



**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  
Cody Harris, Budget Analyst

**Date:** April 20, 2026

**Subject:** **Report on March Sales Tax Collections for May 5 Council Meeting**

### RECOMMENDATION:

Staff recommends that the City Council receives the March update on 2026 Sales Tax revenue.

### EXECUTIVE SUMMARY:

- Staff recommends that Council receives an update on Sales Tax collections. No action by Council is required.
- Sales tax receipts are up \$35,609 or 1.3%, comparing March 2026 to March 2025.
- Year-to-date sales tax revenue is up \$271,393 or 3.1% compared to the same period in 2025.

### 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 accounting for just over 25% of total 2026 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 2026 vs. March 2025

Figure 1: March 2026 vs. March 2025 Sales Tax by Sector

Sectors	March		Dollar Change	Percent Change
	2025	2026		
Contracting	642,912	615,907	(27,005)	-4%
Retail:				
Auto/Gas Retail	435,898	388,042	(47,856)	-11%
Other Retail	487,699	486,137	(1,562)	0%
Retail Eating/Drinking	170,245	175,328	5,083	3%
Gen Merch/Misc Retail	114,392	125,541	11,149	10%
Services	455,067	581,557	126,490	28%
Miscellaneous	177,611	172,977	(4,634)	-3%
Wholesale	128,657	101,974	(26,683)	-21%
Communications	36,003	36,630	627	2%
<b>Total Sales Tax Receipts</b>	<b>\$ 2,648,484</b>	<b>\$ 2,684,093</b>	<b>\$ 35,609</b>	<b>1.3%</b>

Comparing March 2026 to March 2025 in Figure 1, sales tax revenue receipts are up \$35,609 or 1.3%. The sectors that reported the largest growth compared to March 2025, ranked by dollar change, include Services, up by \$126,490 or 28%. Specifically, the sub-categories driving the large increase this month were Professional Scientific up \$55,456 or 16%, Admin Support up \$91,102 or 24% and Health care services up \$64,759 or 74%.

General Merch/Miscellaneous Retail saw a moderate increase, up by \$11,149 or 10%, as well as Retail Eating/Drinking, up by \$5,083 or 3%. Communications had a small increase, up by \$627 or 2%.

Sectors with large decline include Auto/Gas Retail down by \$47,856 or 11%. The decline is specifically due to revenues from the Motor Vehicle category. Other sectors with declines include Contracting, down by \$27,005 or 4% and Wholesale, down by \$26,683 or 2%. Data also shows small declines in Miscellaneous, down \$4,634 or 3% and Other Retail, down \$1,562 or 0.3%.

## YTD 2026 vs. YTD 2025

Figure 2: YTD 2026 vs. YTD 2025 Sales Tax by Sector

Sectors	YTD		Dollar Change	Percent Change
	2025	2026		
Contracting	1,998,406	2,155,889	157,483	8%
Retail:				
Auto/Gas Retail	1,456,599	1,283,699	(172,900)	-12%
Other Retail	1,692,474	1,766,313	73,839	4%
Retail Eating/Drinking	617,200	630,513	13,313	2%
Gen Merch/Misc Retail	468,327	479,166	10,839	2%
Services	1,622,355	1,766,885	144,530	9%
Miscellaneous	459,389	533,390	74,001	16%
Wholesale	377,669	349,257	(28,412)	-8%
Communications	129,527	128,227	(1,300)	-1%
<b>Total Sales Tax Receipts</b>	<b>\$ 8,821,946</b>	<b>\$ 9,093,339</b>	<b>\$ 271,393</b>	<b>3.1%</b>

Comparing 2026 to 2025, year-to-date (YTD) sales tax revenue is up \$271,393 or 3.1%.

Looking at the business sectors, the most significant growth (ranked in order of dollar change) has occurred in Contracting, up \$157,483 or 8%; Services, up \$144,530 or 9%; Miscellaneous, up \$74,001 or 16%; and Other Retail, up \$73,839 or 4%.

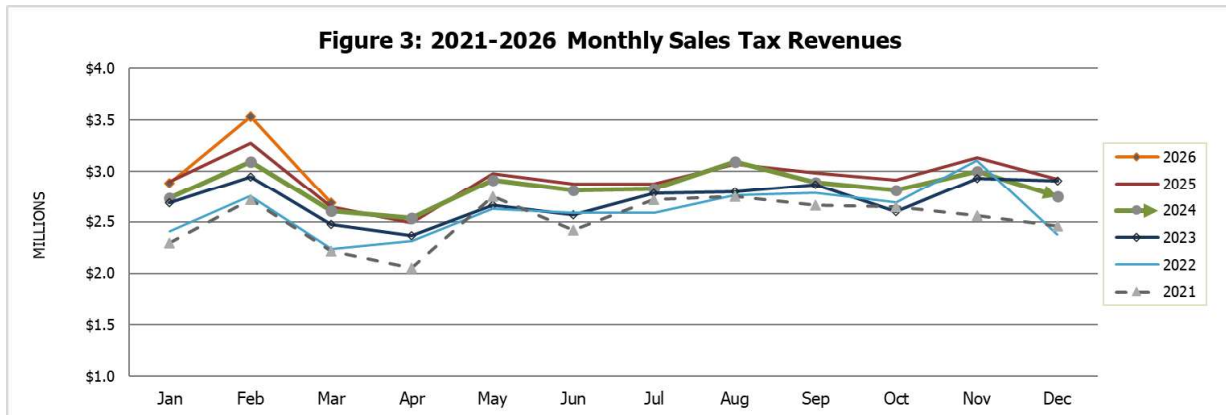
Sectors with small increases include Retail Eating/Drinking, up \$13,313 or 2%, and General Merchandise/Miscellaneous Retail, up \$10,839 or 2%.

