2026 King County Economic and Revenue Forecast

Presentation to the King County Forecast Council

Presented on:
July 27, 2026

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Comparison OEFA Forecasted Revenues July versus March 2026 Forecasts

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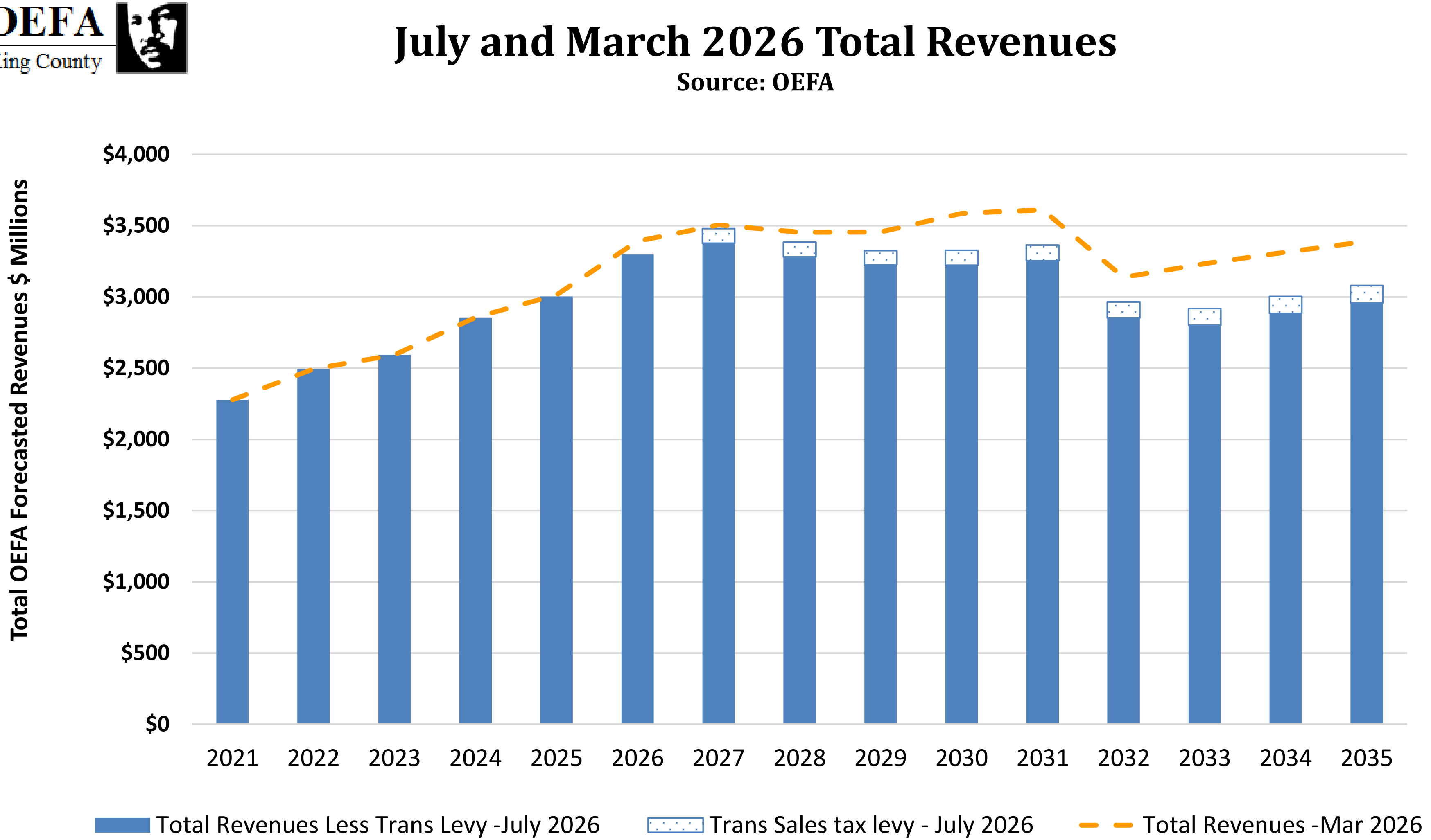

Changes to Key Revenues Compared to March 2026 Forecast

$ in Millions	2026-2027		2028-2029	
Revenue Type	**Total**	**GF**	**Total**	**GF**
Total Property Tax	($16.26)	($0.72)	($33.27)	($2.83)
Total Sales Tax	$98.80	($0.70)	$111.29	($18.75)
Sales Tax Less 2026 trans sales tax levy	($3.95)	($0.70)	($93.70)	($18.75)
Hotel/Lodging/Rental Car Tax	($3.86)	$0.00	($2.52)	$0.00
REET	($1.89)	$0.00	($3.75)	$0.00
Gambling Tax	($0.23)	($0.23)	($0.21)	($0.21)
E-911 Tax	($0.20)	$0.00	$0.57	$0.00
Penalties & Interest	($3.23)	($3.23)	($1.63)	($1.63)
Cannabis Tax	$0.07	$0.07	$0.05	$0.05
Recording Fees	$5.57	$0.00	$5.58	$0.00
Change in Total Taxes	$78.77	($4.81)	$76.10	($23.38)
Change Taxes Less trans sales tax levy	($23.99)	($4.81)	($128.89)	($23.38)

Four Adjustments to July Forecast

1. Added new 0.1% Transportation Sales Tax
2. Added Bellevue TIF into baseline property tax forecast
3. Retained Federal Way annexation in baseline forecast and moved other annexations (in 2031 and 2032) to alternative forecast in Appendix
4. Updated impacts of Millionaire Income tax bill (ESSB 6346)

Navigating Uncertainty - Highlights

U.S Economy is Slowing

- US Real GDP grew 2.2% in 2025; 2.1% in 1st quarter 2026 but slowing to 1.3% in 2nd quarter
- US Inflation spiked up since the Iran war – expect an average of 3.6% in 2026
- Federal Reserve has kept same federal funds rate for first 7 months 2026 – potential for rate increase if inflation persists
- 30-year mortgage rates still above 6%

Navigating Uncertainty – Higher Fuel Prices, Changes in Tariffs

- The amount of uncertainty surround Trump policies is continuing due to the Middle East war and Trump tariffs
- Unclear ending to the war in Iran is adding continued instability in oil markets
- Tariffs levels and trade agreements remain uncertain as policies have changed
- Risks: Higher inflation (tariffs, oil prices, supply chain disturbances), continued weak labor market and company layoffs, and wider foreign conflicts

KC economy will have minimal growth with higher fuel prices

- Seattle area retail gas prices averaged $5.74 per gallon in June – high point $5.90 per gallon
- Seattle area diesel prices have increased even more; current average $6.13 per gallon with highest $7.11 per gallon in April 10, 2026
- King County taxable sales are strong in 2026 with expanded sales base - expect 7% year-over-year growth – after 2026 expect minor growth
- King County employment in 2026 has been weak at -0.4% year over year change
- KC has lost on average 5,400 jobs so far in 2026 – higher waged jobs in Information sector
- 2026 Unemployment in King County was 4.7% in May but it had been more than 5%

Who knew?
Domestic economic policy reached Covid levels during “Liberation Day”

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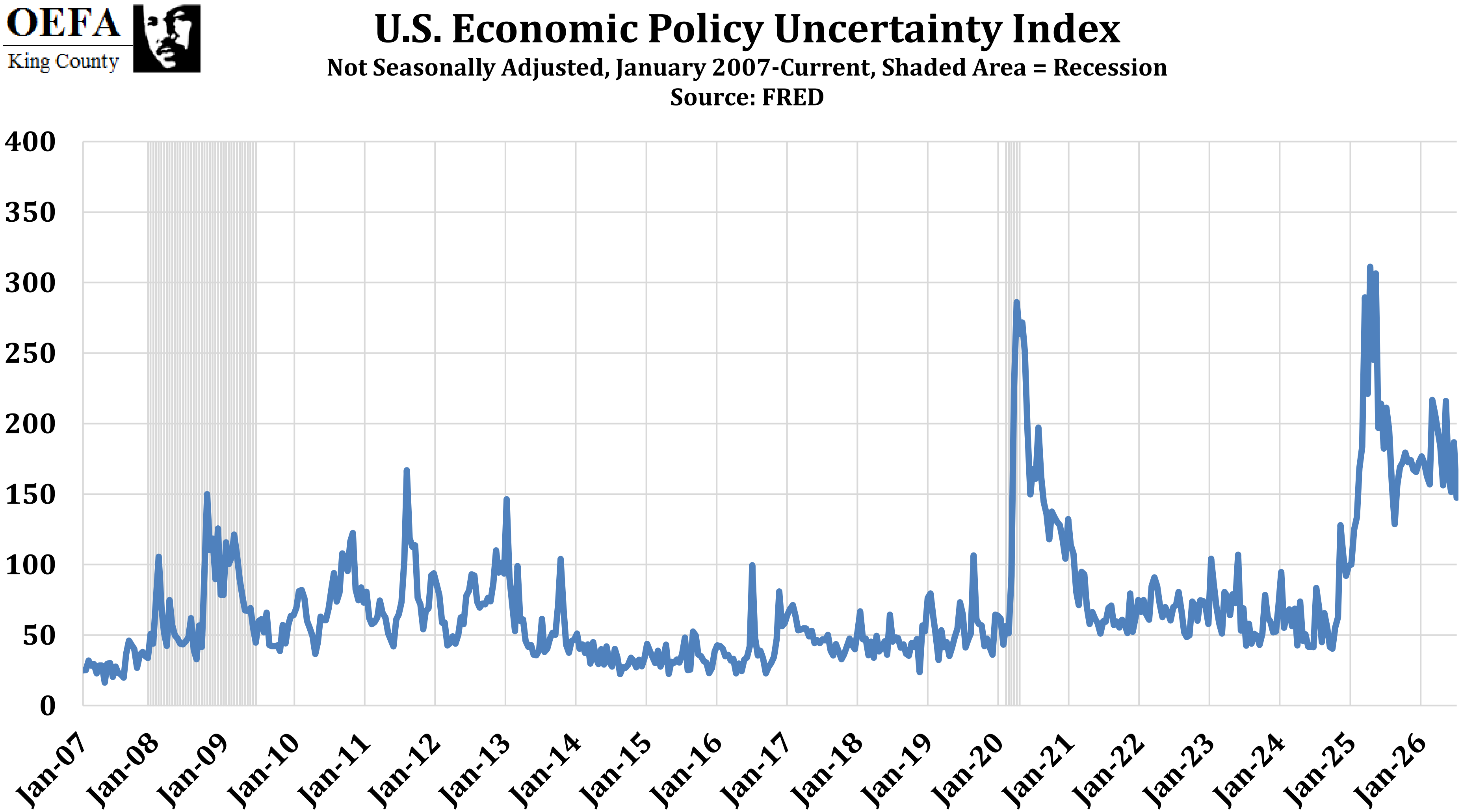

