



SALES TAX FORECASTING FOR WISCONSIN COUNTIES: PROBLEMS AND POTENTIAL YIELD (2009 UPDATE)¹

At this writing, 60 of Wisconsin's 72 county governments will levy a sales tax in 2008. (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 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 The tax can be repealed by delivery of a certified copy of a repeal ordinance to the Department of Revenue at least 60 days before the effective date of repeal, which for all counties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.

Administration

The county tax is "piggybacked" on the state's own 5.0% sales tax and returned to the county where the sales took place or, in some cases, where the sale item is kept or used (technically known as a "use" tax). Retailers collect and send the tax to the state, keep track of where sales occur, and keep 0.5% to help defray their administrative costs. The state processes returns, enforces compliance, distributes monthly checks, and retains 1.75% of the tax to defray its 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.

Purpose

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 levy², the sales tax yield is very difficult to predict, especially for counties which have never received the tax.

Forecasting

The county sales tax is 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 there is no reliable survey of taxable retail sales by county. Many retail sales items and services are exempt. Sales tax forecast-

¹By Kate Lawton of the UW–Extension Local Government Center, based on an article originally written by Professor Richard Stauber. Data and assistance was provided by the Legislative Fiscal Bureau and staff from the Department of Revenue in the Division of Research and Policy.

²Counties are subject to a property tax levy rate limit equal to their 1992 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. For 2008, county levies are also limited to the percentage growth increase in net new construction or 2%, whichever is greater.

ing is risky even for a county that has received the tax for a full year or more. This yield is based 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 two cash flow or accounting features which complicate the forecast. First, depending on their gross receipts, retailers may report their sales tax collections either on a monthly, quarterly, or annual basis. Second, 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.

2008 and 2009 Estimated Tax Yields

County officials, therefore, should use the potential 2008 and 2009 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 in a county 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, if I purchase clothing by catalog from Land's End, a retailer located in Iowa County, Wisconsin, then I as a Madison resident will pay the Dane County sales tax. The same holds true for large items, such as cars and other registered vehicles, that are purchased in one county and delivered or registered in another county. County officials need to consider these kinds of special circumstances when preparing their revenue estimates.

To estimate the 2008 tax yields for counties with some sales tax history, as shown in Table 1, I added county sales tax distributions through May of 2008 to the 2007 modified June

through December distributions. To estimate the 2009 tax yields, for counties with some sales tax history, I averaged the state's sales tax growth estimates for the 2008–2009 fiscal year (1.2%) and the 2009-2010 fiscal year (2.0%), modified it, and merely added the result – a uniform and more conservative 1% – to the estimated 2008 receipts. Keep in mind that these are state projections and that 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 2009 yield potential is based on each county's percentage of total retail sales in the state according to 2006 sales. The percentage of county sales is used to allocate the estimated \$425 million that would be collected in 2009 if all 72 counties levied the sales tax.

TABLE 1
ESTIMATED SALES TAX YIELD POTENTIAL FOR 2008 AND 2009

County	2008⁽¹⁾	2009	County	2008	2009
Adams	1,279,889	1,292,688	Marathon	10,723,973	10,831,213
Ashland	1,174,194	1,185,936	Marinette	2,726,851	2,754,119
Barron	3,350,171	3,383,672	Marquette	769,469	777,164
Bayfield	908,096	917,177	Milwaukee	64,863,883	65,512,522
Buffalo	609,996	616,096	Monroe	2,685,333	2,712,186
Burnett	850,414	858,918	Oconto	1,489,533	1,504,429
Chippewa	3,664,479	3,701,124	Oneida	3,760,792	3,798,400
Columbia	3,514,041	3,549,181	Ozaukee	6,114,881	6,176,030
Crawford	1,318,232	1,331,414	Pepin	380,964	384,774
Dane	43,411,529	43,845,644	Pierce	1,548,255	1,563,737
Dodge	4,941,279	4,990,691	Polk	2,384,643	2,408,490
Door	3,140,852	3,172,261	Portage	4,993,628	5,043,564
Douglas	3,213,498	3,245,633	Price	782,830	790,658
Dunn	2,235,341	2,257,694	Richland	911,880	920,999
Eau Claire	7,908,464	7,987,549	Rock ²	10,038,719	10,139,106
Florence	216,515	218,680	Rusk	1,057,579	1,068,155
Forest	422,708	426,935	St. Croix	5,207,995	5,260,075
Grant	2,543,506	2,568,941	Sauk	6,996,443	7,066,408
Green	1,975,200	1,994,952	Sawyer	1,518,637	1,533,824
Green Lake	1,067,879	1,078,558	Shawano	2,143,526	2,164,961
Iowa	1,444,189	1,458,631	Taylor	952,451	961,975
Iron	431,833	436,151	Trempealeau	1,378,040	1,391,821
Jackson	1,232,134	1,244,455	Vernon	1,300,636	1,313,642
Jefferson	5,066,346	5,117,009	Vilas	2,083,502	2,104,337
Juneau	1,358,722	1,372,309	Walworth	7,707,615	7,784,691
Kenosha	9,953,672	10,053,209	Washburn	1,088,784	1,099,672
La Crosse	9,771,549	9,869,265	Washington	9,255,457	9,348,012
Lafayette	668,691	675,378	Waupaca	2,846,692	2,875,159
Langlade	1,330,490	1,343,795	Waushara	1,043,113	1,053,544
Lincoln	1,531,428	1,546,742	Wood	5,138,500	5,189,885
			TOTAL	\$284,429,943	\$287,274,243

¹Estimates assume the county sales taxes that will be collected from June to December of 2008 will be the same as that received during the June-December period in 2007.

TABLE 2
ESTIMATED 2009 COUNTY SALES TAX YIELD POTENTIAL
(For Counties Without a Sales Tax)¹

County	Est. 2009 Yield	County	Est. 2009 Yield
Brown	\$21,399,468	Outagamie	\$18,666,336
Calumet	2,443,136	Racine	13,249,033
Clark	1,661,383	Sheboygan	8,586,466
Fond du Lac	7,745,555	Waukesha	38,128,205
Kewaunee	881,200	Winnebago	10,390,016
Manitowoc	4,520,112		
Menominee	45,657		
		TOTAL	\$127,716,566

¹These counties do not have a sales tax in effect in 2008. Their 2009 yield potential is based on each county's percentage of total 2006 retail sales according to the 2008 *Rand McNally Commercial Atlas and Marketing Guide*, assuming that 72 counties would collect \$425 million if all levied the tax in 2009.