



SALES TAX FORECASTING FOR WISCONSIN COUNTIES: PROBLEMS AND POTENTIAL YIELD (2001 UPDATE)¹

At this writing, 53 of Wisconsin's 72 county governments will levy a sales tax in 2000. (See Table 1 and map.) Any county may impose the sales tax, at a uniform .5% rate, merely by adopting a sales tax ordinance and delivering a certified copy to the state Department of Revenue at least 120 days prior to its effective date. The tax becomes effective on the first day of either January, April, July or October. The tax can be repealed by delivery of a certified copy of a repeal ordinance to the Department of Revenue at least 60 days before the effective date of repeal, which for all counties is December 31.

The county tax is "piggybacked" on the state's own 5.0% sales tax and returned to the county where the sale took place or, in some cases, where the sale item is kept or used (technically known as a "use" tax). The state processes returns, enforces compliance, distributes monthly checks, and retains 1.75% of the tax to defray its costs. Retailers collect and remit the tax to the state, keep track of where sales occur, and keep another 0.5% to help defray their administrative costs. County governments, therefore, eventually receive 97.75% of the .5% tax collected for them. Generally, it takes about three months to process collections and issue a check to the county or its depository. Therefore, a county should expect to receive no more than three-quarters of its total annual yield during the first year the tax is levied — or less,

depending on the month the tax becomes effective.

State law allows counties to impose the sales tax "only for the purpose of directly reducing the property tax levy...." Apparently, most counties have interpreted this provision to mean that the property tax levy, with a sales tax, may be either lower than it was last year, or lower than it would have been in the current year without the sales tax. A county also is allowed to "retain the amount it receives or it may distribute all or a portion of the amount it receives to the towns, villages, cities and school districts in the county." So far as we know, this provision never has been implemented.

In practice, virtually all counties' sales tax receipts have been treated as just one more source of general revenue, used to offset expenditures and help balance the counties' annual budgets. Therefore, counties normally try to forecast their sales tax yield for next year's budget, just as they anticipate the amounts other revenues will produce in the coming year. Unlike the property tax, however, which yields whatever amount (minus delinquencies) the county board decides to levy,² the sales tax yield is very difficult to predict, especially for counties which have never received the tax. It will be piggybacked on the state tax, but there is no record of state sales tax collections by county in which the transaction takes place. Furthermore, retail sales tax surveys are outdated and

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² Counties are subject to a property tax levy rate limit, which is their 1992 county tax levy rate or .001, whichever is greater. State law allows increases in the rate limit under certain circumstances. The penalty for increasing property tax levy rates outside of statutory procedures or allowable circumstances is a comparable reduction in state aids.

there is no reliable survey of taxable retail sales by county. (Many retail sales items and services are exempt.) Sales tax forecasting is risky even for a county which has received the tax for a full year or more. The yield is based on future retail sales which depend on the future condition of the economy and on future consumer attitudes and behavior. In addition, even if we could predict exactly how much the yield will change next year for the state as a whole, receipts do not change at a uniform annual rate for all counties, and rates of change for some individual counties also have differed significantly from one year to the next.

Finally, there are several cash flow or accounting features which complicate the forecast: (1) depending on their gross receipts, retailers may report their sales tax collections either on a monthly, quarterly, or annual basis; (2) the state's budget and its sales tax collections are on a fiscal year basis — July through June — while the counties' budgets and sales tax receipts are on a calendar year basis — January through December. For example, most of the counties' piggyback tax on the current (fiscal 2000-2001) state sales tax forecasted for this year, will be distributed to the counties two or three months after it is collected. This means a portion could be received in the last three or four months of calendar 2000, and the rest could be received in the first eight or nine months of calendar 2001.

County officials, therefore, should use the potential 2000 and 2001 sales tax yield amounts shown in the tables with great caution. They are not projections or predictions, but only starting points which local officials should modify according to their own knowledge of their

county's economy and its changing local conditions. For example, if a large retailer has a substantial portion of mail order sales, only the sales to residents of that county are subject to the county's sales tax. With mail order sales, the county where the customer is located imposes the tax and not the county where the retailer is located. For example, I purchase clothing by catalog from Land's End, I will pay the Dane County, not the Iowa County, sales tax. The same holds true for large items, that are delivered to another Wisconsin county. Cars and other registered vehicles are taxed by the county where they are register.