Tariff rates modified more than 50 times during the Trump administration

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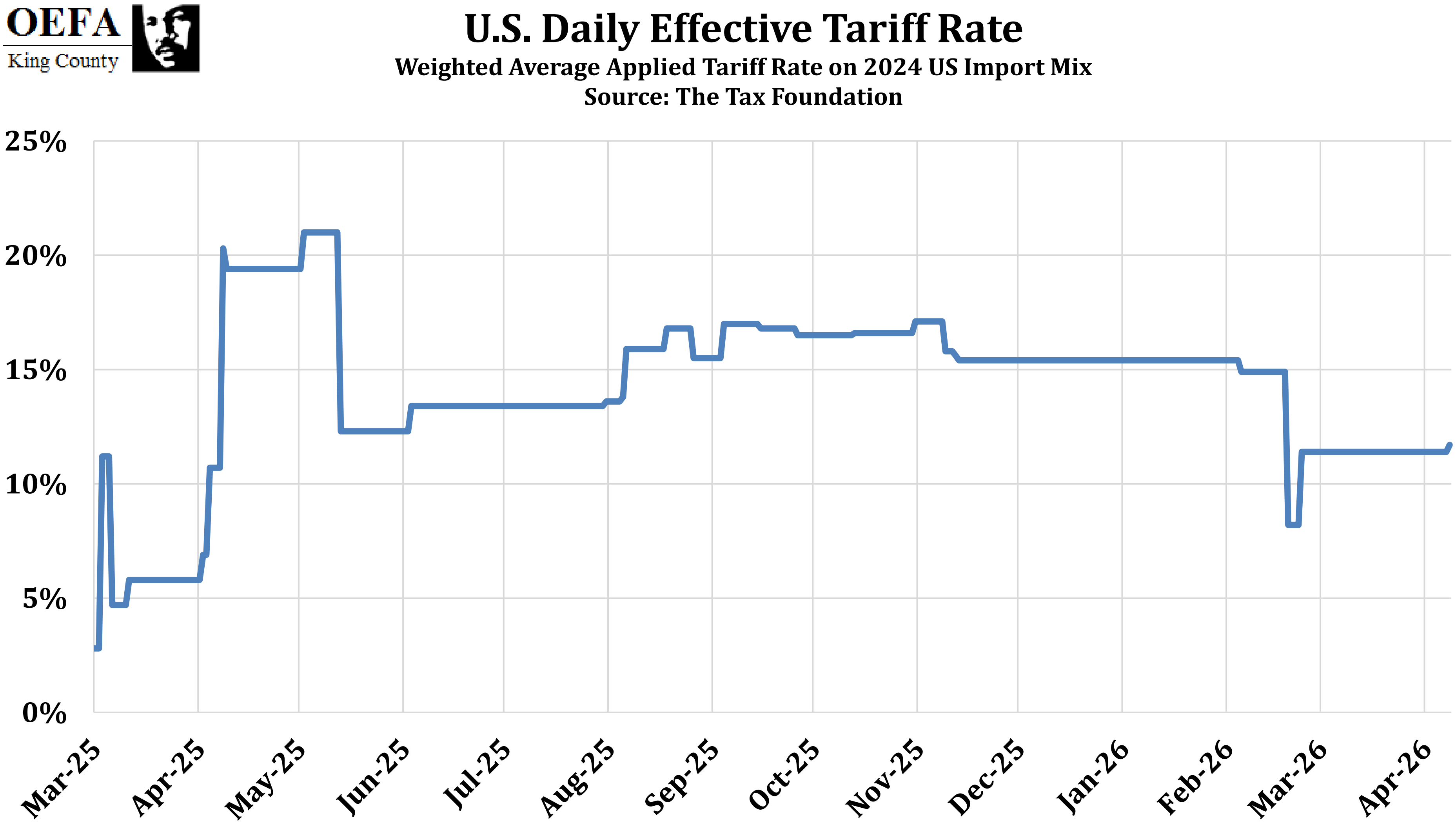
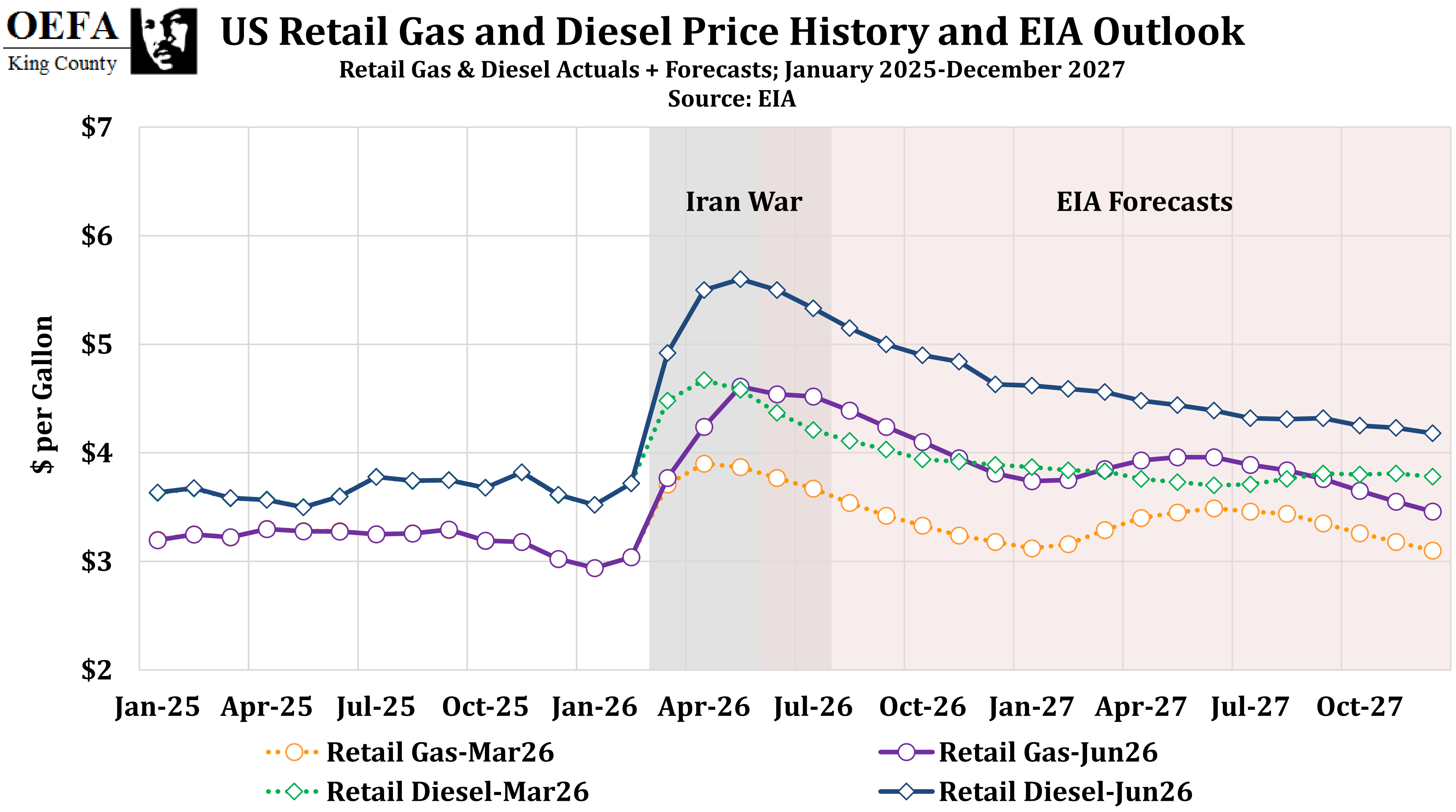
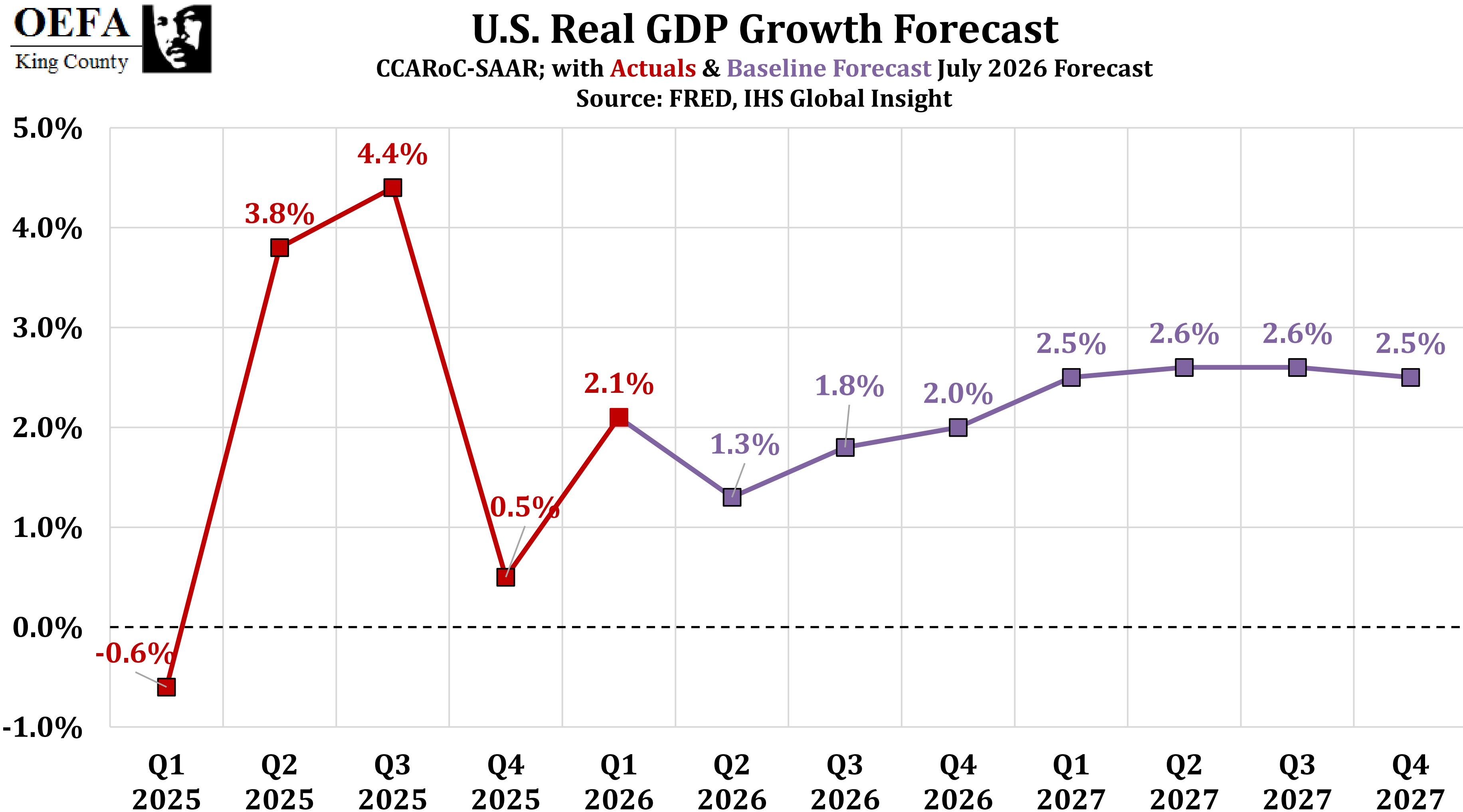


