

**SALES TAX FORECASTING FOR  
WISCONSIN COUNTIES:  
PROBLEMS AND POTENTIAL  
YIELD  
(2012 UPDATE)<sup>1</sup>**



At this writing, 62 of Wisconsin's 72 county governments will levy a sales tax in 2011. (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 0.5% 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 The tax can be repealed by delivery of a certified copy of a repeal ordinance to the Department of Revenue at least 60 days before the effective date of repeal, which for all counties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 0.5% 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 levy<sup>2</sup>, 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

<sup>1</sup>By 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.

<sup>2</sup>Counties are subject to a property tax levy rate limit equal to their 1992 tax levy rate or .001, whichever is greater. The 2011-13 state budget has suspended the rate limit for two years. For 2012 and thereafter, county levies are limited to the percentage growth increase in net new construction or 0%, whichever is greater. For counties that have unused levy amounts from prior years, they can increase their levy up to 0.5% subject to a three-quarters vote of the county board or use the amount of debt retired in 2010 that was incurred prior to July 1, 2005.

items and services are exempt. Sales tax forecasting 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.

### **2011 and 2012 Estimated Tax Yields**

County officials, therefore, should use the potential 2011 and 2012 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 Lands' 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 2011 tax yields for counties with some sales tax history, as shown in Table 1, I added county sales tax distributions through May of 2011 to the 2010 modified June

through December distributions. To estimate the 2012 tax yields, for counties with some sales tax history, I averaged the state's estimated sales tax growth for the fiscal year (2.4%) and growth for 2011-2012 fiscal year (4.4%), modified it, and merely added the result – a uniform and more conservative 2% – to the estimated 2011 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 2012 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 \$407 million that would be collected in 2012 if all 72 counties levied the sales tax.

**TABLE 1**  
**ESTIMATED SALES TAX YIELD POTENTIAL FOR 2011 AND 2012**

<b>County</b>	<b>2011<sup>1</sup></b>	<b>2012</b>	<b>County</b>	<b>2011</b>	<b>2012</b>
Adams	\$1,105,833	\$1,127,950	Marathon	\$9,597,406	\$9,789,355
Ashland	1,069,396	1,090,784	Marinette	2,608,049	2,660,210
Barron	3,320,248	3,386,653	Marquette	657,793	670,949
Bayfield	875,661	893,174	Milwaukee	62,085,804	63,327,520
Buffalo	564,544	575,835	Monroe	2,610,429	2,662,637
Burnett	811,068	827,289	Oconto	1,378,989	1,406,569
Chippewa	3,818,063	3,894,425	Oneida	3,485,075	3,554,777
Clark	1,339,079	1,365,860	Ozaukee	6,141,561	6,264,392
Columbia	3,500,090	3,570,092	Pepin	357,679	364,833
Crawford	1,292,356	1,318,203	Pierce	1,597,449	1,629,398
Dane	41,276,474	42,102,004	Polk	2,365,147	2,412,450
Dodge	4,709,397	4,803,585	Portage	4,854,634	4,951,727
Door	2,905,227	2,963,331	Price	735,988	750,708
Douglas	3,126,745	3,189,280	Richland	894,296	912,182
Dunn	2,164,014	2,207,294	Rock	9,907,990	10,106,150
Eau Claire	7,765,341	7,920,648	Rusk	692,961	706,820
Florence	190,057	193,858	St. Croix	5,046,737	5,147,672
Fond du Lac <sup>2</sup>	6,102,459	6,834,754	Sauk	7,013,906	7,154,185
Forest	406,142	414,265	Sawyer	1,349,049	1,376,030
Grant	2,717,321	2,771,667	Shawano	2,012,087	2,052,329
Green	1,975,195	2,014,699	Taylor	994,934	1,014,833
Green Lake	1,044,885	1,065,783	Trempealeau	1,412,225	1,440,469
Iowa	1,407,463	1,435,612	Vernon	1,334,238	1,360,923
Iron	383,632	391,305	Vilas	1,767,688	1,803,041
Jackson	1,089,913	1,111,712	Walworth	7,056,665	7,197,798
Jefferson	4,887,415	4,985,163	Washburn	952,124	971,166
Juneau	1,273,694	1,299,167	Washington	8,868,898	9,046,276
Kenosha	10,190,622	10,394,434	Waupaca	2,727,858	2,782,415
La Crosse	9,714,490	9,908,780	Waushara	1,062,896	1,084,154
Lafayette	703,052	717,113	Wood	4,600,580	4,692,592
Langlade	1,327,019	1,353,559	<b>TOTAL</b>	<b>\$280,681,389</b>	<b>\$286,905,264</b>
Lincoln	1,453,359	1,482,426			

<sup>1</sup>Estimates assume the county sales taxes that will be collected from June to December of 2011 will be the same as that received during the June-December period in 2010.

<sup>2</sup>Fond du Lac County adopted the county sales tax effective April 1, 2010. The 2012 estimate increases the 2011 estimate by an additional 10% based on an assumption of greater tax compliance.

**TABLE 2**  
**ESTIMATED 2012 COUNTY SALES TAX YIELD POTENTIAL**  
**(For Counties Without a Sales Tax)<sup>1</sup>**

<b>County</b>	<b>Est. 2012 Yield</b>	<b>County</b>	<b>Est. 2012 Yield</b>
Brown	\$20,608,545	Outagamie	\$17,559,885
Calumet	2,424,119	Racine	12,719,064
Kewaunee	847,649	Sheboygan	8,663,463
Manitowoc	4,378,935	Waukesha	35,977,237
Menominee	43,856	Winnebago	10,425,896
		<b>TOTAL</b>	<b>\$113,648,649</b>

<sup>1</sup>These counties do not have a sales tax in effect in 2011 nor are there any pending referenda in these counties for a county sales tax. Their 2012 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 \$407 million if all levied the tax in 2012. The Brown County calculation is based on a 2.4% adjustment to FY 2011 stadium tax collections of \$20.1 million.