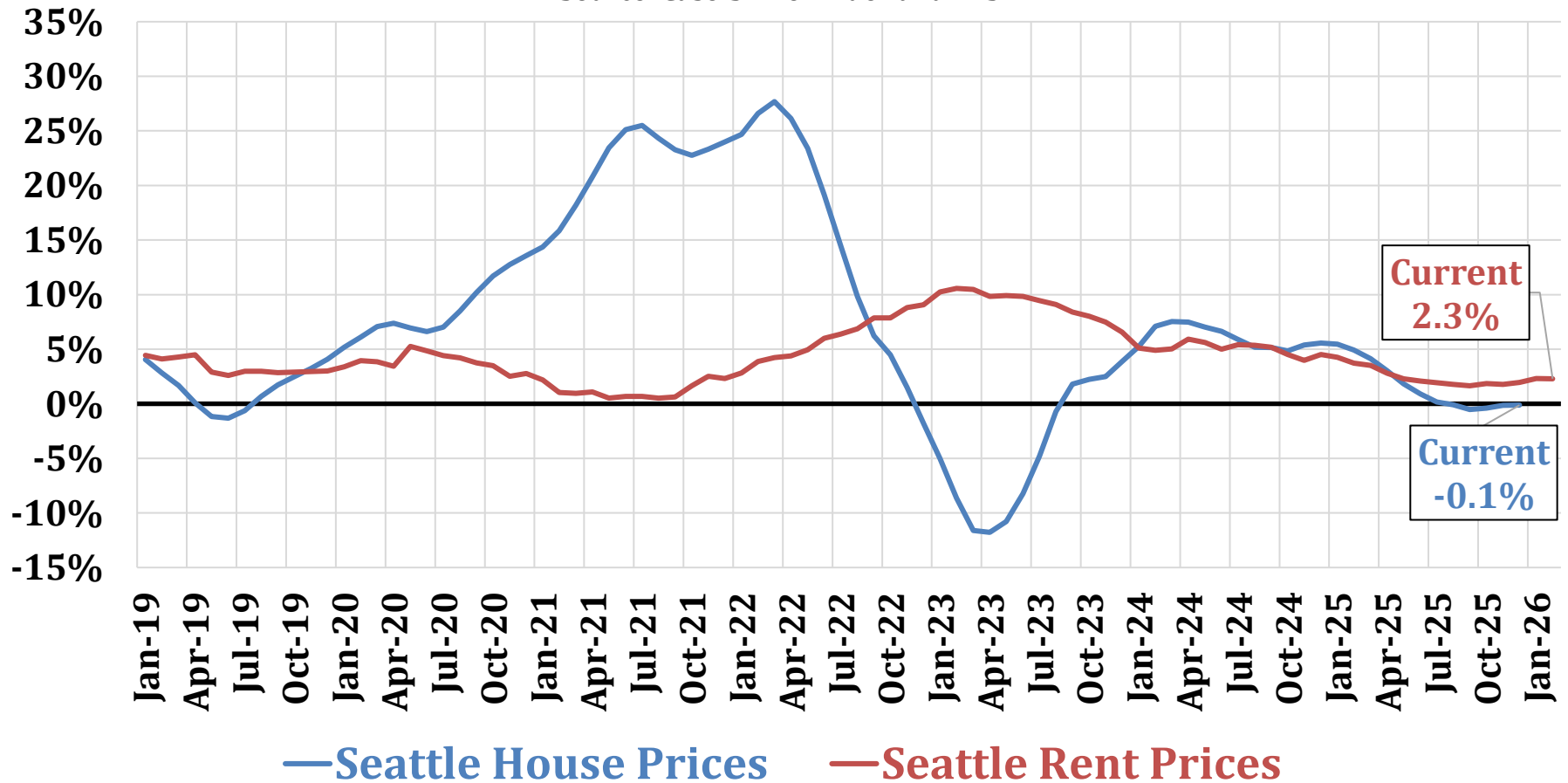


Housing and rent price increases moderated in 2025



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



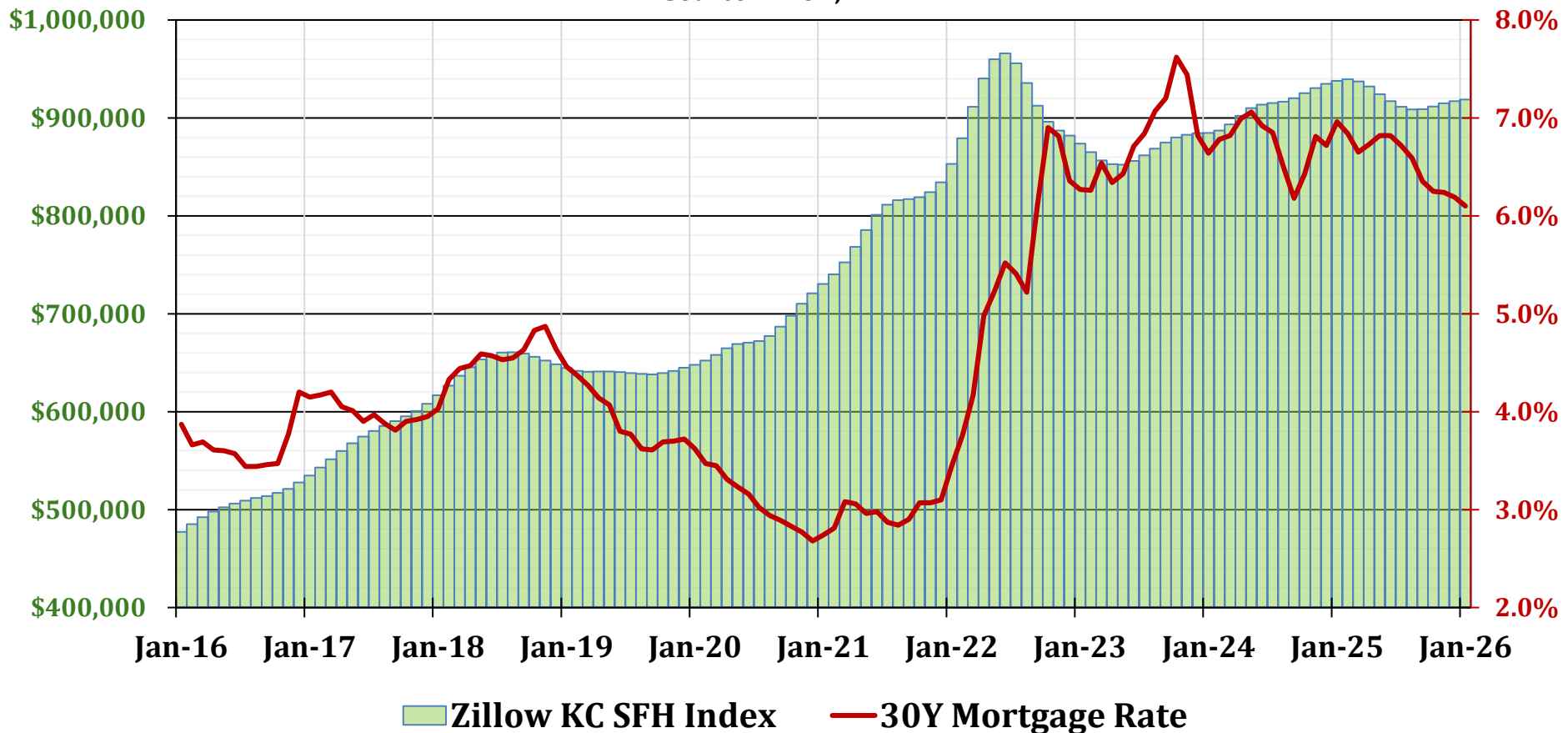
House prices have been relatively flat since mortgage rates were hiked in 2022