Recent Fuel Prices Since Iran War



GDP growth moderated in 2026 after the Iran war started



High inflation has paused Fed rate cuts

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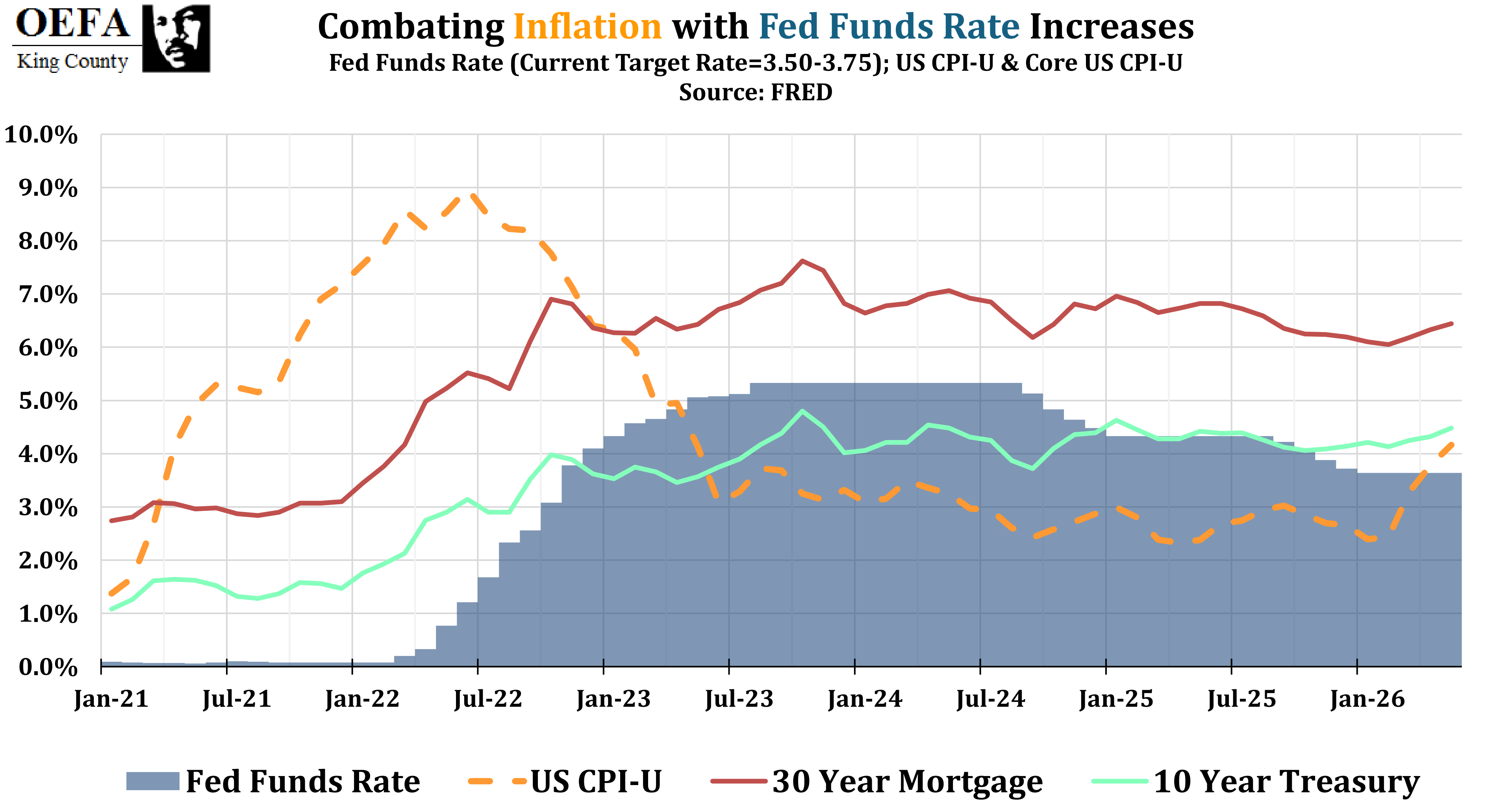
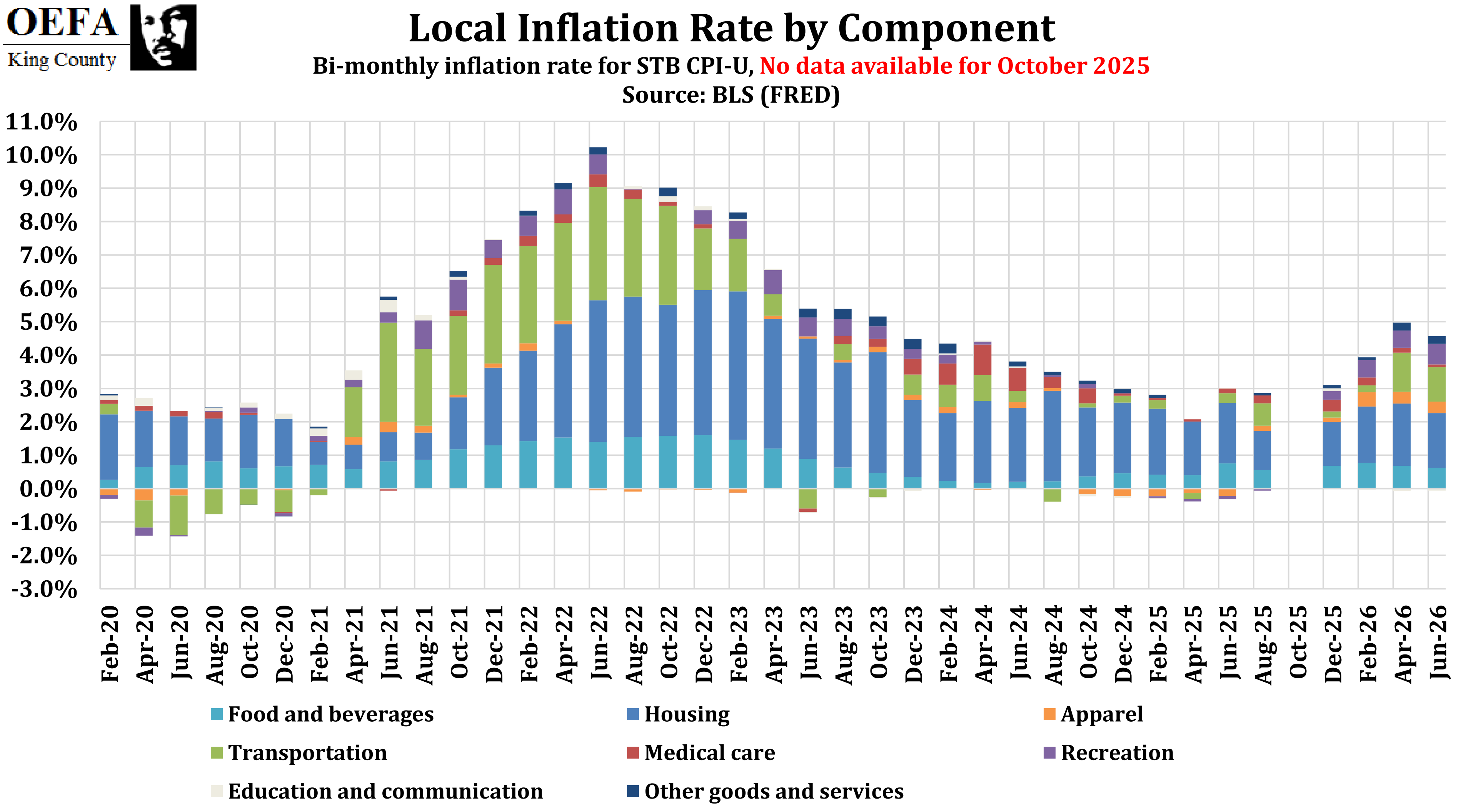
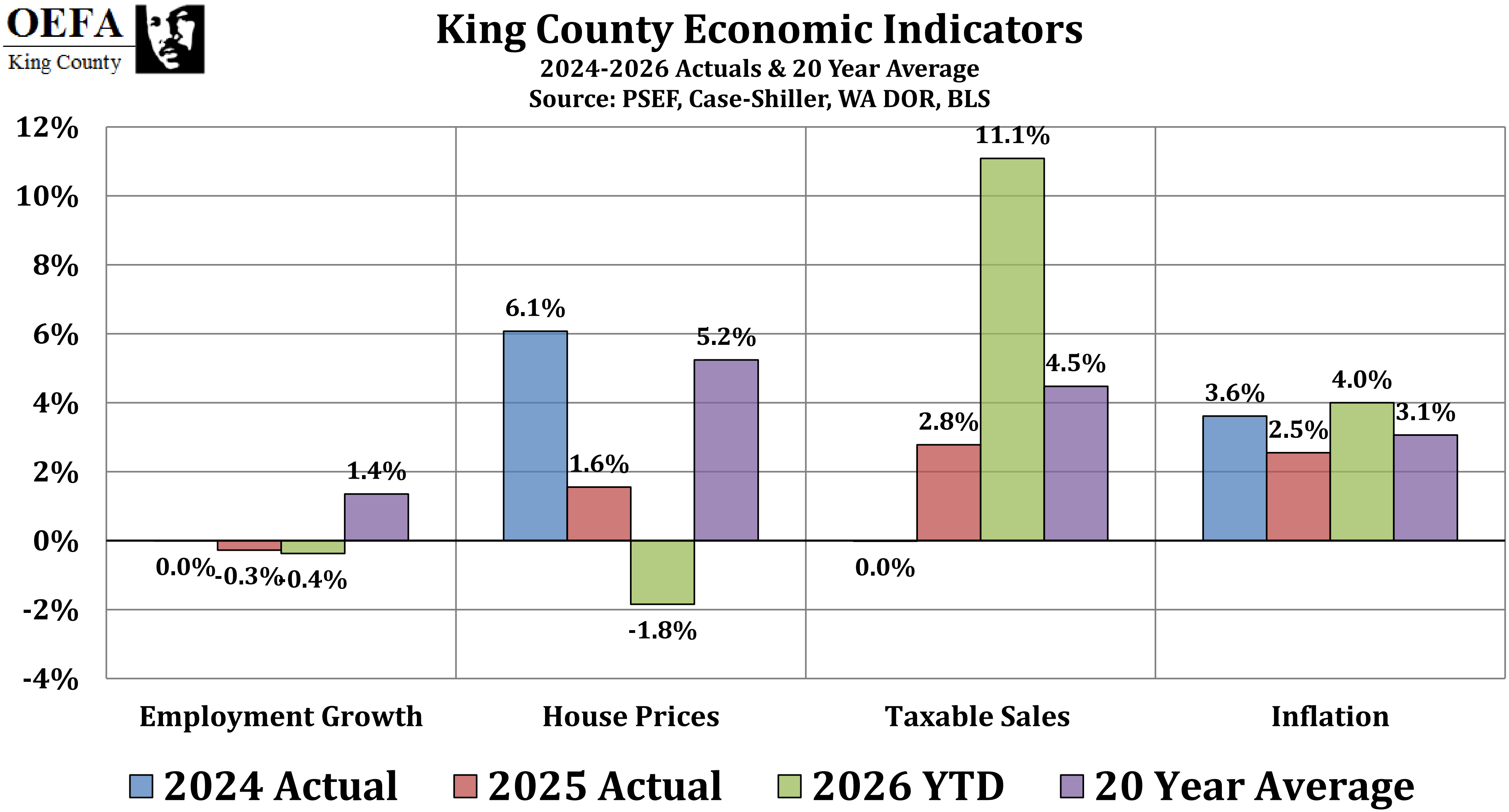


Local Inflation Components: Housing and food the major contributors but fuel costs now a factor too



In 2026 employment and house prices are falling, and inflation is well above its historical average



