



SALES TAX FORECASTING FOR WISCONSIN COUNTIES: PROBLEMS AND POTENTIAL YIELD (1998 UPDATE)¹

At this writing, 49 of Wisconsin's 72 county governments will levy a sales tax in 1997. (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 The tax can be repealed by delivery of a certified copy of a repeal ordinance to the Department of Revenue at least 60 days before the effective date of repeal, which for all counties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 1.5% 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 98.0% 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, 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 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.

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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 1997-98) state sales tax forecast 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 1997, and the rest could be received in the first eight or nine months of calendar 1998.

County officials, therefore, should use the potential 1997 and 1998 (Table 1) 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. To make the 1997 estimates for counties with some sales tax history, we added county sales tax distributions through July of 1997 to the 1996 August through December distributions. To make the 1998 estimates for counties with some sales tax history, we have modified the state's 4.6% sales tax growth estimate for the current 1997-98 fiscal year and merely added the result — a uniform 3.5% — to their estimated 1997 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 1998 yield potential is based on each county's percentage of total retail sales according to the Sales and Marketing Management Survey of 1995 sales. The percentage of county sales is used to allocate the estimated \$285 million that would be collected in 1998 if all 72 counties levied the sales tax.

TABLE 1
ESTIMATED SALES TAX YIELD POTENTIAL FOR 1997 AND 1998

County	1997¹	1998	County	1997	1998
Adams	\$623,232	\$632,144	Marquette	\$585,795	\$594,172
Ashland	792,016	803,342	Milwaukee	47,855,683	48,540,019
Barron	2,200,421	2,231,887	Monroe	1,555,224	1,577,464
Bayfield	505,901	513,135	Oconto	944,014	957,513
Buffalo	380,569	386,011	Oneida	2,381,248	2,415,300
Burnett	512,815	520,149	Ozaukee	3,948,266	4,004,727
Chippewa	2,413,346	2,447,857	Pepin	265,692	269,491
Columbia	2,223,610	2,255,408	Pierce	944,257	957,760
Crawford	991,509	1,005,687	Polk	1,355,399	1,374,782
Dane	26,234,441	26,609,594	Portage	3,476,857	3,526,576
Dodge	3,157,393	3,202,544	Price	583,338	591,679
Door	2,022,257	2,051,175	Richland	631,782	640,816
Douglas	1,904,949	1,932,190	Rusk	505,462	512,690
Dunn	1,440,318	1,460,914	St. Croix	2,582,245	2,619,171
Forest	269,726	273,583	Sauk	3,444,543	3,493,800
Iowa	938,165	951,580	Sawyer	872,822	885,303
Iron	289,493	293,633	Shawano	1,413,701	1,433,917
Jackson	719,022	729,304	Trempealeau	814,079	825,720
Jefferson	2,964,813	3,007,210	Vernon	399,761	405,477
Juneau	982,544	996,594	Vilas	1,297,283	1,315,834
Kenosha	6,258,973	6,348,476	Walworth	4,452,596	4,516,268
LaCrosse	6,421,080	6,512,902	Washburn	664,405	673,906
Langlade	911,261	924,292	Waupaca	2,049,296	2,078,601
Lincoln	1,223,031	1,240,520	Waushara	739,658	750,235
Marathon	7,071,238	7,172,357	TOTAL	\$156,917,146	\$159,463,710

¹Estimates assume that county sales taxes received from August to December of 1996 will be the same for the August-December period in 1997.

Table 2
ESTIMATED 1998 COUNTY SALES TAX YIELD POTENTIAL
(For Counties Without a Sales Tax)¹

County	Est. 1998 Yield	County	Est. 1998 Yield
Brown	\$13,392,839	Marinette	\$1,792,559
Calument	1,422,019	Menominee	25,415
Clark	853,021	Outagamie	9,666,573
Eau Claire	5,912,881	Racine	8,921,889
Florence	98,107	Rock	8,684,319
Fond du Lac	5,018,216	Sheboygan	5,243,791
Grant	2,158,458	Taylor	819,195
Green	2,878,760	Washington	5,687,902
Green Lake	811,910	Waukesha	23,519,207
Kewaunee	635,732	Winnebago	9,609,325
Lafayette	408,811	Wood	5,403,812
Manitowoc	3,374,064	TOTAL	\$116,338,807

¹These counties do not have a sales tax in effect in 1997, nor are there any pending referenda in these counties for a county sales tax. Their 1988 yield potential is based on each county's percentage of total retail sales according to the *Sales and Marketing Management* survey of 1995 sales, assuming that 72 counties would collect \$285 million if all levied the tax in 1998.