

ADOPTED 2008 BUDGET

DEPT: COUNTY SALES TAX REVENUE

UNIT NO. 1996
FUND: General - 0001

OPERATING AUTHORITY & PURPOSE

Pursuant to the provisions of Section 77.70 of the Wisconsin Statutes, counties may enact a 0.5 percent sale and use tax. The tax is typically imposed on the same goods and services as the

State's 5.0 percent sales tax. Section 22.04 of the Milwaukee County Ordinances addresses uses of sales tax revenue.

BUDGET SUMMARY			
	<u>2006 Actual</u>	<u>2007 Budget</u>	<u>2008 Budget</u>
County Sales Tax Collections	\$ 62,904,315	\$ 65,921,500	\$ 65,208,949

<u>STATISTICAL SUPPORTING DATA</u>	<u>2006 Actual</u>	<u>2007 Budget</u>	<u>2008 Budget</u>
Estimated County Sales Tax Collections, Excluding Retailer's Discount	\$ 64,788,107	\$ 67,739,100	\$ 67,394,859
State Administrative Fee	(1,133,792)	(1,185,500)	(1,168,910)
Milwaukee County Sales Tax Collections	\$ 63,654,315	\$ 66,553,600	\$ 66,225,949
Less State Repayment			(600,000)
Less County Sales Tax Allocated to Capital Improvements	\$ (75,000)	\$ (632,100)	\$ (417,000)
Milwaukee County Net Sales Tax Collections	\$ 63,579,315	\$ 65,921,500	\$ 65,208,949
Less Sales Tax Dedicated to Debt Service	(42,606,043)	(44,360,240)	(53,431,913)
Available for General Fund	\$ 20,973,272	\$ 21,561,260	\$ 11,777,036

On April 1, 1991, Milwaukee County retailers began collecting a 0.5 percent county sales and use tax. Generally, items that are currently subject to the State's 5.0 percent sales tax are subject to the county sales and use tax in counties that have enacted the tax. Milwaukee County is currently one of 58 counties in the State of Wisconsin that relies on the sales tax to fund services formerly financed by local property taxes. The county sales and use tax is administered and collected by the Wisconsin Department of Revenue. The budgets above reflect the 1.75 percent State administrative fee.

2008 Budget Amount

The 2008 County Sales Tax amount less the state administrative fee is projected at \$66,225,949 or .49 percent below the amount budgeted in 2007. The budget amount that is net of the allocation to the Capital Improvement Program and the required State repayment is \$65,208,949.

The reduction in 2008 sales tax revenue from the budgeted amount in 2007 reflects slowed growth in sales tax revenue that the County has experience over the last four years. The growth rate for sales tax revenue for the years 2003 to 2005 was 2.3 percent and 1.57 percent in 2006, compared to 3 percent over the previous 4 years. The 2008 budgeted amount is based on a 2 percent increase

to the 2006 actual amount of \$63,654,315, plus an additional 2 percent inflator.

Complicating the low growth rate has been the difficulties that the State of Wisconsin has had with its collection system and the various corrections that have been made to address these issues.

State Repayment

In 2005, the Wisconsin Department of Revenue contacted counties to notify them of software glitches detected in the computer program used to distribute sales and use tax to Wisconsin counties. There were five categories of software defects that resulted in the system over or under distributing sales tax revenues to counties for the years 2002-2005.

According to the State, Milwaukee County received an over distribution of sales tax revenue that totaled approximately \$1.8 million. The State will capture this overpayment in equal increments over a three-year period from 2008 to 2010. Therefore, sales tax revenue for Milwaukee will be reduced by approximately \$600,000 for three successive years, starting with the 2008 Budget.

The State also informed the County of an under distribution of approximately \$777,000 for private

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party sale of motor vehicles. The County received repayment for the under distribution in December 2005.

Sales and Use Tax Ordinance

Section 22.04, Milwaukee County Ordinances, originally required sales tax revenue be used to pay tax-supported debt service costs. Surplus revenues not needed for debt service payments were required to be used to directly finance capital improvements.

On June 18, 2003, the County Board of Supervisors approved Resolution File No. 03-263(a)(a), which modified Section 22.04 of the General Ordinances so that surplus sales and use tax revenues could be used to also pre-fund employee benefit costs or fund anticipated or extraordinary annual increases in such costs or supplement the Appropriation for

Contingencies. The 2003 resolution permitted excess sales tax revenues to be used for the above general fund purposes through calendar year 2007.

As noted above, 2008 sales tax collections are projected at \$66,225,949. The State repayment amount is \$600,000, amounts committed to capital improvements in 2008 are estimated at \$417,000, and debt service costs for 2008 are estimated at \$53,431,913, resulting in excess sales and use tax revenues for 2008 of \$11,777,036. Under the current Milwaukee County Sales Tax Ordinance, the excess could only be used to cash finance 2008 capital improvements. The Committee on Finance and Audit, during its 2008 budget deliberations, deferred the matter to its December 2007 meeting for further policy consideration and action.