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

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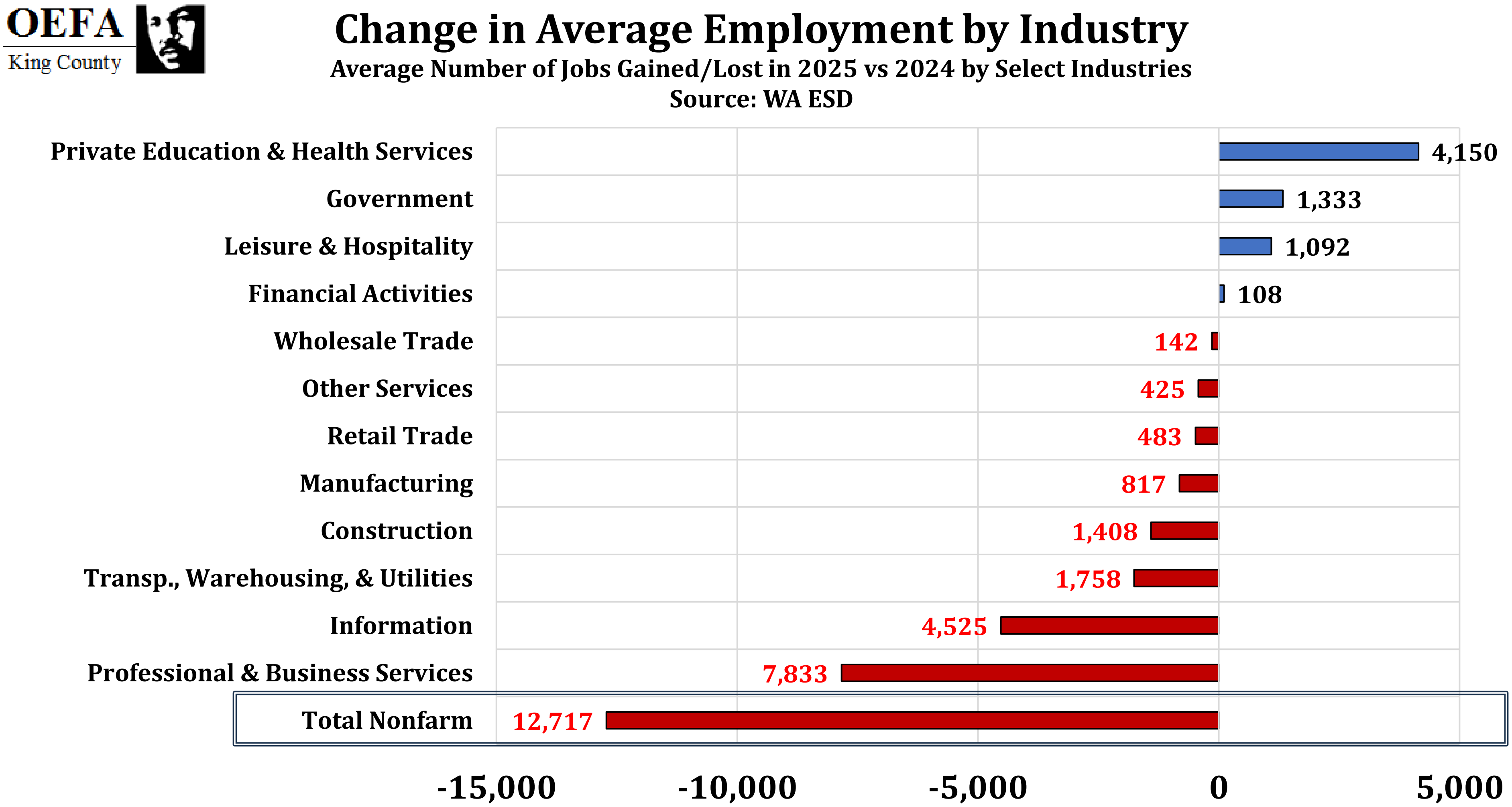
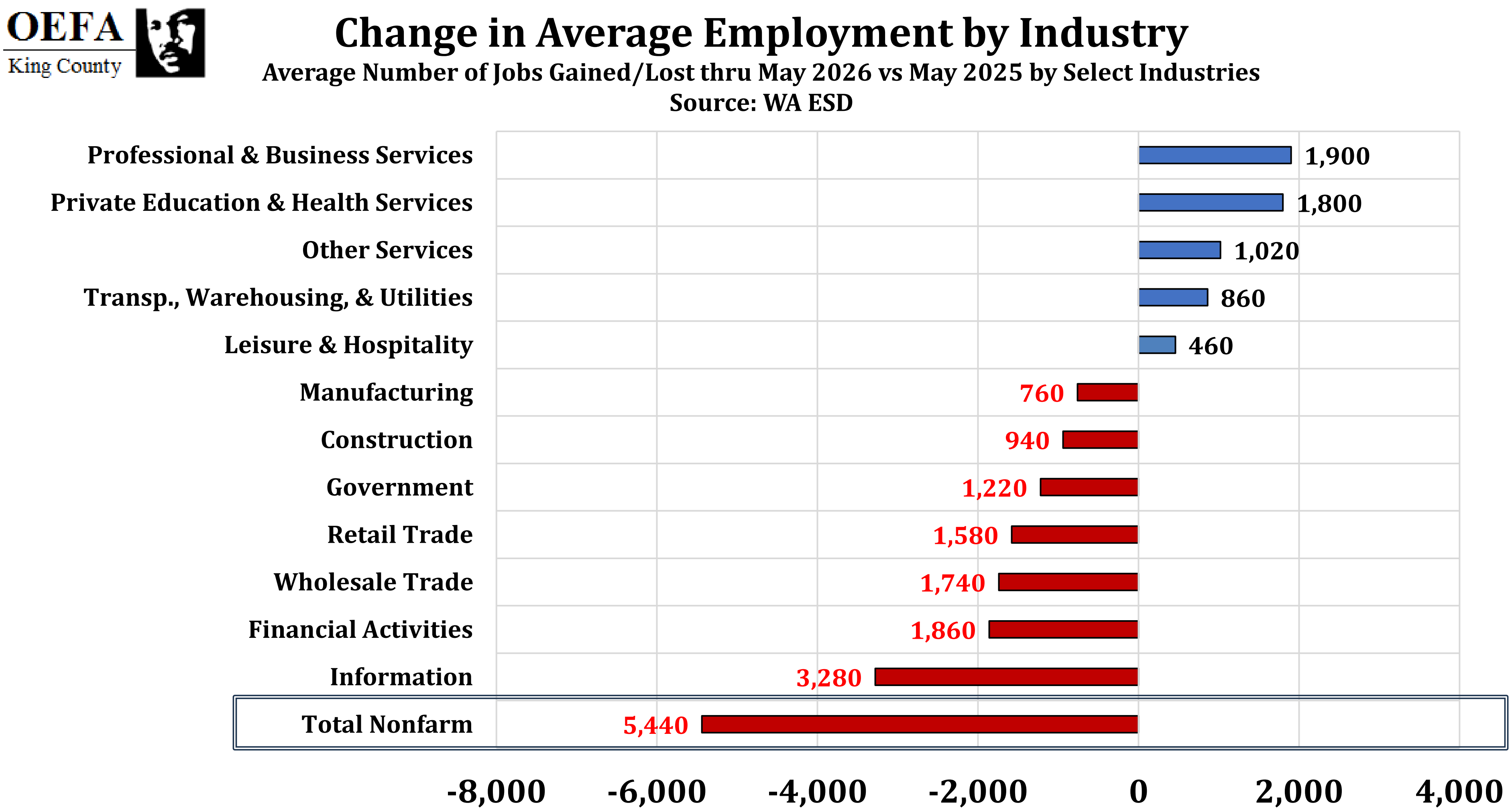


King County lost 5,400 jobs in the first 5 months of 2026: the Information sector has many high paying jobs