King County House Prices & 30-Year Mortgage Rates

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

Source: Zillow, FRED



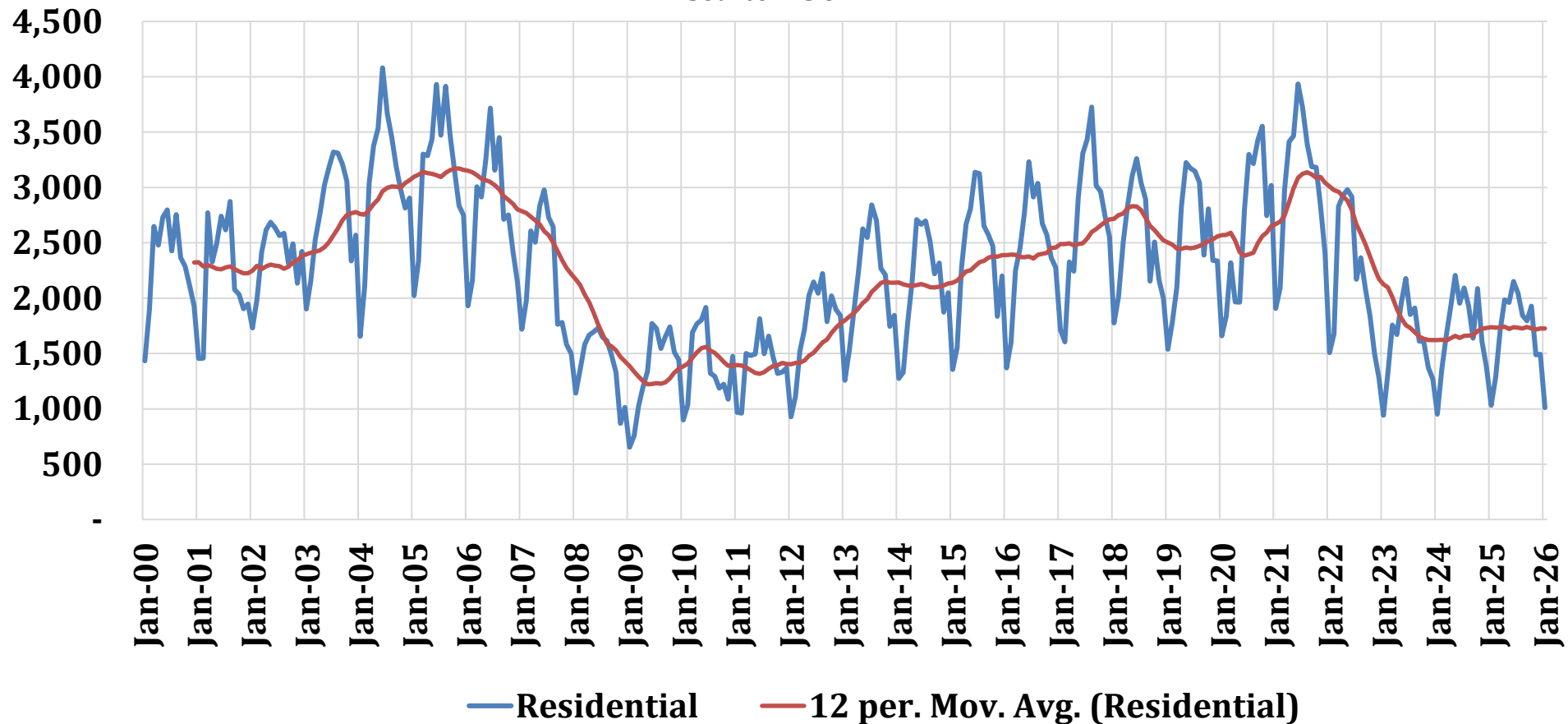
KC Residential Trends Are Down - Lower prices and reduced transactions



