



CITY OF KIRKLAND
FINANCE AND ADMINISTRATION
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MEMORANDUM

To: Kurt Triplett, City Manager

From: Michael Olson, Director of Finance and Administration
Kevin Pelstring, Financial Planning Manager
Nida Haroon, Budget Analyst

Date: April 24, 2025

Subject: **March 2025 Sales Tax Collections Report**

RECOMMENDATION:

Staff recommends that Council receives the March update on 2025 Sales Tax revenue.

EXECUTIVE SUMMARY:

- Staff recommends that Council receives the update on Sales Tax collections. No action by Council is required.
- Sales tax is up 1.6 percent (\$40,711) comparing March 2025 to March 2024.
- Year-to-date sales tax is up 4.7% (\$392,550) comparing to the same period in 2024.

BACKGROUND:

The Financial Planning Division prepares a monthly sales tax revenue memo analyzing monthly and year-to-date activity by business sector and tracking key economic indicators to provide context for the state of the economy. The general retail sales tax is the City's largest single revenue source after Property Tax, accounting for just over 26 percent of total 2025 budgeted revenues in the General Fund. Sales tax, along with property and utility taxes, funds public safety and other general government (i.e., non-utility) services. It is also more sensitive to economic cycles than other tax revenues; therefore, it is monitored closely by staff. There is a two-month lag between when sales tax is generated and when it is distributed to the City by the Washington State Department of Revenue (DOR). Accordingly, March sales tax revenue relates to January retail activity in Kirkland.

DISCUSSION/ANALYSIS:**March 2025 vs. March 2024**

Sectors	March		Dollar Change	Percent Change
	2024	2025		
Contracting	630,985	643,954	12,969	2%
Retail:				
Auto/Gas Retail	386,062	435,898	49,836	13%
Other Retail	481,138	488,587	7,449	2%
Retail Eating/Drinking	163,549	170,242	6,693	4%
Gen Merch/Misc Retail	120,328	114,175	(6,153)	-5%
Services	527,264	453,528	(73,736)	-14%
Miscellaneous	155,268	177,587	22,319	14%
Wholesale	104,581	128,509	23,928	23%
Communications	38,597	36,003	(2,594)	-7%
Total Sales Tax Receipts	\$ 2,607,772	\$ 2,648,483	\$ 40,711	1.6%

Comparing March 2025 to March 2024, sales tax revenue receipts are up \$40,711 or 1.6%. The sectors that reported the largest growth compared to March 2024 (ranked in order of dollar change) are Auto/Gas Retail (up \$49,836 or 13%), Wholesale (\$23,928 or 23%), and Miscellaneous (up \$22,319 or 14%).

Sectors with moderate to small increases include Contracting (up \$12,969 or 2%), Other Retail (up \$7,449 or 2%), and Retail Eating/Drinking (up \$6,693 or 4%).

The data also shows declines in Services (down \$73,736 or 14%), Gen Merch/Misc. Retail (down \$6,153 or 5%), and Communications (down \$2,594 or 7%).

YTD 2025 vs. YTD 2024

Sectors	YTD		Dollar Change	Percent Change
	2024	2025		
Contracting	1,936,566	2,000,927	64,361	3%
Retail:				
Auto/Gas Retail	1,303,986	1,456,589	152,603	12%
Other Retail	1,672,787	1,695,676	22,889	1%
Retail Eating/Drinking	571,077	615,726	44,649	8%
Gen Merch/Misc Retail	450,663	465,694	15,031	3%
Services	1,457,745	1,619,817	162,072	11%
Miscellaneous	500,050	460,013	(40,037)	-8%
Wholesale	415,840	377,976	(37,864)	-9%
Communications	120,681	129,527	8,846	7%
Total Sales Tax Receipts	\$ 8,429,396	\$ 8,821,945	\$ 392,550	4.7%