Jobs losses in the Information sector make a larger impact in King County

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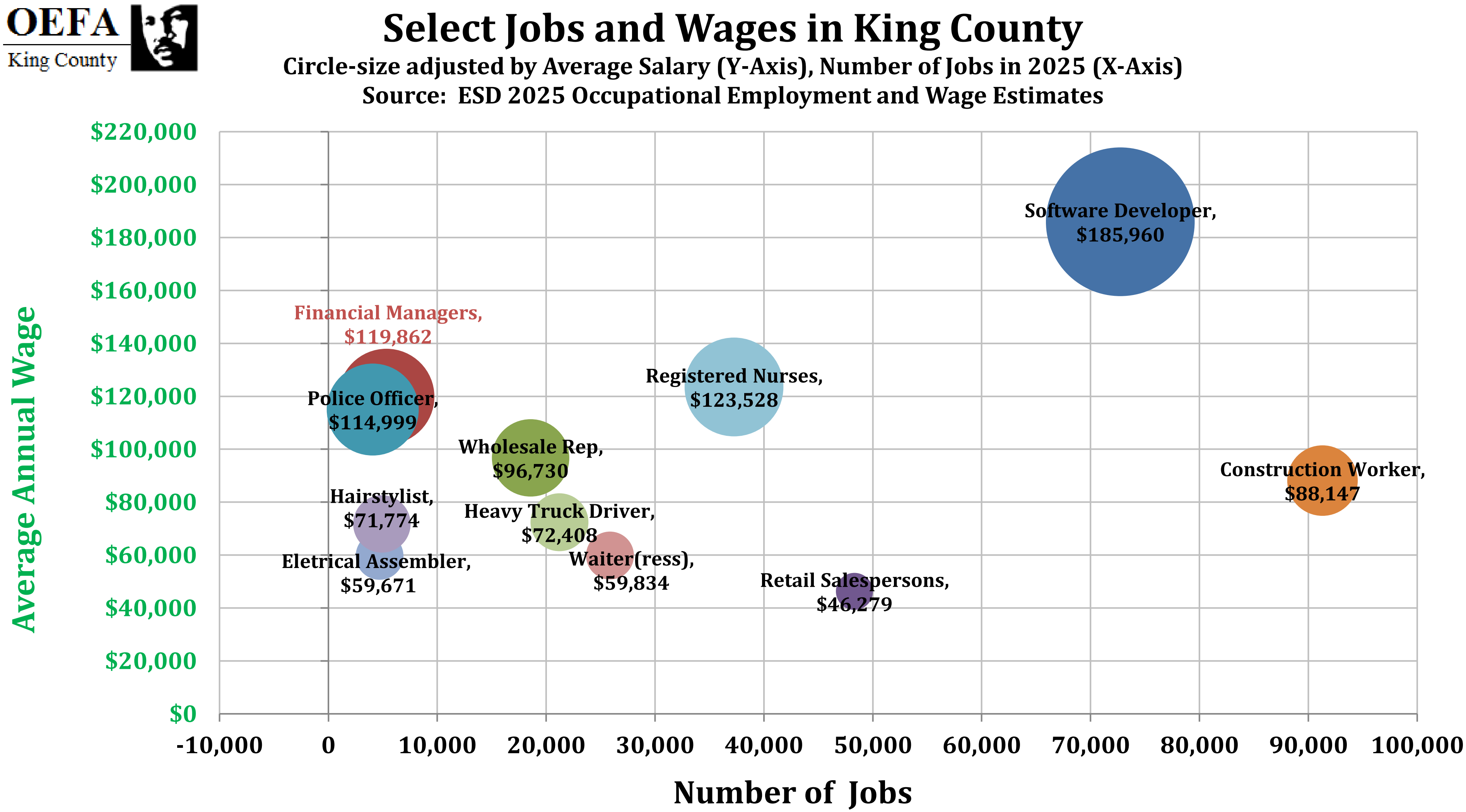
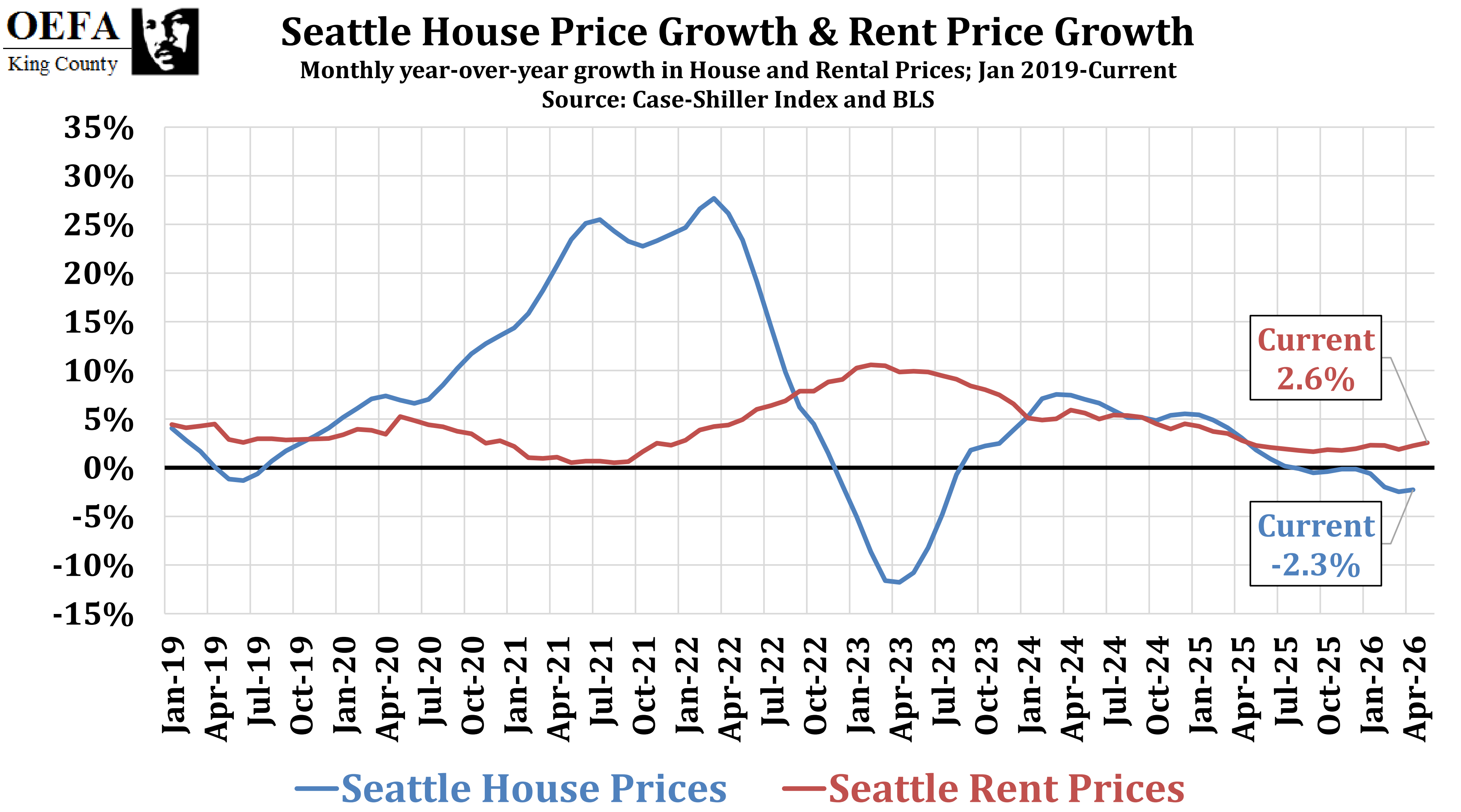
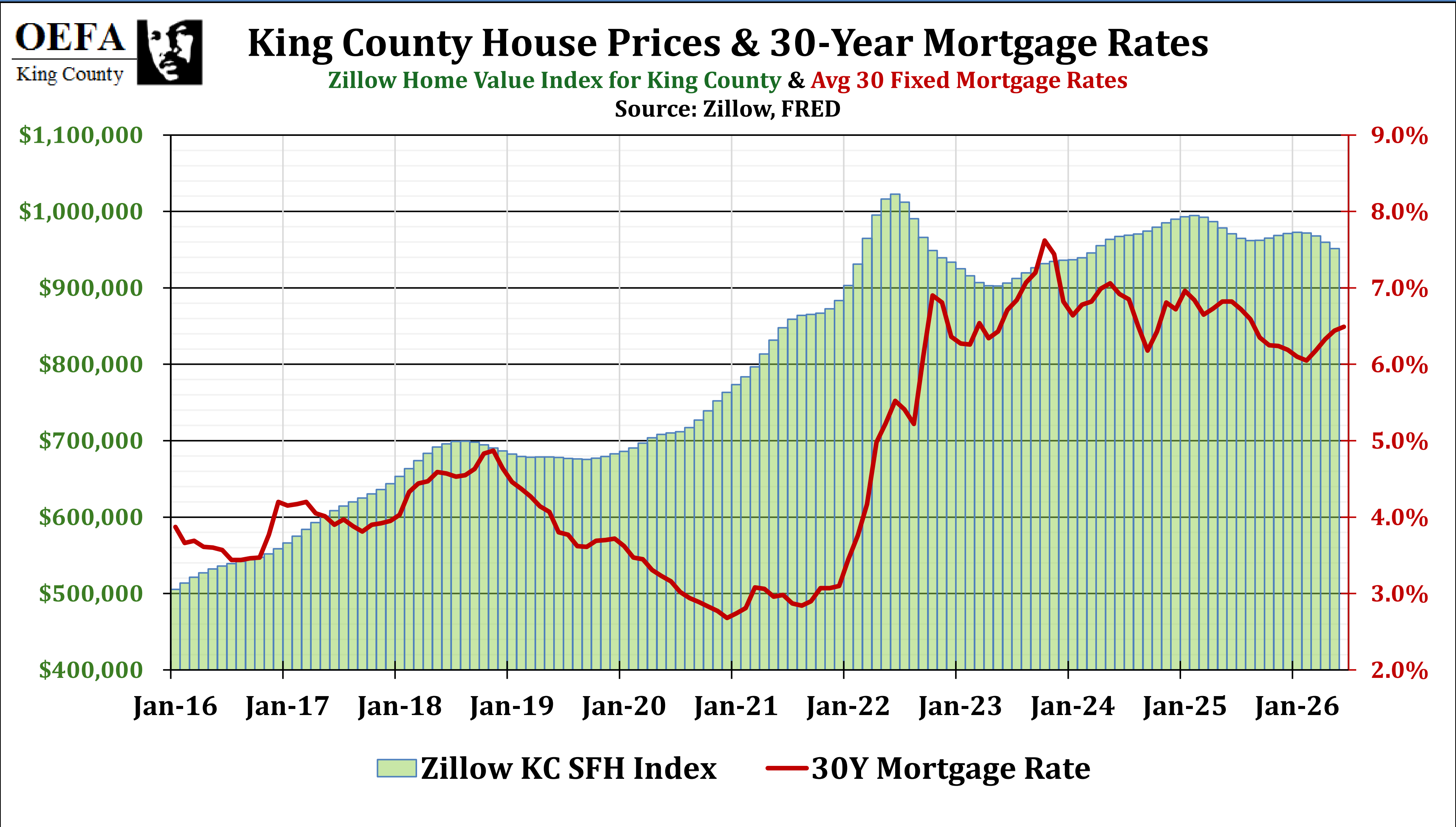


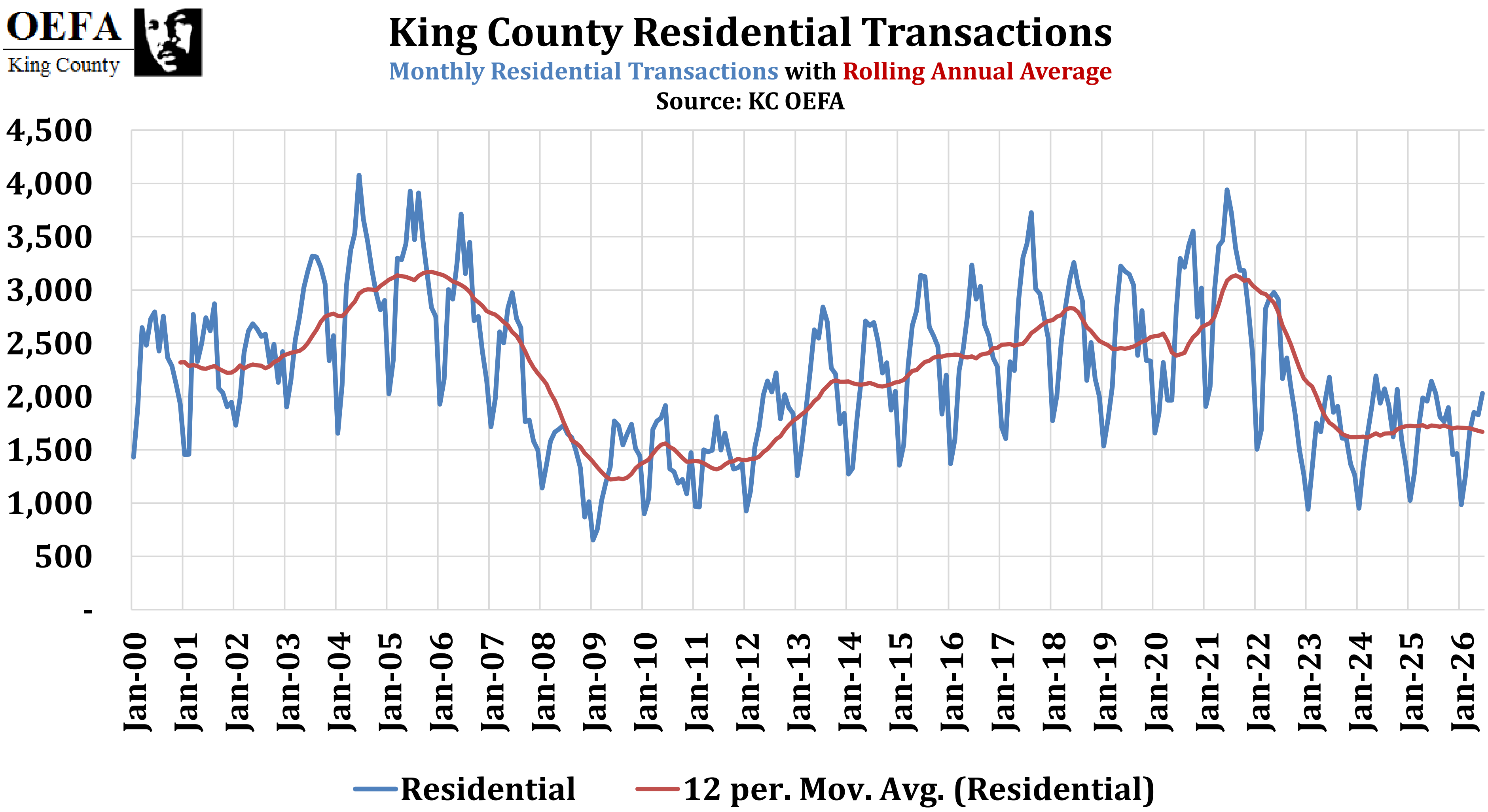
Seattle rent prices increased moderately and house prices fell so far in 2026