King County Residential Transactions

Monthly Residential Transactions with Rolling Annual Average

Source: KC OEFA



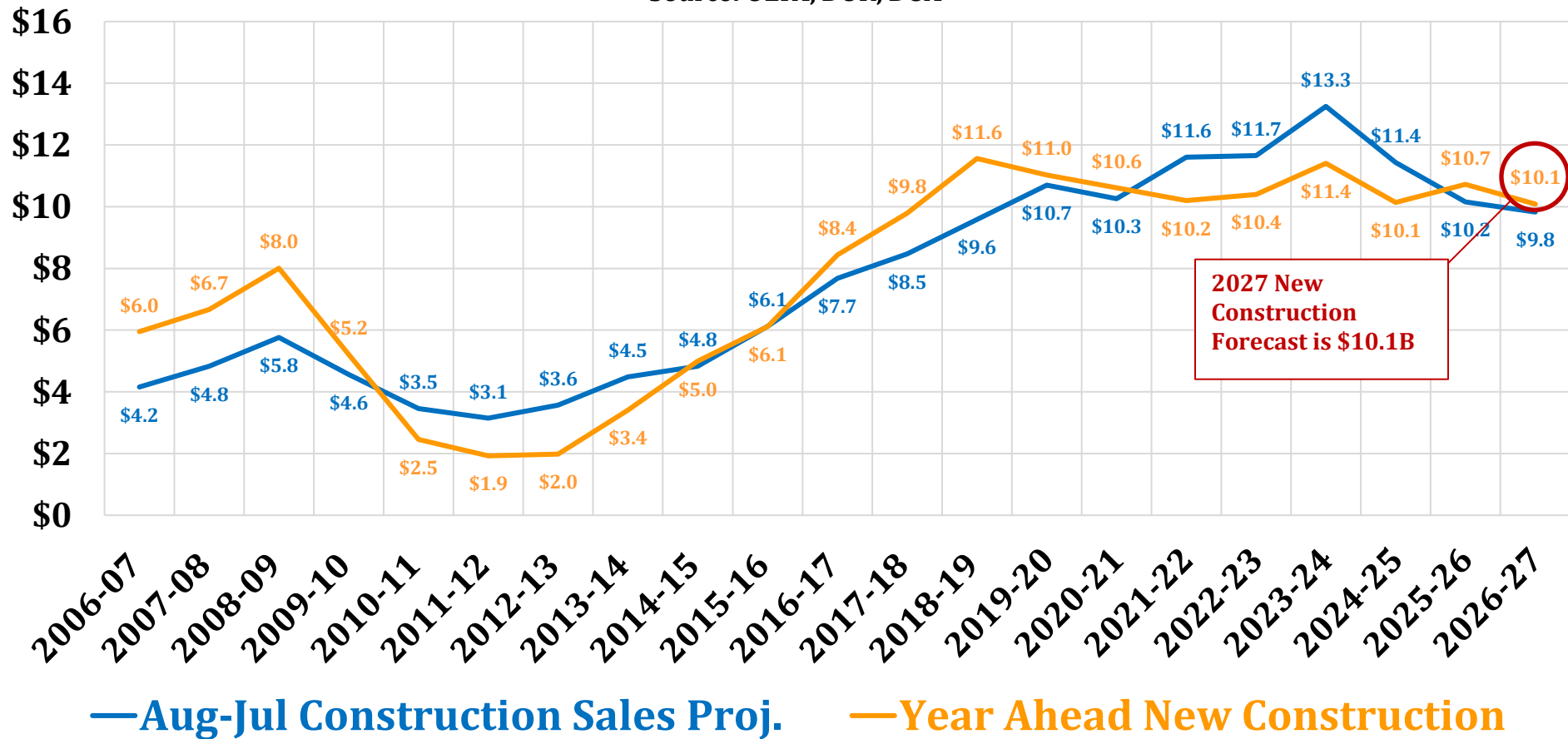
Bucking the trend: New Construction outpaces taxable sales



Construction Taxable Sales vs New Construction

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

Source: OEFA, DOR, DOA



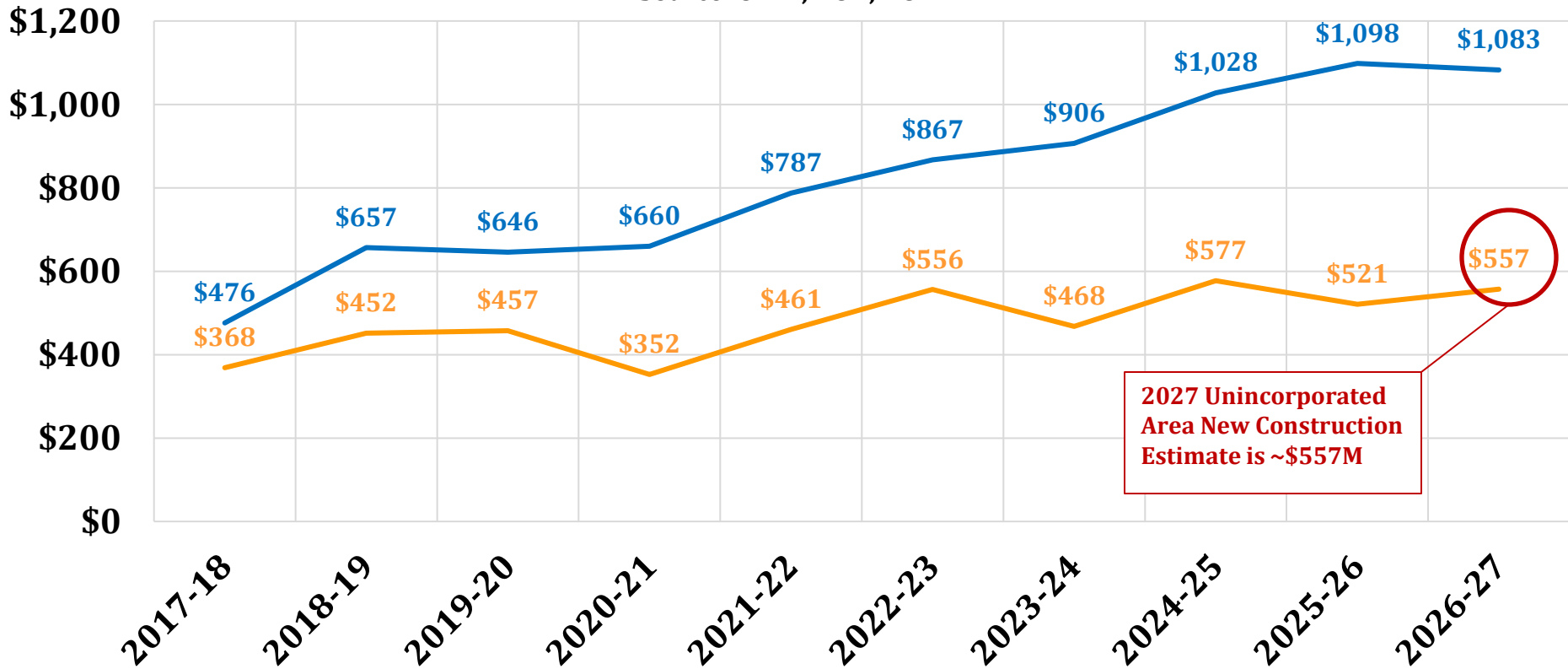
The UI-KC taxable sales ratio suggests a slight uptick in UI-KC NC in 2027