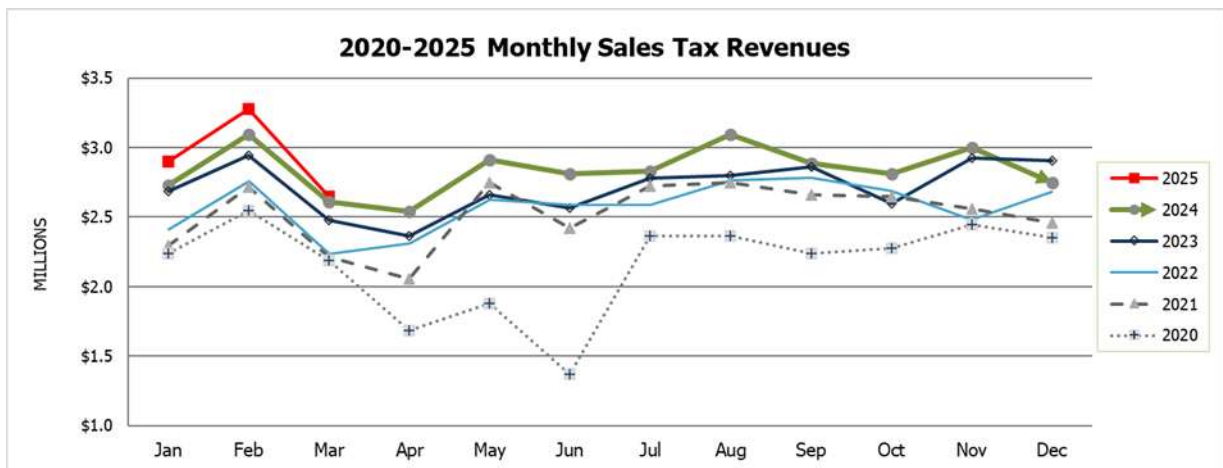
Comparing 2025 to 2024, year-to-date (YTD) sales tax revenue is up \$392,550 or 4.7%.

Looking at the business sectors, the most significant growth (ranked in order of dollar change) has occurred in Services (up \$162,072 or 11%), Auto/Gas Retail (up \$152,603 or 12%), Contracting (up \$64,361 or 3%), and Retail Eating/Drinking (up \$44,649 or 8%).

Sectors with small increases include Other Retail (up \$22,889 or 1%), Gen Merch/Misc. Retail (up \$15,031 or 3%), and Communications (up \$8,846 or 7%).

Sectors with a decline in sales tax include Miscellaneous (down \$40,037 or 8%) and Wholesale (down \$37,864 or 9%).

The graph below shows Kirkland's monthly sales tax revenue from 2025 compared to the prior five years. To aid with comparison and the forecast below this chart, it excludes significant one-time events, which are noted below.



Note that the following have been excluded from the above graph to allow for more accurate comparison of ongoing revenues: a one-time back payment of \$1,384,689 in December 2020, a one-time audit payment of \$360,049 in December 2022, audit results reversal of \$1.53 million in October 2023, and a one-time back payment of \$627,520 from a telecommunications operator in May 2024.

Actual vs. Forecasted Sales Tax Revenue

Staff is currently developing the forecast for sales tax revenue for 2025. Using a similar method to 2023 and 2024, staff will assess first quarter revenues as a function of first quarter collections over the past 17 years to determine a lower bound, average, and upper bound to predict revenue collections in 2025. Below is the information for 2024, showing actual revenue compared to the 2024 forecast.