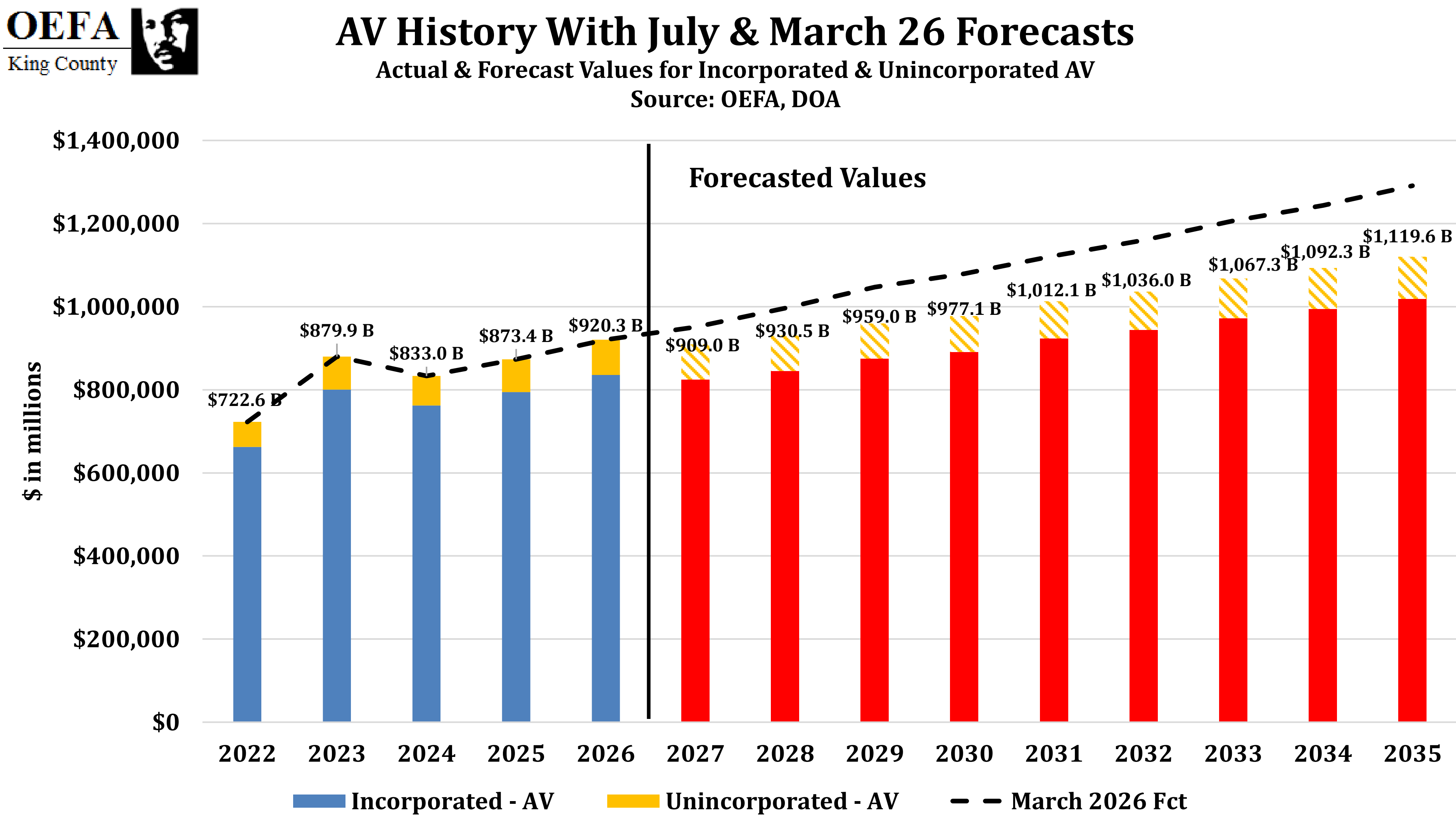
House prices have been relatively flat since mortgage rates were hiked in 2022



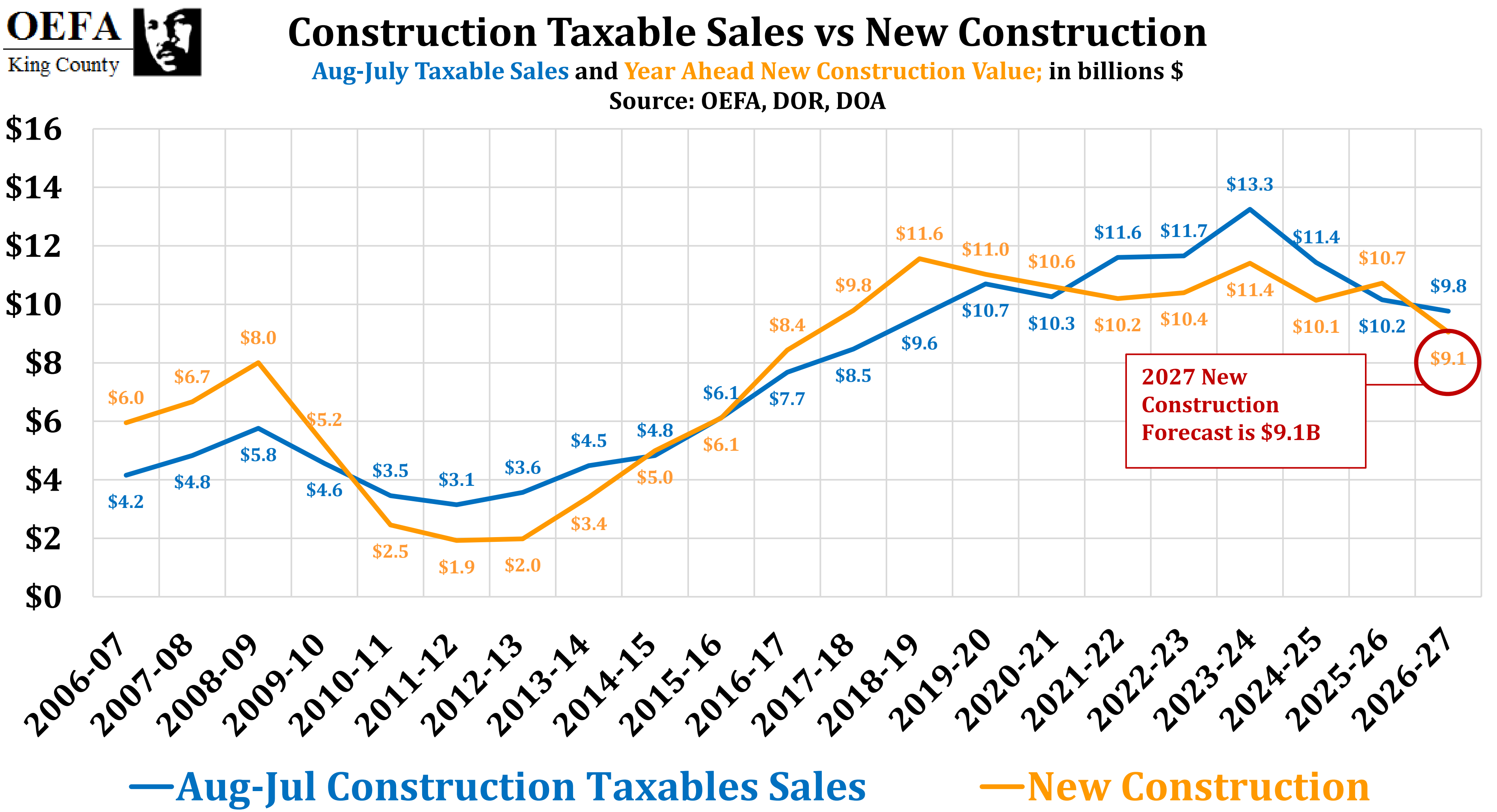
KC Residential Trends Are Down - Lower prices and reduced transactions



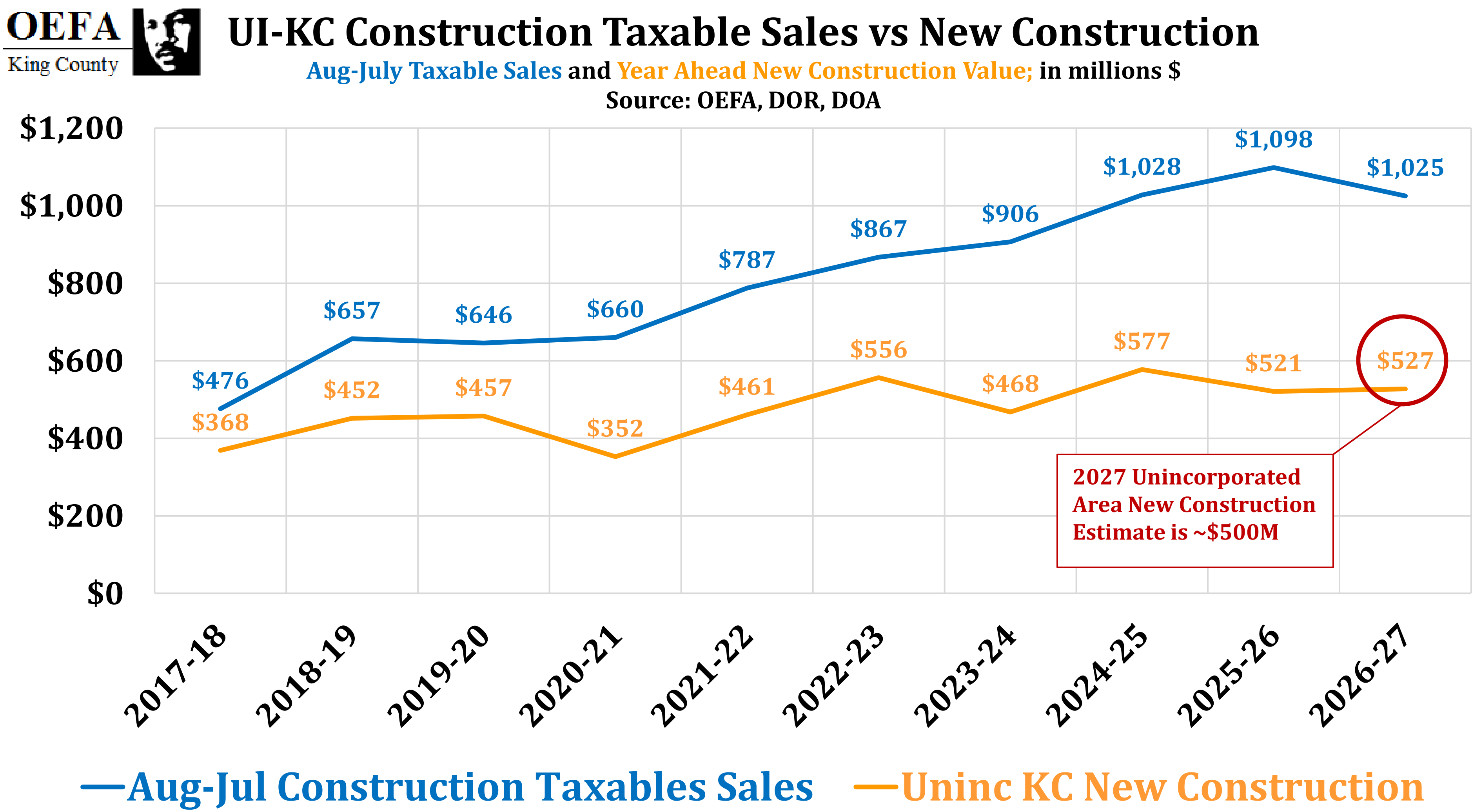
KC AV Trends Are Down In July Compared to March



