

COUNTY EXECUTIVE'S 2009 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>2007 Actual</u>	<u>2008 Budget</u>	<u>2009 Budget</u>
County Sales Tax Collections	\$ 62,980,769	\$ 65,208,949	\$ 67,435,903

<u>STATISTICAL SUPPORTING DATA</u>	<u>2007 Actual</u>	<u>2008 Budget</u>	<u>2009 Budget</u>
Estimated County Sales Tax Collections, Excluding Retailer's Discount	\$ 64,745,861	\$ 67,394,859	\$ 69,664,532
State Administrative Fee	<u>(1,133,053)</u>	<u>(1,168,910)</u>	<u>(1,208,629)</u>
Milwaukee County Sales Tax Collections	\$ 63,612,808	\$ 66,225,949	\$ 68,455,903
Less State Repayment		(600,000)	(600,000)
Less County Sales Tax Allocated to Capital Improvements	\$ <u>(632,039)</u>	\$ <u>(417,000)</u>	\$ <u>(420,000)</u>
Milwaukee County Net Sales Tax Collections	\$ 62,980,769	\$ 65,208,949	\$ 67,435,903
Less Sales Tax Dedicated to Debt Service	<u>(42,606,043)</u>	<u>(53,431,913)</u>	<u>(59,869,209)</u>
Available for General Fund	\$ 20,374,726	\$ 11,777,036	\$ 7,566,694

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.

2009 Budget Amount

The 2009 County Sales Tax amount less the state administrative fee is projected at \$68,455,903 or 3.40 percent above the amount budgeted in 2008. The budget amount that is net of the allocation to the Capital Improvement Program and the required State repayment is \$67,435,903.

Based upon the first six months of actual sales tax collections, the projected total for 2008 is \$66,725,704. The 2009 budget applies a 1.69 percent increase, which is the average increase for the last 5 years, to the actual and projected monthly 2008 totals. This results in the 2009 estimate of \$67,855,903.

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.

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.

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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, 2009 sales tax collections are projected at \$68,455,903. The State repayment amount is \$600,000, amounts committed to capital improvements in 2009 are estimated at \$420,000, and debt service costs for 2009 are estimated at

\$59,869,209. Since the net sales tax revenue exceed debt service costs, \$7,566,694 in sales tax revenue will be applied towards general fund expenses.

Under the current Milwaukee County Sales Tax Ordinance, the excess could only be used to cash finance 2008 capital improvements. A revised Ordinance will be submitted with the 2009 Recommended Budget to permanently codify the 2003 provisions that sunset in 2007. This allows all or a portion of the excess to be applied toward the County's Pension Fund Contribution, Employee/Retiree Health Care costs, or the Appropriation for Contingencies.