



SALES TAX FORECASTING FOR WISCONSIN COUNTIES: PROBLEMS AND POTENTIAL YIELD (2011 UPDATE)¹

At this writing, 62 of Wisconsin's 72 county governments will levy a sales tax in 2010. (See Table 1) Fond du Lac County first began imposing the sales tax on April 1, 2010. 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 The tax can be repealed by delivery of a certified copy of a repeal ordinance to the Department of Revenue at least 60 days before the effective date of repeal, which for all counties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 2010, county levies are also limited to the percentage growth increase in net new construction or 3%, 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.

2010 and 2011 Estimated Tax Yields

County officials, therefore, should use the potential 2010 and 2011 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 2010 tax yields for counties with some sales tax history, as shown in Table 1, I added county sales tax distributions through May of 2010 to the 2009 modified June through December distributions. To estimate the 2011 tax yields, for counties with some sales tax

history, I averaged the state's estimated sales tax decline for the fiscal year (-2%) and growth for 2010-2011 fiscal year (5.5%), modified it, and merely added the result – a uniform and more conservative 2% -- to the estimated 2010 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 2011 yield potential is based on each county's percentage of total retail sales in the state according to 2008 sales. The percentage of county sales is used to allocate the estimated \$401 million that would be collected in 2011 if all 72 counties levied the sales tax.

TABLE 1
ESTIMATED SALES TAX YIELD POTENTIAL FOR 2010 AND 2011

County	2010¹	2011	County	2010	2011
Adams	1,102,596	1,124,648	Marathon	9,194,078	9,377,959
Ashland	1,102,955	1,125,014	Marinette	2,635,247	2,687,952
Barron	3,092,161	3,154,004	Marquette	626,878	639,416
Bayfield	844,846	861,742	Milwaukee	58,921,838	60,100,274
Buffalo	586,237	597,961	Monroe	2,660,113	2,713,315
Burnett	783,856	799,534	Oconto	1,301,257	1,327,282
Chippewa	3,588,205	3,659,969	Oneida	3,440,104	3,508,906
Clark	1,204,733	1,228,828	Ozaukee	5,816,528	5,932,858
Columbia	3,251,928	3,316,967	Pepin	349,572	356,564
Crawford	1,208,835	1,233,011	Pierce	1,431,959	1,460,598
Dane	39,894,982	40,692,882	Polk	2,198,859	2,242,836
Dodge	4,389,969	4,477,768	Portage	4,552,093	4,643,135
Door	2,851,616	2,908,649	Price	734,050	748,731
Douglas	3,131,667	3,194,301	Richland	887,032	904,772
Dunn	2,070,378	2,111,785	Rock	9,617,892	9,810,250
Eau Claire	7,487,224	7,636,968	Rusk	655,577	668,689
Florence	229,529	234,120	St. Croix	4,698,462	4,792,431
Fond du Lac ²	4,476,000	6,714,000	Sauk	6,637,953	6,770,712
Forest	380,796	388,412	Sawyer	1,311,356	1,337,584
Grant	2,616,778	2,669,113	Shawano	1,930,890	1,969,508
Green	1,891,678	1,929,511	Taylor	906,038	924,159
Green Lake	979,724	999,319	Trempealeau	1,311,311	1,337,538
Iowa	1,256,458	1,281,587	Vernon	1,227,377	1,251,925
Iron	370,785	378,200	Vilas	1,768,951	1,804,331
Jackson	1,002,005	1,022,045	Walworth	6,891,337	7,029,163
Jefferson	4,714,960	4,809,260	Washburn	943,714	962,588
Juneau	1,193,378	1,217,245	Washington	8,449,017	8,617,997
Kenosha	9,857,823	10,054,979	Waupaca	2,614,568	2,666,859
La Crosse	9,271,661	9,457,095	Waushara	1,018,925	1,039,303
Lafayette	661,498	674,727	Wood	4,603,538	4,695,609
Langlade	1,278,691	1,304,265	TOTAL	\$267,514,975	\$275,013,755
Lincoln	1,404,511	1,432,601			

¹Estimates assume the county sales taxes that will be collected from June to December of 2010 will be the same as that received during the June-December period in 2009.

²Fond du Lac County adopted the county sales tax effective April 1, 2010. The 2010 revised estimate reflects 60% of the initial estimate for Fond du Lac County of 7.46 million and the 2011 estimate is 90% of this amount.

TABLE 2
ESTIMATED 2011 COUNTY SALES TAX YIELD POTENTIAL
(For Counties Without a Sales Tax)¹

County	Est. 2011 Yield	County	Est. 2011 Yield
Brown	\$19,050,582	Outagamie	17,301,017
Calumet	2,388,383	Racine	12,531,560
Kewaunee	835,153	Sheboygan	8,535,746
Manitowoc	4,314,381	Waukesha	35,446,860
Menominee	43,210	Winnebago	10,272,197
		TOTAL	\$110,719,088

¹These counties do not have a sales tax in effect in 2010 nor are there any pending referenda in these counties for a county sales tax. Their 2011 yield potential is based on each county's percentage of total retail sales according to the 2010 *Rand McNally Commercial Atlas and Marketing Guide* survey of 2008 sales, assuming that 72 counties would collect \$401 million if all levied the tax in 2011.