2027: Project $9B in New Construction Slightly Below Taxable sales



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



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

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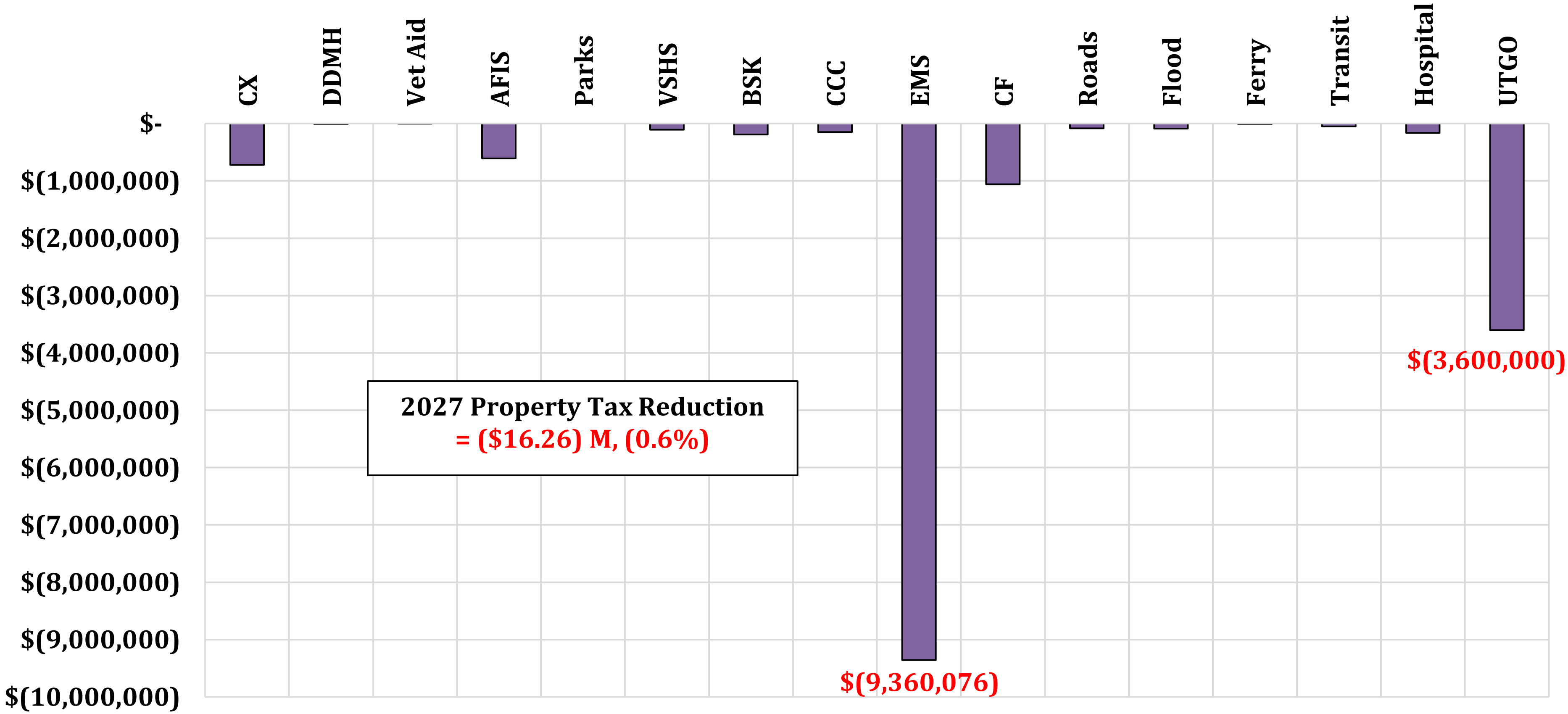
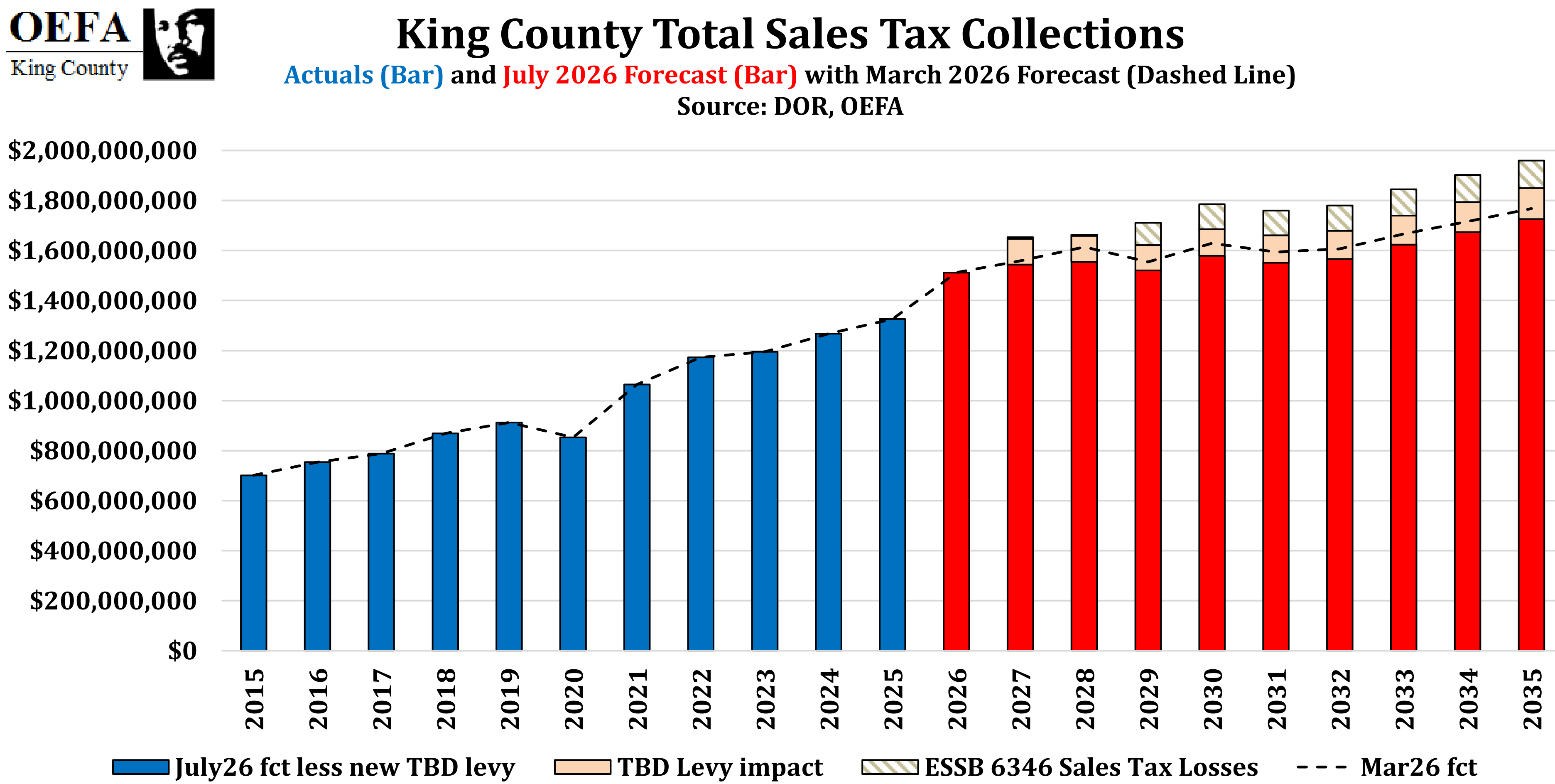
2027 Biggest Change is EMS & UTGO Levies