Sectors with a decline in sales tax include Auto/Gas Retail, down \$172,900 or 12%; Wholesale, down \$28,412 or 8%; and Communications, down \$1,300 or 1%.

Note that the continued increase from the Miscellaneous sector—and to a less obvious degree the Services sector—over the past three months likely reflects the expansion of services subject to retail sales tax effective October 1, 2025 (first received in December) following the passage of SB 5814. Staff is monitoring this change and will provide more analysis as data becomes available.

Within Contracting there are three subcategories. The first is Specialty Trade Contractors, which has increased YTD 2026 over the same period in 2025 by \$13,439 or 2%. The second is Heavy and Civil Engineering Construction, up by \$50,829 or 89%. The third is Construction of Buildings, which has increased by \$93,217 or 7%. Overall Contracting sales tax revenue has been inconsistent in the last year and is being monitored closely to best prepare for the 2027-2028 budget.

Figure 3 below shows Kirkland’s monthly sales tax revenue from 2026 compared to the prior five years. To aid comparison and the forecast below this chart, it excludes significant one-time events, which are noted below.



Note: The following are 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; a one-time back payment of \$627,520 from a telecommunications operator in May 2024; and one-time audit payment of \$527,495 from a retailer in October 2025.

**2026 Forecast**

Staff intends to develop the 2026 sales tax forecast using revenues received in the first quarter. As updated regional forecasts reflecting recent economic impacts are not available at this time, the 2026 forecast will be first presented at the Council Retreat in May.

**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 Figure 4 below can function as leading indicators for where sales taxes may go in future reports. All indicators displayed below reflect the most recently published final data.

Figure 4: National and Regional Economic Indicators

Indicator	Most Recent Month of Data	Unit	Month			Yearly Average	
			Previous	Current	Change	2025	2026
<b><i>Inflation (CPI-W)</i></b>							
National	March	% Change	2.2	3.3	1.1	2.9	2.6
Seattle	February	% Change	3.1	3.8	0.7	3.5	2.6
<b><i>Consumer Confidence</i></b>							
Consumer Confidence Index	March	Index	91.0	91.8	0.8	104.3	95.8
<b><i>Unemployment Rate</i></b>							
National	March	%	4.4	4.3	(0.1)	4.0	4.2
Washington State	December	%	5.3	5.3	0.0	4.5	4.7
King County	November	%	4.8	4.9	0.1	4.1	4.3
Kirkland	November	%	4.8	5.0	0.2	3.9	4.2
<b><i>Housing</i></b>							
New House Permits (WA)	January	Thousands	35.3	38.5	3.2	36.4	34.2
Case-Shiller Seattle Area Home Prices	January	Index	385.0	382.8	(2.3)	386.6	393.7
<b><i>Car Sales</i></b>							
New Vehicle Registrations	March	Thousands	19.8	19.8	0.0	22.8	22.8

**National inflation**, as measured by CPI-W, increased from 2.2% in February to 3.3% in March. For the Seattle-Tacoma-Bellevue region, the CPI-W increased from 3.1% in December to 3.8% in February. At its March meeting, the Federal Reserve maintained the federal funds rate at a range of 3.5% to 3.75%. Following the impacts of the US war in Iran and subsequent impacts on gas prices, the decision reflects a cautious approach to inflation with room for potential adjustments later in the year.

The **Consumer Confidence Index**, which reflects prevailing business conditions and likely developments for the months ahead, increased by 0.8 points from 91.0 in February to 91.8 in March. Consumer confidence recovered slightly in February and March after falling to its lowest measured level since May 2014 (82.2) in January.

The national **Unemployment Rate** decreased from 4.4% in February to 4.3% in March. Washington’s unemployment rate stayed flat at 5.3% in both November and December. For King County, the unemployment rate increased from 4.8% in November to 4.9% in December—its highest level since July 2021. The unemployment rate in Kirkland increased from 4.8% in September to 5.0% in November.

**New Housing Permits** in Washington State increased from 35,300 in December to 38,500 in January. Housing permits remain significantly below the recent peak of 61,100 units permitted in the fourth quarter of 2021. The most recent **Case-Shiller Home Price Index** for Seattle area home prices decreased by 2.3 points from 385.0 in November to 382.8 in December.

**New Vehicle Registrations** in Washington stayed flat at 19,800 in February and March. Washington car and truck sales have been trending down since reaching a peak of 26,300 in April 2025. Total new vehicle registrations for March were 20.5% lower compared to March 2025.

**NEXT STEPS:**

None.

**ATTACHMENTS:**

None.