Allocation %	Month	2024 Actual Sales Tax Revenue	2024 Forecast (4% above budget)	\$ Variance from Forecast	% Variance from Forecast
7.9%	January	2,728,908	2,680,095	48,813	2%
9.0%	February	3,092,716	3,053,912	38,804	1%
7.5%	March	2,607,772	2,541,967	65,805	3%
6.9%	April	2,538,529	2,332,388	206,141	9%
8.1%	May	3,536,833	2,746,327	790,505	29%
7.3%	June	2,810,887	2,463,157	347,730	14%
8.6%	July	2,826,881	2,911,749	(84,867)	-3%
8.8%	August	3,093,955	2,969,337	124,618	4%
8.6%	September	2,886,356	2,927,816	(41,460)	-1%
8.4%	October	2,809,102	2,841,148	(32,046)	-1%
10.3%	November	3,001,825	3,497,437	(495,613)	-14%
8.6%	December	2,747,241	2,905,548	(158,306)	-5%
100.0%	Total	34,681,004	33,870,880	810,124	2.3%

At the end of 2024, 102% of budgeted revenues were collected. The May sales tax exceeded monthly expectations as the Communications category collected a large one-time back payment from a telecommunications operator that was acquired and is no longer in business. Excluding this amount, May revenue would reflect a 6% (\$162,985) variance from the forecast.

Key Economic Indicators

Information about wider trends in the economy provides a mechanism to help understand current results in Kirkland and to predict future performance. The combination of consumer confidence, unemployment levels, housing data, inflation, and auto sales provides a broader economic context for key factors in sales tax revenues. Since the sales tax figures reported above are from two months prior, some of the figures in the table below can function as leading indicators for where sales taxes may go in future reports.

Indicator	Most Recent Month of Data	Unit	Month			Yearly Average	
			Previous	Current	Change	2024	2025
<i>Inflation (CPI-W)</i>							
National	March	% Change	2.7	2.2	(0.5)	2.9	2.6
Seattle	February	% Change	2.9	2.6	(0.3)	3.5	2.6
<i>Consumer Confidence</i>							
Consumer Confidence Index	March	Index	98.3	92.9	(5.4)	104.3	98.8
<i>Unemployment Rate</i>							
National	March	%	4.1	4.2	0.1	4.0	4.1
Washington State	January	%	4.3	4.7	0.4	4.5	4.7
King County	January	%	3.1	3.9	0.8	4.0	3.9
Kirkland	January	%	2.8	3.8	1.0	3.6	3.8
<i>Housing</i>							
New House Permits (WA)	February	Thousands	40.2	27.7	(12.5)	36.4	34.0
Case-Shiller Seattle Area Home Prices	January	Index	385.7	385.2	(0.5)	386.6	385.2
<i>Car Sales</i>							
New Vehicle Registrations	March	Thousands	21.1	24.9	3.8	22.8	23.9

National inflation, as measured by the CPI-W, decreased from 2.7% in February to 2.2% in March. For the Seattle-Tacoma-Bellevue region, the CPI-W decreased from 2.9% in December to 2.6% in February. The Federal Reserve has maintained the federal funds rate target range at 4.25%-4.5% since December 2024, following a series of rate cuts. The Fed has announced that they are intending to wait and see how tariffs and other economic policies will unfold and plan to hold off making any changes to interest rates until their meeting in May.

The **Consumer Confidence Index**, which reflects prevailing business conditions and likely developments for the months ahead decreased from 98.3 in February to 92.9 in March, or a 5.5% single-month decrease. Consumer confidence has continued to drop but remains within the same narrow range that has held over the past two years.

The national **Unemployment Rate** increased from 4.1% in February to 4.2% in March. At the state level, Washington's unemployment rate increased from 4.3% in December to 4.7% in January. Locally, the unemployment rate for King County increased from 3.1% in December to 3.9% in January. The City of Kirkland's unemployment rate increased from 2.8% in December to 3.8%.

New Housing Permits in Washington State decreased from 40,200 in January to 27,700 in February. The most recent **Case-Shiller Home Price Index** for Seattle area home prices decreased from 385.72 in December to 385.2 in January.

New Vehicle Registrations in Washington State increased from 21,100 in February to 24,900 in March. The number of registrations in March increased 18.1% from the previous month and were up 7.9% over the year in March 2024. The reason for the sharp increase in new vehicle registrations was due to the Department of Licensing closing for a week last month.

NEXT STEPS:

None.

ATTACHMENTS:

None.