Incremental Change of Property Tax Levies from March 2026

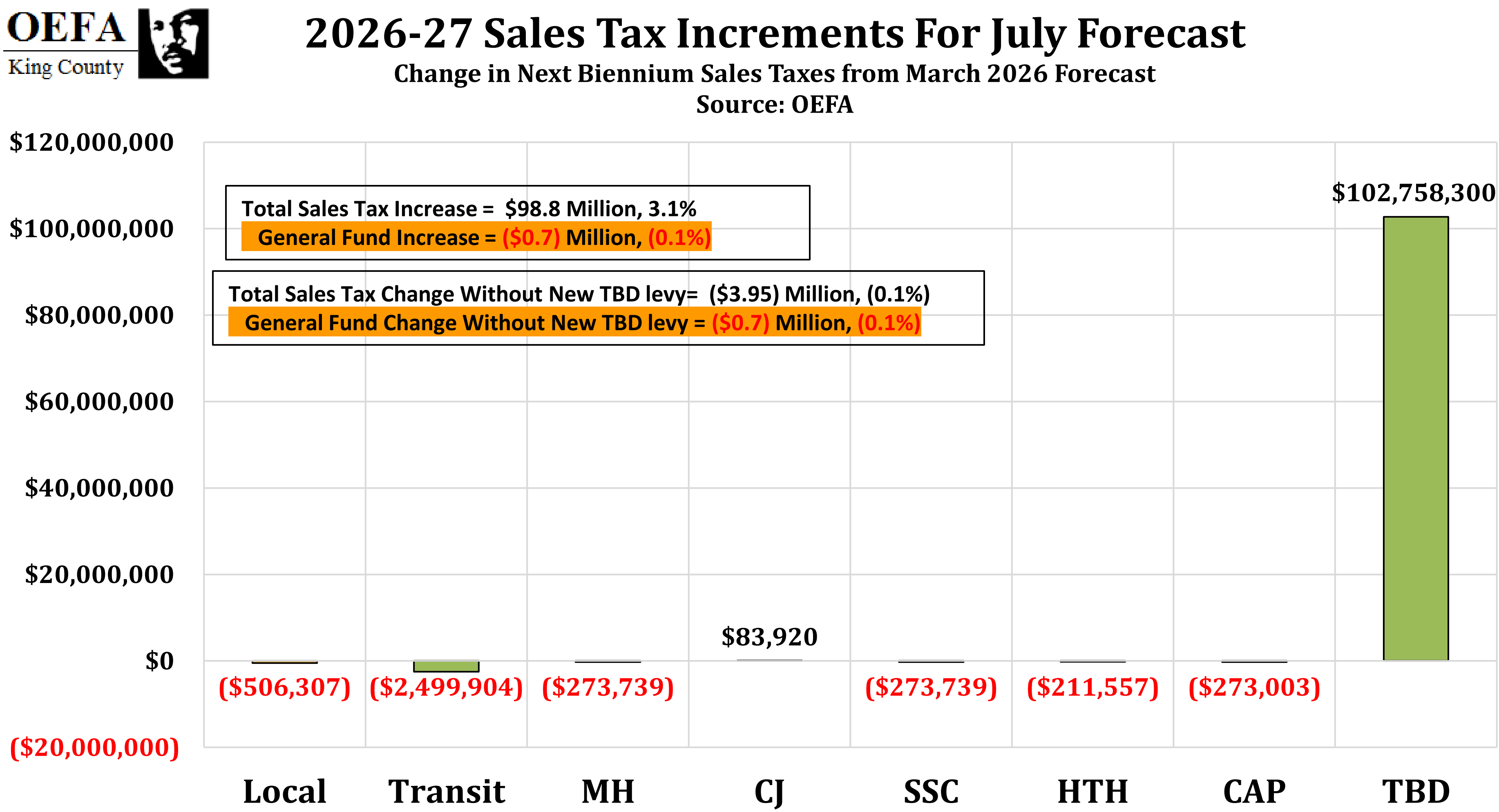


King County Sales Tax Collections March 2026 vs July 2026

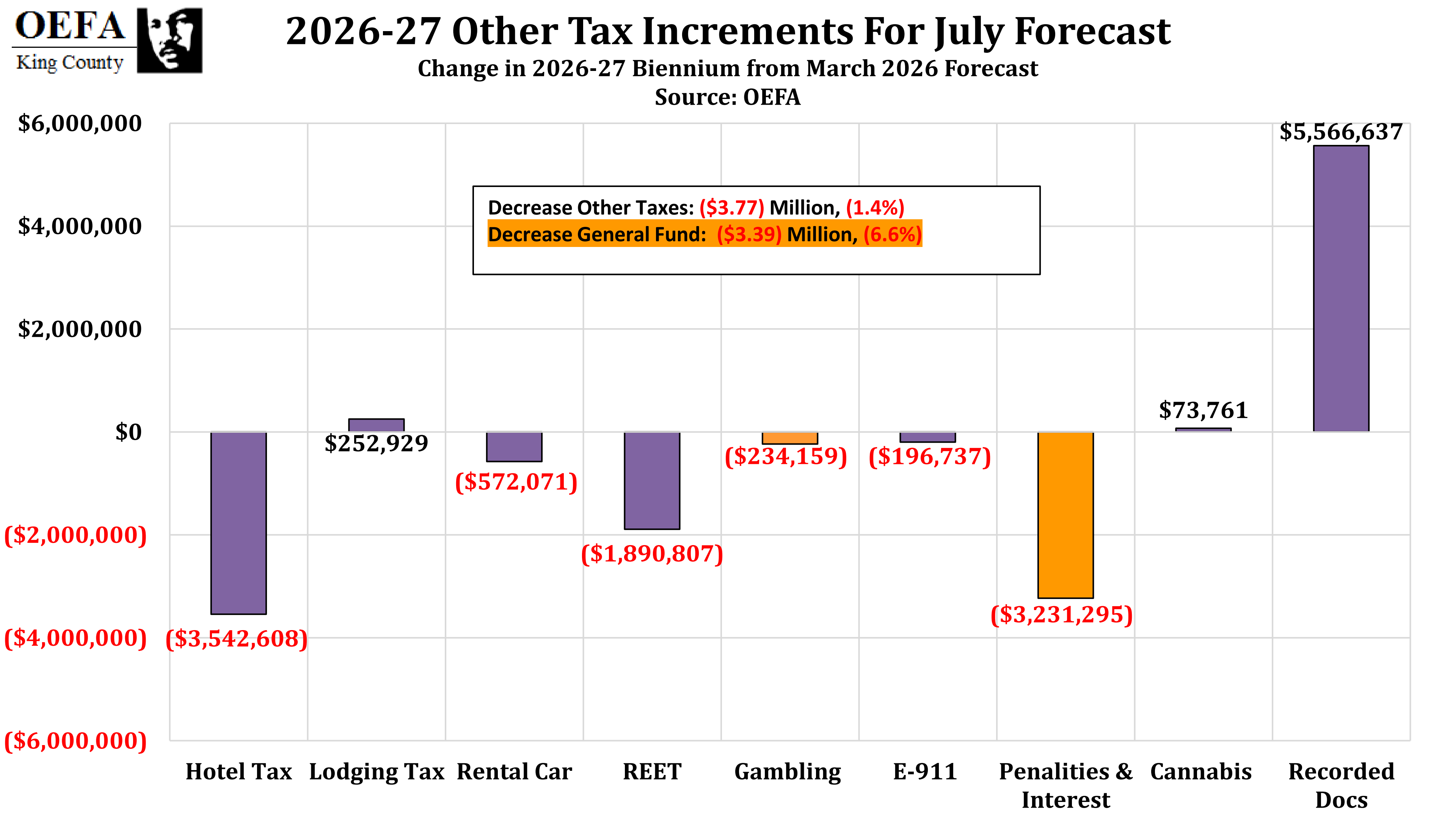


March & July forecast values include estimated sales associated with expansion of the tax base with ESSB 5814 & 2026 estimates include enhanced expectations from the World Cup. July fct also includes TBD levy.

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



Most Other Taxes Are Down Since March 2026-27 Biennium



Largest Share Lodging Tax Revenue – Outside Seattle Air BnB

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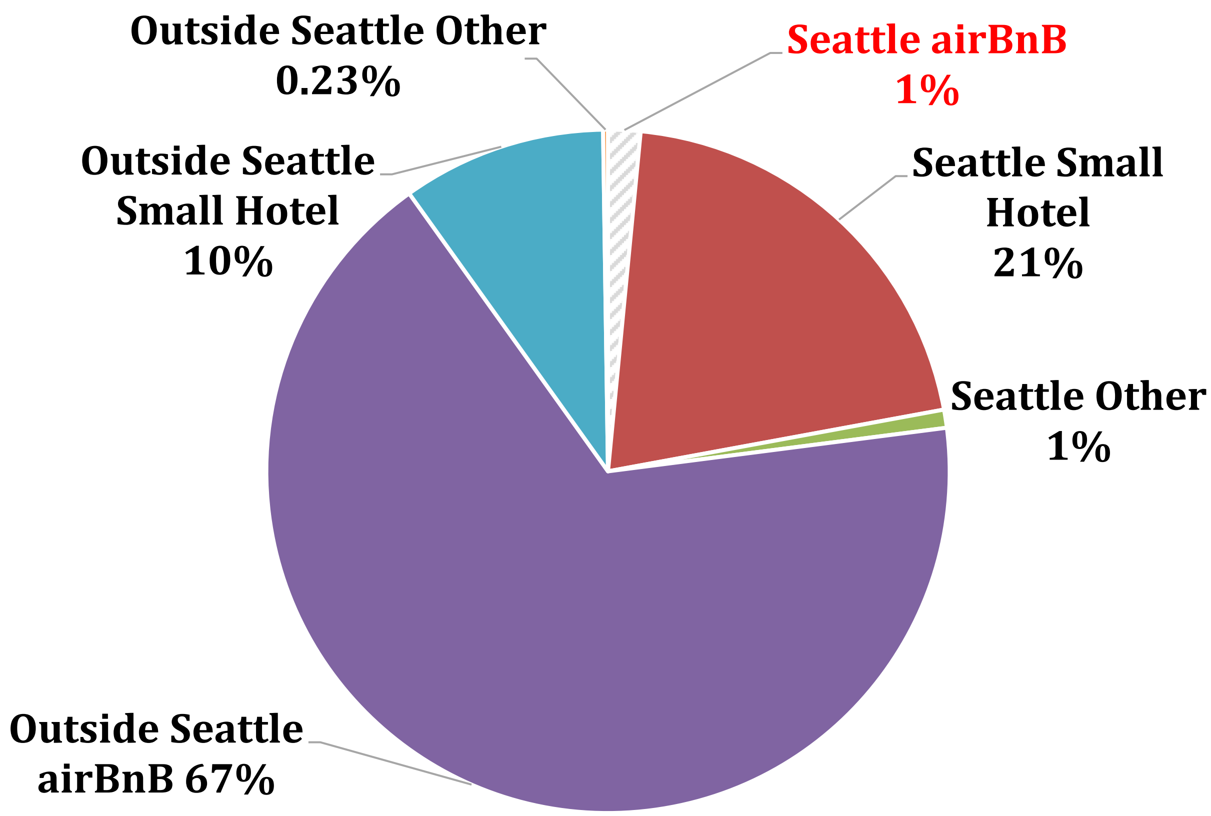
Breakdown of Feb-April 2026 Lodging Tax By Type of Establishment



Small establishment is defined as having less than 60 rooms

3 Month Total Revenue = $489,806

July 2026 Alternative Pessimistic Forecast Overview

Assumptions

- Baseline July forecast of taxable sales has minor growth in 2027 and 2028 of avg of 1.2%
- Pessimistic national June forecast from GI has lower growth rates in real GDP and real consumer spending from baseline beginning in 3rd Qtr 2026 until end of 2028.
- June GI pessimistic national forecasts were adjusted further to model a minor US recession in early 2027
- Alternative forecast had adjustments to incorporate expanded retail sales in ESSB 5814 & repeal of the expansion in ESSB 6346 beginning 2029

Pessimistic Results Compared to Baseline Forecast

- The difference in the taxable sales projections between the alternative and the baseline forecasts grows from -2% in 2026 to -9% by 2030.
- 2026 taxable sales under the alternative forecast reveal YOY growth of 5.5% versus 7% growth in the baseline forecast
- The decline in sales taxes for KC started at -$25 million in 2026 to max -$155 million in 2032
- Metro sales taxes are impacted the most by the decline from -$15 million to -$94 million by 2032, 61% of the sales tax total decline in the pessimistic forecast

Decline in Revenues In Alternative vs Baseline Forecast Total Revenue With 2026 ESSB 6346 Impacts

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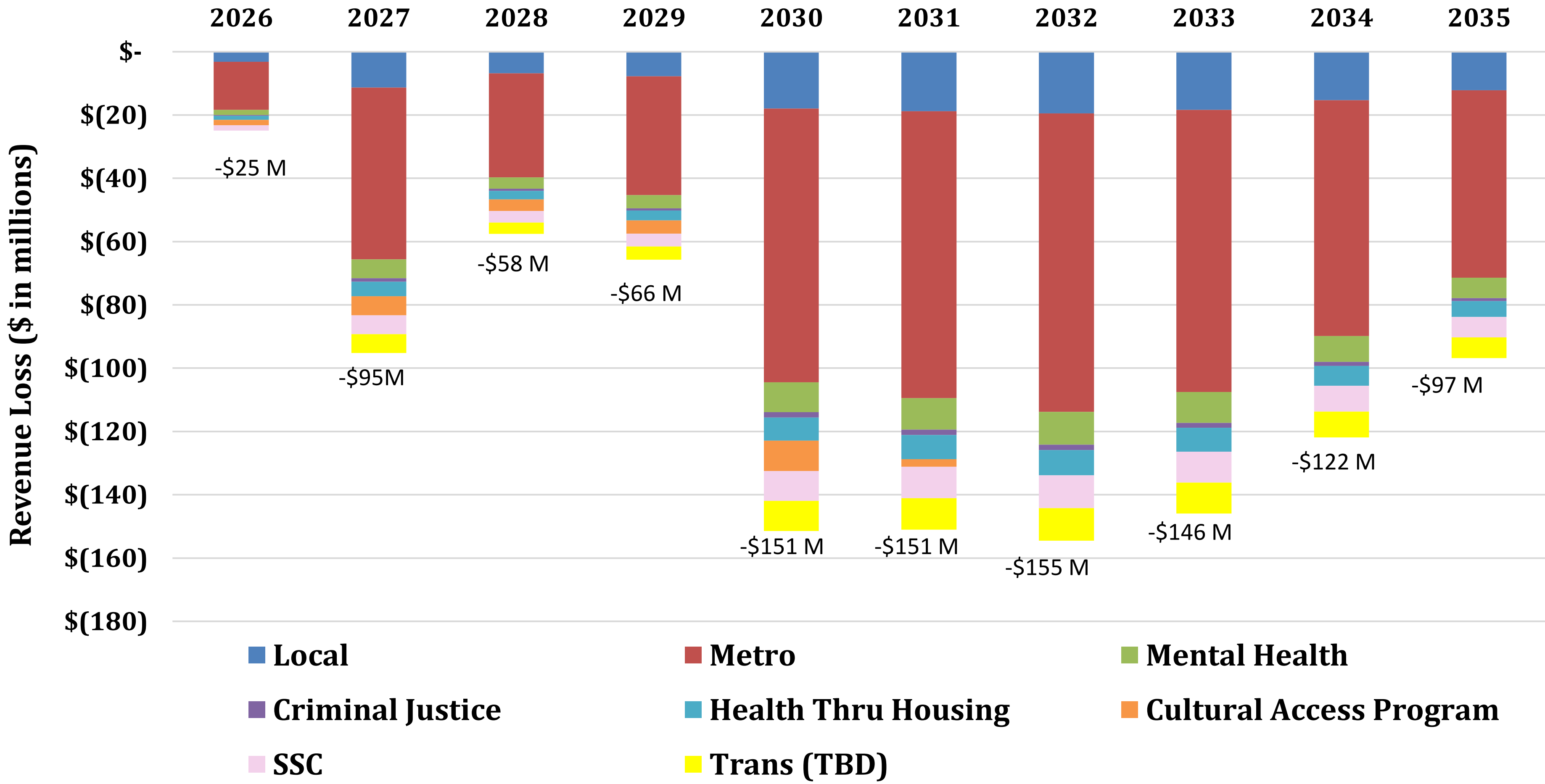
KC Sales Tax Losses Under Alt. Pessimistic Scenario



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http://www.kingcounty.gov/independent/forecasting.aspx