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.

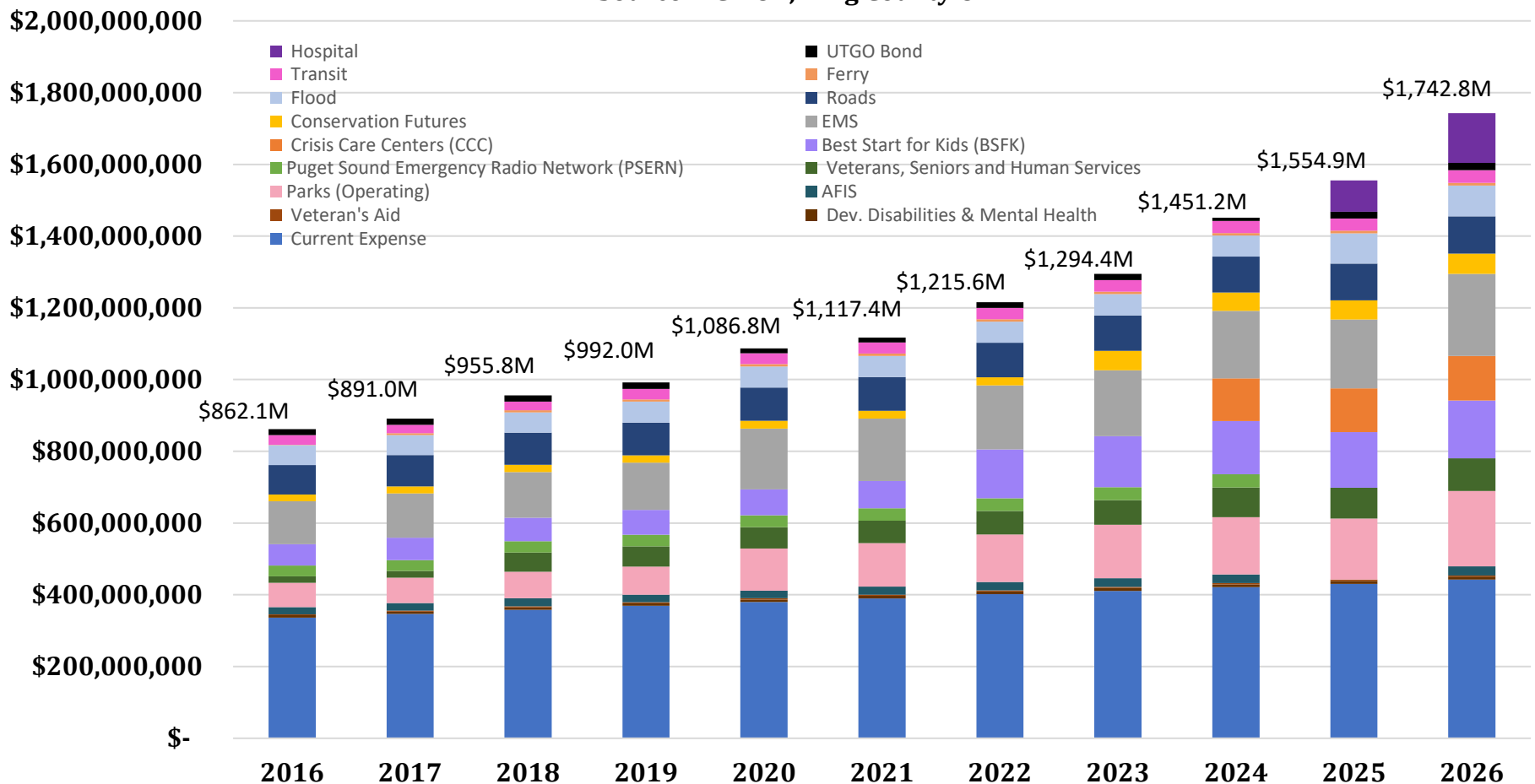
— Year Ahead New Construction

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

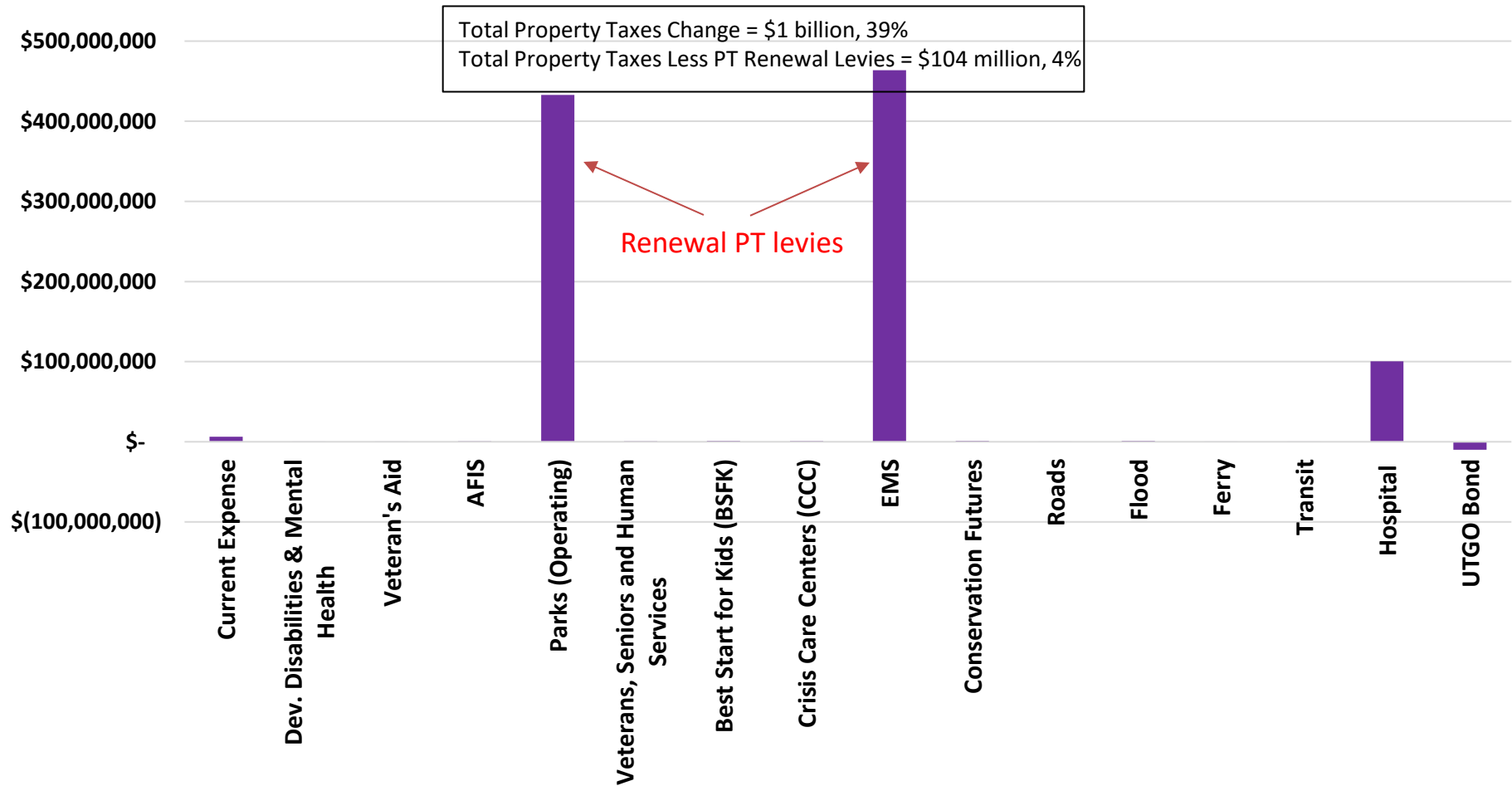


