



CITY OF MILWAUKEE COMPTROLLER

Presentation on 2024 Sales Tax Estimate

Finance & Personnel Committee

September 13, 2023

2024 Sales Tax Revenue Estimate



Comptroller's Office 2024 Sales Tax Revenue Estimate:

\$184 million

Original WI Department of Revenue Estimate:

\$193.6 million

Challenges in Developing Sales Tax Revenue Estimate



Historical data only available at County level

- Impossible to accurately distinguish City of Milwaukee sales tax base from rest of Milwaukee County
 - Businesses have only been required to report totals for all sales in Milwaukee County
 - Businesses with multiple locations, some in City of Milwaukee and some in other Milwaukee County communities, do not break down Milwaukee County sales tax revenue by municipality in which is was generated
- Had to rely on several “imperfect” data points to estimate City share of County tax base

Recent historical data impacted by COVID-19 pandemic

Sales tax revenue can be volatile and subject to business cycle fluctuations

First time estimating sales tax

Strategy for Developing Revenue Estimate



Worked closely with WI DOR to obtain insights on key variables

Contracted with consultant for additional data points on key variables

Adjusted our growth forecasts as updated 2023 YTD sales tax data became available

Took a “reasonably conservative” approach to developing assumptions for key variables

Key Factors for Developing Estimate



Baseline- 2022 Milwaukee County sales tax base

Key variables:

- City share of Milwaukee County sales tax base
- Growth forecast- estimated increase in 2023 and 2024

Other factors:

- DOR Administration Fee/Retailer's Discount
- Late Filers
- Private Party Vehicle Sales

Key Assumptions Used in Estimate



City of Milwaukee share of Milwaukee County sales tax base:

- **47%**

Sales tax growth forecast from 2022 baseline:

- **2023: +3.8%**
- **2024: +2.0%**

Sales Tax Collection Process



The 2% City of Milwaukee sales tax will be collected by WI DOR in the same manner as the current 5% State and 0.5% County sales tax

Most sales tax revenue is remitted by businesses to the WI DOR every month, with some exceptions

DOR will send the City monthly “distributions” of sales tax proceeds

First distribution from sales occurring in January 2024 expected to be sent to City in March 2024

Final distribution that will be “accrued” back to 2024 will be sent to the City in late-February 2025

- The February 2025 distribution will largely reflect sales occurring in December 2024

The 2024 sales tax revenue estimate is based on the amount the City is projected to receive in the 12 monthly distributions from WI DOR beginning in March 2024 with the final distribution in February 2025