



SALES TAX FORECASTING FOR WISCONSIN COUNTIES: PROBLEMS AND POTENTIAL YIELD (2010 UPDATE)¹

At this writing, 61 of Wisconsin's 72 county governments will levy a sales tax in 2009. (See Table 1). Clark County first began imposing the sales tax on January 1, 2009. 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 The tax can be repealed by delivery of a certified copy of a repeal ordinance to the Department of Revenue at least 60 days before the effective date of repeal, which for all counties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 2009, 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.

2009 and 2010 Estimated Tax Yields

County officials, therefore, should use the potential 2009 and 2010 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 2009 tax yields for counties with some sales tax history, as shown in Table 1, I added county sales tax distributions through June of 2009 to the 2008 modified July through December distributions. To estimate the 2010 tax yields, for counties with some sales tax

history, I averaged the state's estimated sales tax declines for the 2009–2010 fiscal year (-4%) and 2010-2011 fiscal year (-4.6%), modified it, and merely subtracted the result – a uniform and more conservative -5.0% -- to the estimated 2009 receipts. Keep in mind that these are state projections and that all counties do not experience slowed economic activity at a uniform rate. Some counties may actually experience an increase in receipts.

Table 2 lists the estimated sales tax yield for counties that currently do not have the county sales tax. The 2010 yield potential is based on each county's percentage of total retail sales in the state according to 2007 sales. The percentage of county sales is used to allocate the estimated \$404 million that would be collected in 2010 if all 72 counties levied the sales tax.

TABLE 1
ESTIMATED SALES TAX YIELD POTENTIAL FOR 2009 AND 2010

County	2009⁽¹⁾	2010	County	2009	2010
Adams	1,224,531	1,163,305	Marathon	10,098,354	9,593,436
Ashland	1,130,582	1,074,053	Marinette	2,719,775	2,583,787
Barron	3,254,456	3,091,733	Marquette	739,285	702,321
Bayfield	881,363	837,295	Milwaukee	62,488,287	59,363,873
Buffalo	585,118	555,862	Monroe	2,638,678	2,506,744
Burnett	798,239	758,327	Oconto	1,430,822	1,359,281
Chippewa	3,554,918	3,377,172	Oneida	3,684,999	3,500,749
Clark ²	900,000	1,425,000	Ozaukee	6,027,758	5,726,370
Columbia	3,402,835	3,232,693	Pepin	368,285	349,871
Crawford	1,305,377	1,240,109	Pierce	1,473,045	1,399,393
Dane	41,410,972	39,340,423	Polk	2,247,933	2,135,536
Dodge	4,749,225	4,511,763	Portage	4,850,430	4,607,909
Door	3,013,771	2,863,083	Price	770,828	732,286
Douglas	3,258,041	3,095,139	Richland	876,554	832,726
Dunn	2,099,285	1,994,320	Rock	9,960,691	9,462,657
Eau Claire	7,743,944	7,356,747	Rusk	998,509	948,584
Florence	225,235	213,973	St. Croix	4,901,787	4,656,698
Forest	402,337	382,220	Sauk	6,919,864	6,573,871
Grant	2,517,065	2,391,212	Sawyer	1,425,102	1,353,847
Green	1,977,416	1,878,545	Shawano	2,221,505	2,110,430
Green Lake	1,031,163	979,605	Taylor	938,874	891,930
Iowa	1,397,582	1,327,703	Trempealeau	1,318,486	1,252,562
Iron	409,027	388,576	Vernon	1,277,280	1,213,416
Jackson	1,130,080	1,073,576	Vilas	1,933,328	1,836,661
Jefferson	4,973,248	4,724,586	Walworth	7,377,515	7,008,640
Juneau	1,274,216	1,210,505	Washburn	997,096	947,241
Kenosha	9,985,071	9,485,817	Washington	8,949,189	8,501,729
La Crosse	9,377,448	8,908,575	Waupaca	2,726,689	2,590,355
Lafayette	651,754	619,166	Waushara	1,025,202	973,942
Langlade	1,310,083	1,244,578	Wood	4,887,143	4,642,786
Lincoln	1,530,420	1,453,899	TOTAL	\$275,778,095	\$262,599,191

¹Estimates assume the county sales taxes that will be collected from July to December of 2009 will be the same as that received during the July-December period in 2008.

²Clark County adopted the county sales tax effective January 1, 2009. The 2009 revised estimate reflects 60% of the initial estimate for Clark County of \$1.5 million and the 2010 estimate is 95% of this amount.

TABLE 2
ESTIMATED 2010 COUNTY SALES TAX YIELD POTENTIAL
(For Counties Without a Sales Tax)¹

County	Est. 2010 Yield		County	Est. 2010 Yield
Brown	\$20,855,442		Outagamie	\$19,576,481
Calumet	2,674,097		Racine	13,640,688
Fond du Lac	7,923,668		Sheboygan	8,985,034
Kewaunee	876,310		Waukesha	39,495,593
Manitowoc	4,683,844		Winnebago	10,827,728
Menominee	46,942			
			TOTAL	\$129,585,828

¹These counties do not have a sales tax in effect in 2009 nor are there any pending referenda in these counties for a county sales tax. Their 2010 yield potential is based on each county's percentage of total retail sales according to the 2009 *Rand McNally Commercial Atlas and Marketing Guide* survey of 2007 sales, assuming that 72 counties would collect \$404 million if all levied the tax in 2010.