Small change to property tax levies except for renewals over this biennium



2026 & 2027 Biggest Change is Parks & EMS Levies

Incremental Change of Property Tax Levies from July 2025



King County Sales Tax Collections

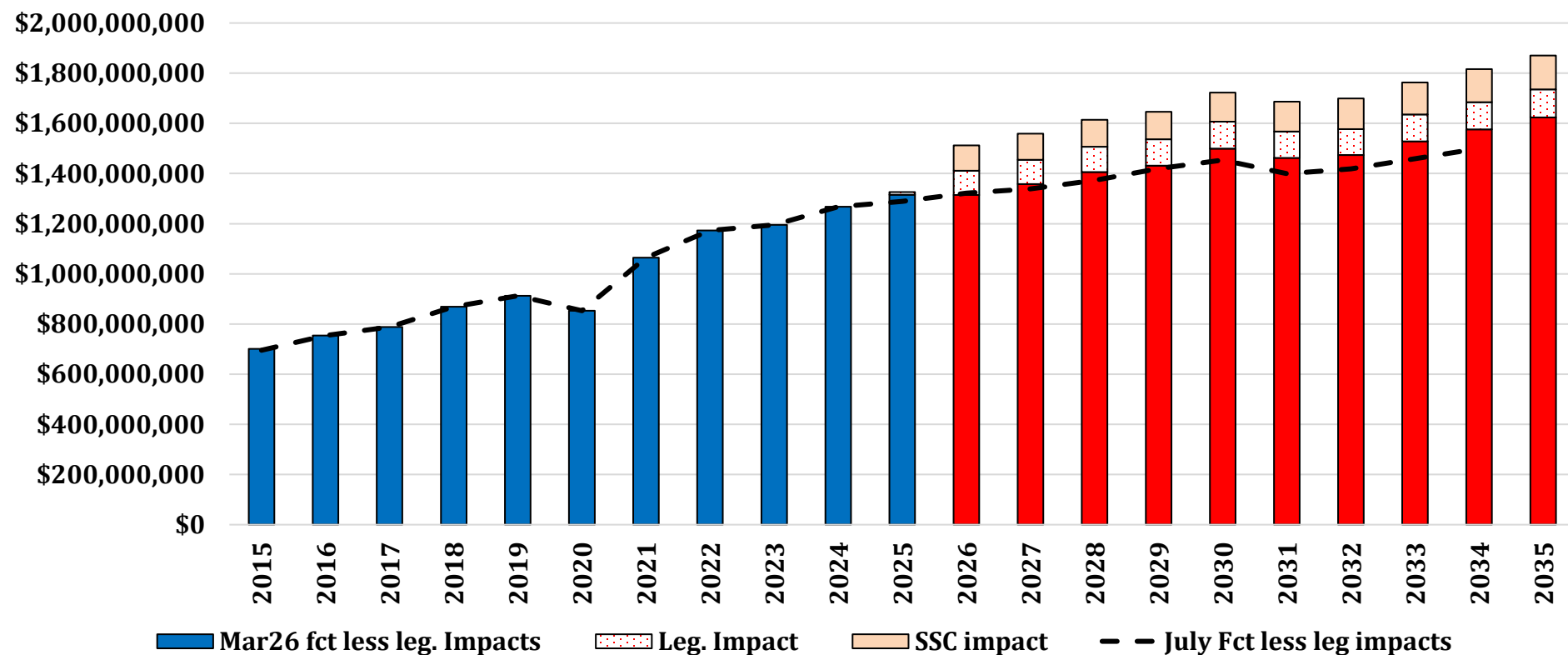