To estimate the 2000 tax yields for counties with some sales tax history, as shown in Table 1, we added county sales tax distributions through June of 2000 to the 1999 July through December distributions. To estimate the 2001 tax yields, for counties with some sales tax history, we have averaged the state's sales tax growth estimates for the 2000-2001 fiscal year (6.5%) and 2001-02 fiscal year (5.7%), modified it, and merely added the result — a uniform and more conservative 3.5% — to their estimated 2000 receipts, although we know all counties do not grow at a uniform rate, and some actually may experience a decline in receipts.

Table 2 lists the estimated sales tax yield for counties that currently do not have the county sales tax. The 2001 yield potential is based on each county's percentage of total retail sales according to the Sales and Marketing Management Survey of 1998 sales. The percentage of county sales is used to allocate the estimated \$360 million that would be collected in 2001 if all 72 counties levied the sales tax.

TABLE 1
ESTIMATED SALES TAX YIELD POTENTIAL FOR 2000 AND 2001

County	2000	2001	County	2000	2001
Adams	\$787,661	\$815,230	Marquette	\$790,389	\$818,052
Ashland	985,366	1,019,854	Milwaukee	55,564,440	57,509,195
Barron	2,752,591	2,848,931	Monroe	1,931,935	1,999,553
Bayfield	735,965	761,724	Oconto	1,262,891	1,307,092
Buffalo	473,742	490,323	Oneida	2,873,987	2,974,576
Burnett	631,769	653,881	Ozaukee	5,043,515	5,220,038
Chippewa	3,185,290	3,296,775	Pepin	324,376	335,729
Columbia	2,730,427	2,825,992	Pierce	1,164,711	1,205,476
Crawford	1,073,117	1,110,676	Polk	1,754,881	1,816,302
Dane	32,462,688	33,598,882	Portage	3,895,418	4,031,758
Dodge	3,845,412	3,980,001	Price	725,167	750,548
Door	2,570,387	2,660,351	Richland	799,602	827,588
Douglas	2,348,276	2,430,466	Rusk	667,505	690,868
Dunn	1,762,979	1,824,683	St. Croix	3,494,527	3,616,836
Eau Claire	6,451,623	6,677,430	Sauk	4,564,302	4,724,052
Forest	308,825	319,634	Sawyer	1,136,141	1,175,906
Green Lake	783,303	810,719	Shawano	1,768,649	1,830,552
Iowa	1,157,265	1,197,769	Taylor	749,352	775,579
Iron	322,796	334,094	Trempealeau	1,054,351	1,091,254
Jackson	845,095	874,673	Vernon	940,171	973,077
Jefferson	3,984,726	4,124,191	Vilas	1,635,596	1,692,842
Juneau	1,108,946	1,147,759	Walworth	5,514,911	5,707,932
Kenosha	7,761,118	8,032,757	Washburn	835,147	864,378
LaCrosse	7,961,111	8,239,750	Washington	6,226,819	6,444,757
Langlade	1,086,999	1,125,044	Waupaca	2,761,051	2,857,688
Lincoln	1,398,229	1,447,167	Waushara	941,084	974,022
Marathon	8,373,200	8,666,262	TOTAL	\$206,309,823	\$213,286,957

¹Estimates assume that county sales taxes received from July to December of 1999 will be the same for the July-December period in 2000.

TABLE 2
ESTIMATED 2001 COUNTY SALES TAX YIELD POTENTIAL
(For Counties Without a Sales Tax)

County	Est. 2001 Yield	County	Est. 2001 Yield
Brown	\$16,973,448	Marinette	\$2,186,014
Calumet	1,532,149	Menominee	36,179
Clark	1,026,126	Outagamie	13,543,016
Florence	144,074	Racine	9,941,226
Fond du Lac	6,109,496	Rock	10,506,068
Grant	2,371,681	Sheboygan	6,562,649
Green	3,616,193	Waukesha	32,488,359
Kewaunee	827,714	Winnebago	11,746,237
Lafayette	485,903	Wood	6,097,722
Manitowoc	3,956,453	TOTAL	\$130,150,708

These counties do not have a sales tax in effect in 2000 nor are there any pending referenda in these counties for a county sales tax. Their 2001 yield potential is based on each county's percentage of total retail sales according to the *Sales and Marketing Management* survey of 1998 sales, assuming that 72 counties would collect \$360 million if all levied the tax in 2001.