



SALES TAX FORECASTING FOR WISCONSIN COUNTIES: PROBLEMS AND POTENTIAL YIELD (1999 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 The tax can be repealed by delivery of a certified copy of a repeal ordinance to the Department of Revenue at least 60 days before the effective date of repeal, which for all counties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,² 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

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² Counties are subject to a property tax levy rate limit, which is their 1992 county tax levy rate or .001, whichever is greater. State law allows increases in the rate limit. Counties that increase their property tax levy rates outside of the required procedures or allowable circumstances under state law have their state aids reduced by the amount of the increase.

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.

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 1998-99) 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 1998, and the rest could be received in the first eight or nine months of calendar 1999.

County officials, therefore, should use the potential 1998 and 1999 (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 1998 estimates for counties with some sales tax history, we added county sales tax distributions through May of 1998 to the 1997 June through December distributions. To make the 1999 estimates for counties with some sales tax history, we have modified the state's 4.5% sales tax growth estimate for the current 1998-99 fiscal year and merely added the result — a uniform 3.5% — to their estimated 1998 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 1999 yield potential is based on each county's percentage of total retail sales according to the Sales and Marketing Management Survey of 1997 sales. The percentage of county sales is used to allocate the estimated \$300 million that would be collected in 1999 if all 72 counties levied the sales tax.

TABLE 1
ESTIMATED SALES TAX YIELD POTENTIAL FOR 1998 AND 1999

County	1998¹	1999	County	1998	1999
Adams	\$659,003	\$682,068	Marquette	\$577,970	\$598,199
Ashland	776,414	803,588	Milwaukee	49,756,588	51,498,068
Barron	2,298,177	2,378,613	Monroe	1,569,211	1,624,134
Bayfield	528,031	546,512	Oconto	1,008,026	1,043,307
Buffalo	390,815	404,494	Oneida	2,442,278	2,527,757
Burnett	548,356	567,548	Ozaukee	4,270,518	4,419,986
Chippewa	2,605,270	2,696,455	Pepin	260,725	269,850
Columbia	2,337,509	2,419,322	Pierce	953,074	986,432
Crawford	1,028,369	1,064,362	Polk	1,441,861	1,492,326
Dane	28,005,858	28,986,063	Portage	3,271,664	3,386,172
Dodge	3,351,430	3,468,730	Price	654,724	677,640
Door	2,153,186	2,228,547	Richland	642,738	665,234
Douglas	1,948,472	2,016,669	Rusk	558,695	578,249
Dunn	1,506,493	1,559,220	St. Croix	2,754,544	2,850,953
Forest	270,846	280,326	Sauk	3,587,570	3,713,135
Iowa	1,014,320	1,049,821	Sawyer	932,087	964,710
Iron	307,807	318,581	Shawano	1,455,872	1,506,828
Jackson	720,046	745,248	Trempealeau	854,626	884,538
Jefferson	3,145,685	3,255,784	Vernon	724,602	749,963
Juneau	1,021,621	1,057,377	Vilas	1,348,416	1,395,610
Kenosha	6,584,712	6,815,177	Walworth	4,651,406	4,814,205
LaCrosse	6,773,186	7,010,248	Washburn	691,949	716,167
Langlade	943,517	976,540	Waupaca	2,175,702	2,251,852
Lincoln	1,213,330	1,255,797	Waushara	752,533	778,871
Marathon	7,266,056	7,520,368	TOTAL	\$164,735,886	\$170,501,642

¹Estimates assume that county sales taxes received from June to December of 1997 will be the same for the June-December period in 1998.

Table 2
ESTIMATED 1999 COUNTY SALES TAX YIELD POTENTIAL
(For Counties Without a Sales Tax)

County	Est. 1999 Yield	County	Est. 1999 Yield
Brown	\$15,708,529	Marinette	\$2,084,922
Calument	1,404,884	Menominee	23,407
Clark	941,404	Outagamie	12,430,550
Eau Claire	7,669,752	Racine	9,718,228
Florence	122,859	Rock	10,178,608
Fond du Lac	5,745,540	Sheboygan	6,193,386
Grant	2,333,617	Taylor	1,007,891
Green	3,536,290	Washington	6,961,583
Green Lake	784,913	Waukesha	29,441,152
Kewaunee	789,573	Winnebago	11,136,508
Lafayette	433,310	Wood	<u>5,833,629</u>
Manitowoc	3,765,700	TOTAL	\$123,662,658

These counties do not have a sales tax in effect in 1998, nor are there any pending referenda in these counties for a county sales tax. Their 1999 yield potential is based on each county's percentage of total retail sales according to the *Sales and Marketing Management* survey of 1997 sales, assuming that 72 counties would collect \$300 million if all levied the tax in 1999.