March 2026 vs July 2025



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.

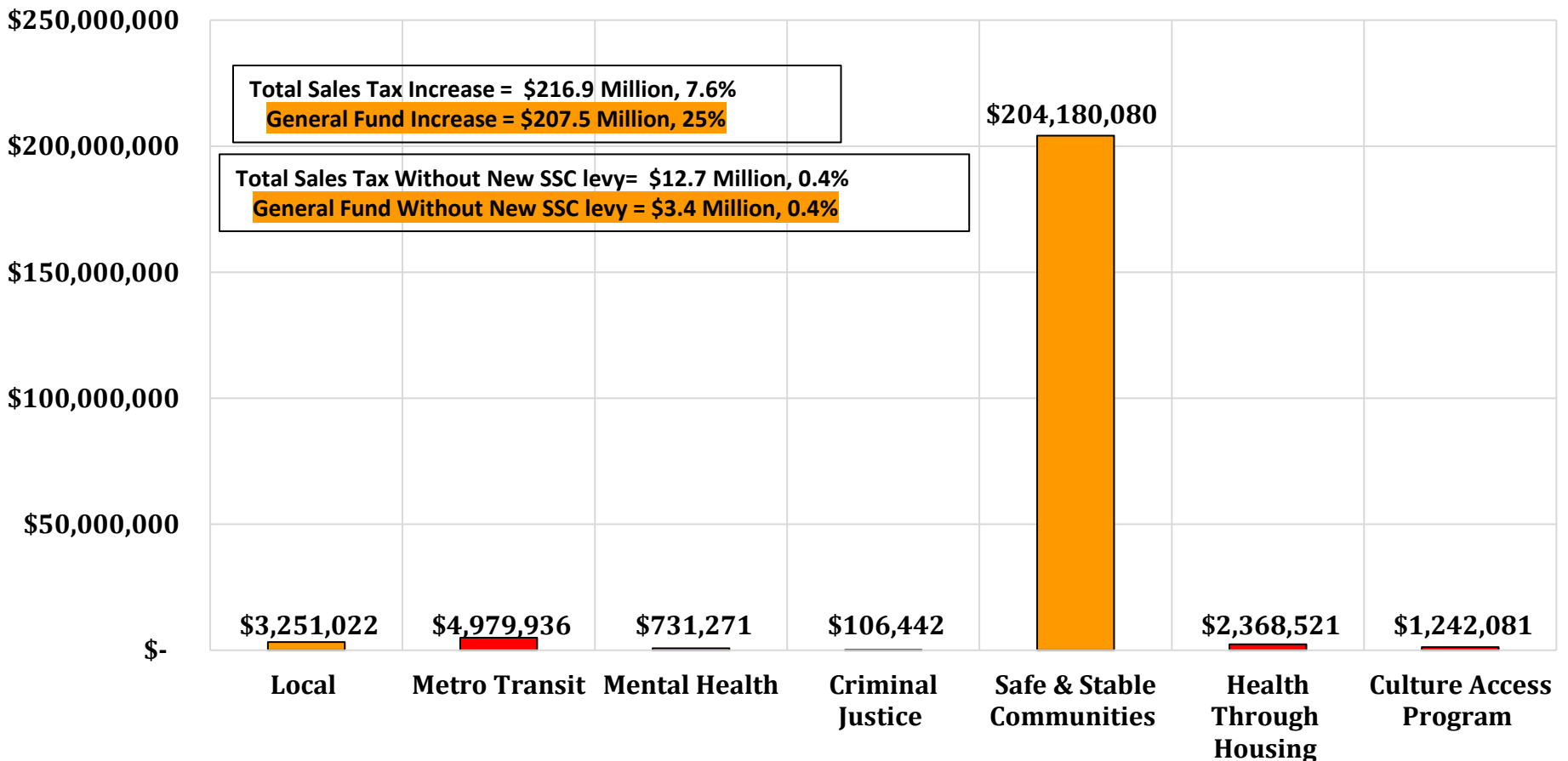
Minimal incremental increase to sales taxes: 0.1% Safe & Stable Communities Tax added to the March 2026 Forecast



