



City of Milwaukee Sales and Use Tax YTD 2024 Results



Finance & Personnel Committee
Wednesday June 26, 2024

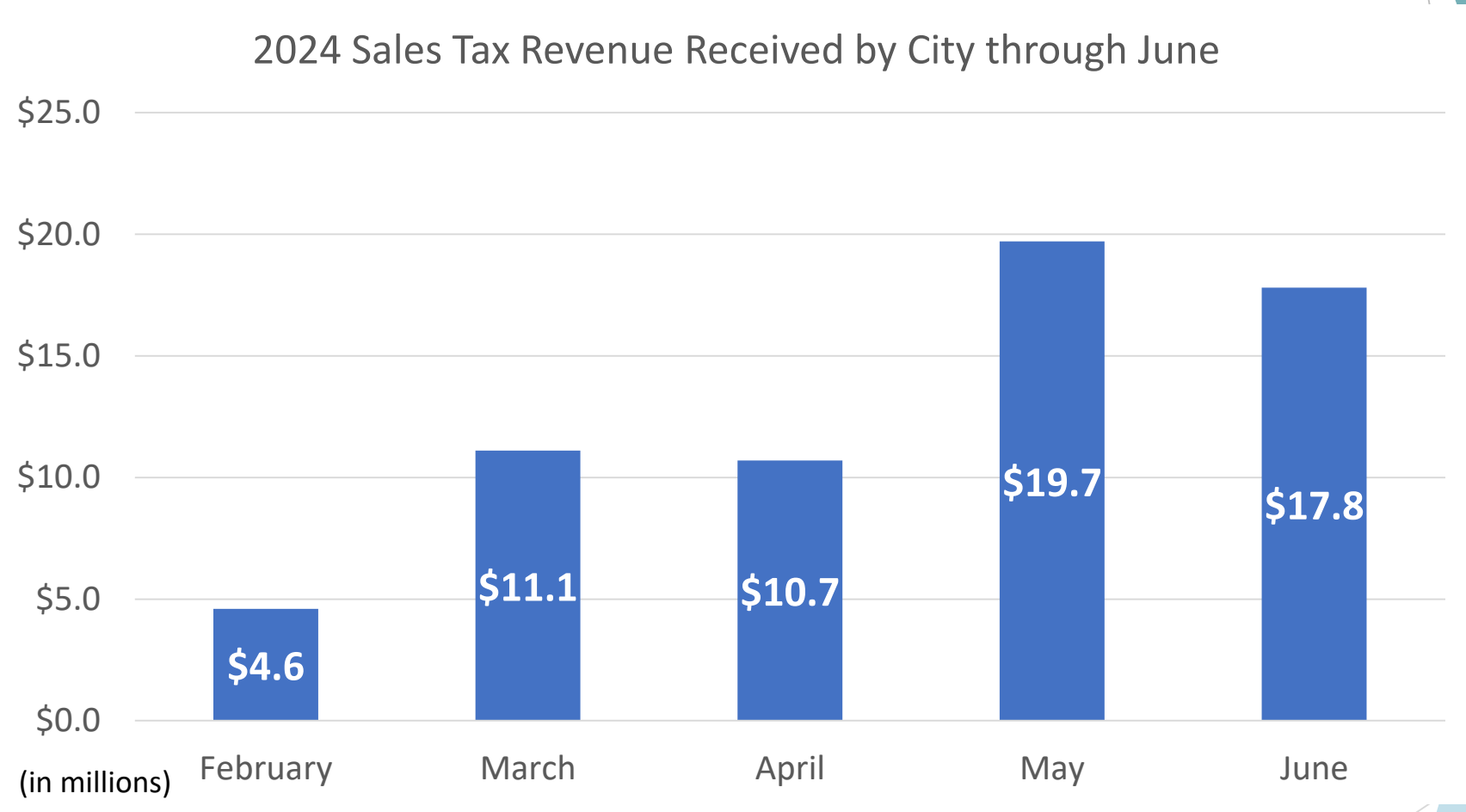
Background

- ▶ January 1st 2024: 2% City of Milwaukee Sales & Use Tax went into effect
 - ▶ Increased from 5.5% to 7.9%
- ▶ Sales tax proceeds collected by retailers and reported to WI Dept. of Revenue (DOR)
- ▶ 2024 City Sales Tax Revenue Estimate: \$184 million
- ▶ Historical data only available at county level, difficult to estimate revenue for a City-only sales tax
- ▶ Purchases made online are taxable at delivery address. Vehicle purchases are taxable where the vehicle is registered. Groceries, medicine, and many other purchases are exempt from sales tax

Background (cont'd)

- ▶ Most sales tax revenue is generated by retailers who submit reports monthly- due date is the 20th or the 30th of the following month
 - ▶ Report for January sales is due February 20th (or 30th)
- ▶ Distribution received by the City on February 25th reflected January sales that were reported early to DOR (before February 15th)
- ▶ Proceeds from 2% City sales tax are distributed to the City around the 25th of each month
- ▶ City received first partial distribution in February, and first “full” distribution in March
- ▶ In order to collect 12 full distributions in 2024, the distributions received by the City in January & February 2025 will be accrued back to the 2024 fiscal year

YTD City Sales Tax Distributions



Total 2024 YTD Revenue: \$63.9 million

Seasonality & Scale Up

▶ Seasonality

- ▶ Spending patterns vary throughout the year, typically lower early in year
- ▶ Q1 2023 Returns as % of full year:
 - ▶ State: 21.5% Milwaukee County: 22.3%
- ▶ Taxable sales generally trend higher in summer months, December

▶ Scale Up

- ▶ New or increased sales tax rates often see slow implementation by retailers
- ▶ Distributions for first few months are low, then pick up later in year
- ▶ Retailers are responsible for remitting correct amount of sales tax proceeds, even if they did not correctly charge customers

Conclusion

- ▶ Too early to project year-end totals
- ▶ Working with Administration, Council to reach out to retailers to ensure they are aware of new sales tax rates and are reporting correct amounts to DOR
- ▶ Next key milestone- 2025 Sales Tax Revenue Estimate (late August-early September)
- ▶ Distributions received by the City are posted on DOR website as they become available, are posted on Comptroller homepage
- ▶ Questions/Comments?