2026-27 Sales Tax Increments for March 2026 Forecast

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

Source: OEFA



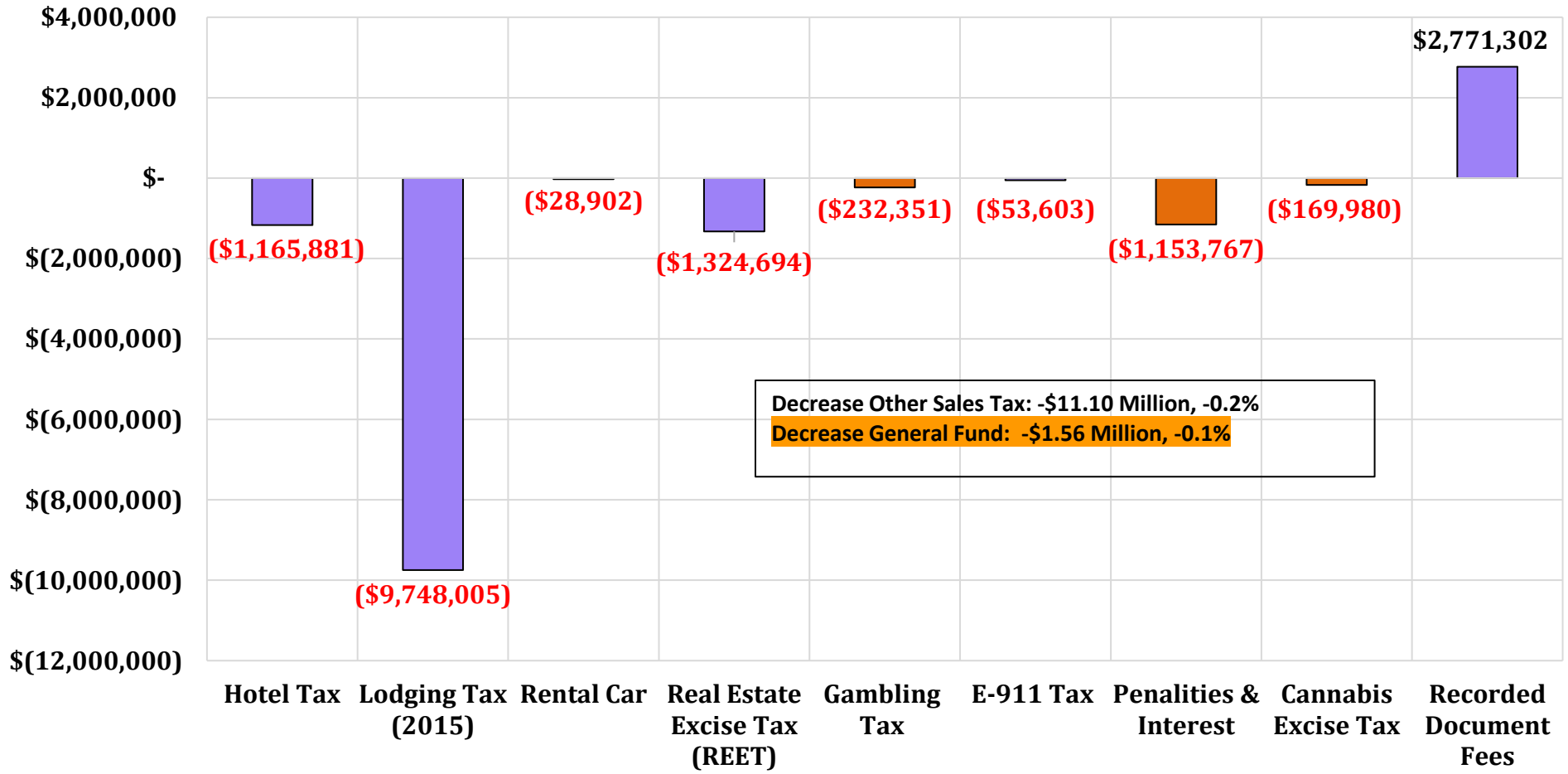
Mixed Change in Other Taxes Since July 2026-27 Biennium



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

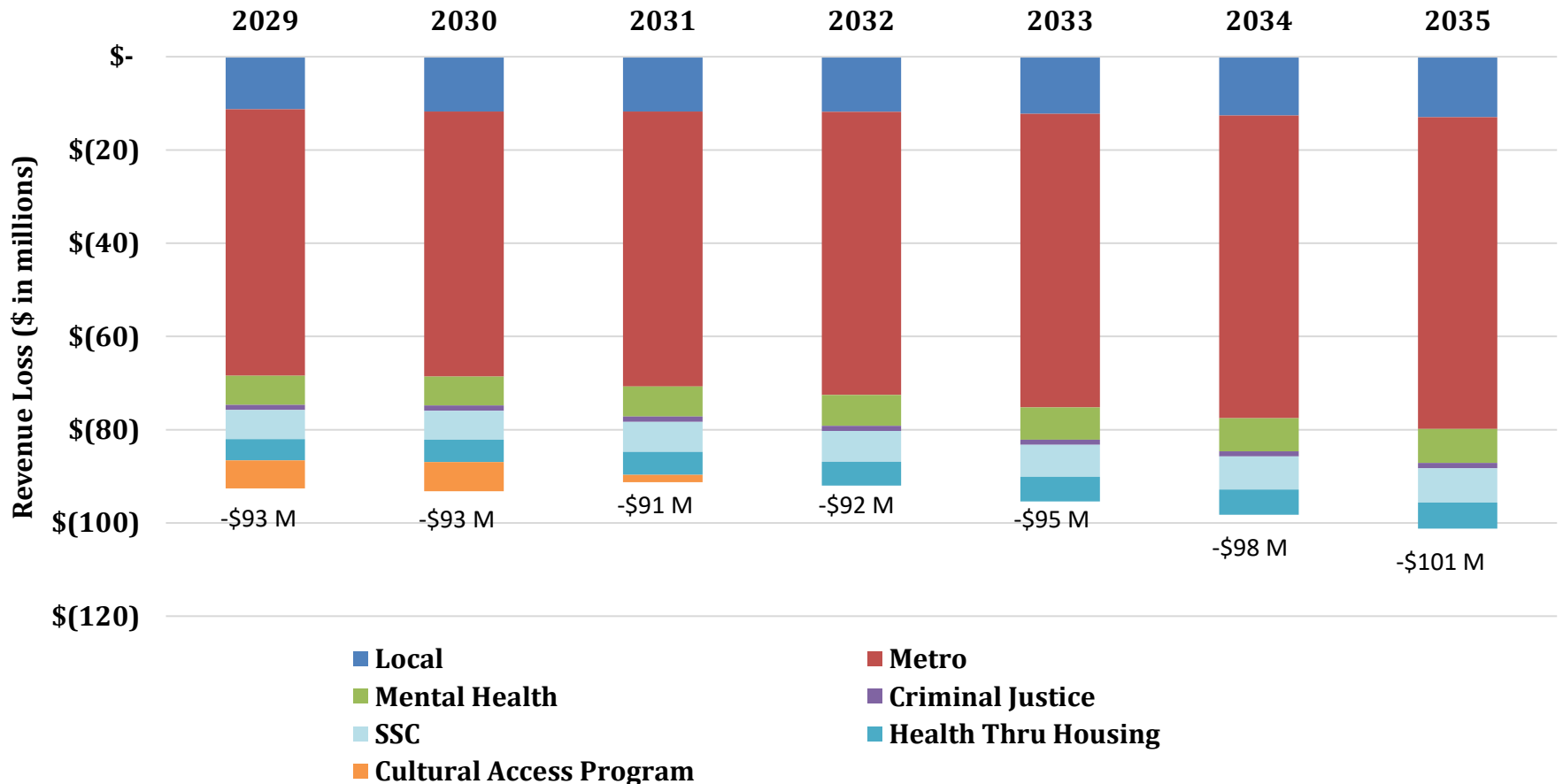
Alternative Results Compared to Baseline Forecast

- 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: -\$93 million when there was a full year of cultural access program taxes but declined to average \$92 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 (Millionaire Income Tax) vs Baseline Forecast



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 1st 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

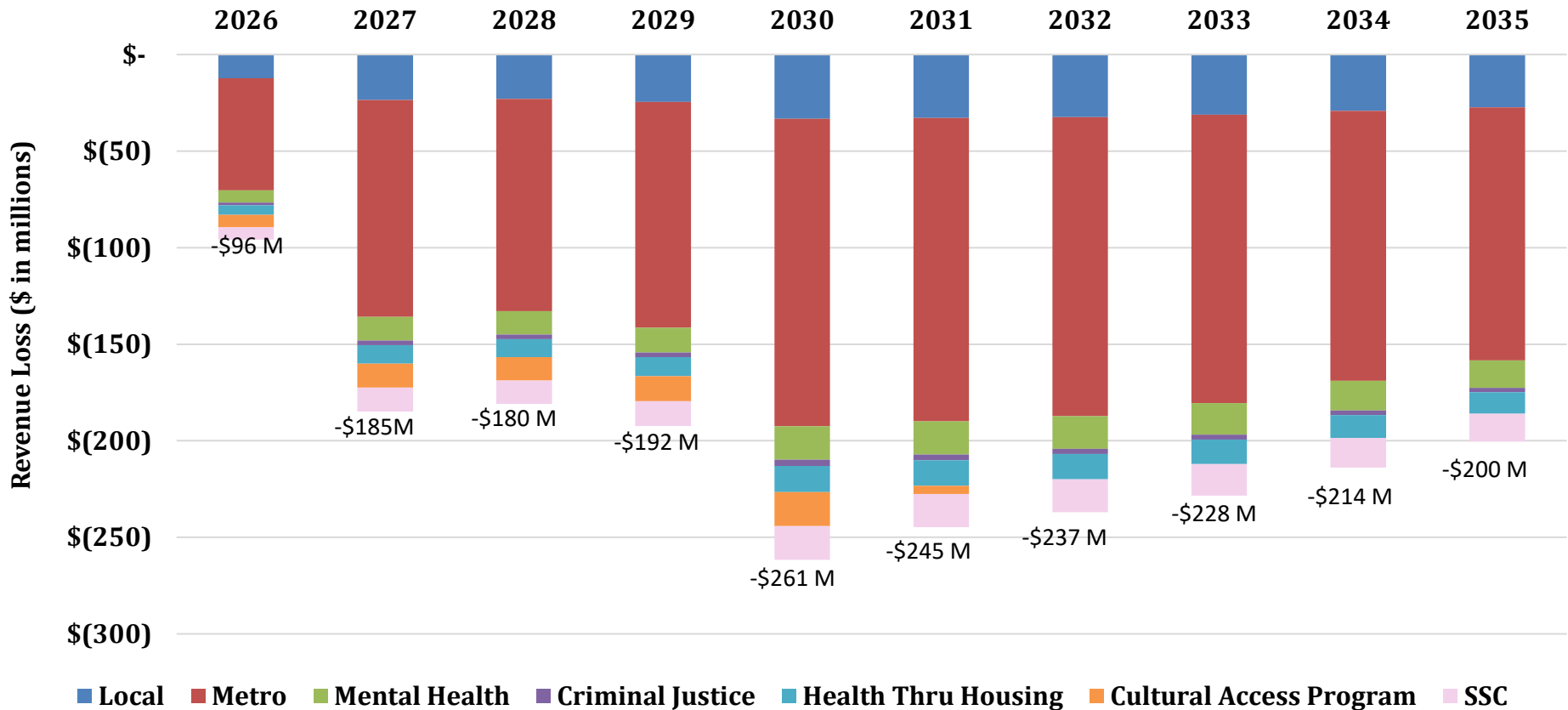
Pessimistic Results Compared to Baseline Forecast

- 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>