

BROWN COUNTY

Sales tax increased \$1 million despite a pandemic

Jeff Bollier Green Bay Press-Gazette
USA TODAY NETWORK – WISCONSIN

GREEN BAY — A well-timed U.S. Supreme Court ruling and related legislative action helped Wisconsin and Brown County avoid drops in revenue as consumer spending habits shifted due to the coronavirus.

In fact, governments that receive sales tax distributions saw some significant year-over-year gains in 2020 thanks to an increase in overall consumer spending.

Wisconsin sales and use taxes increased \$140.6 million to \$5.8 billion in 2020, a 2.5% increase.

In Brown County, which enacted a countywide 0.5% sales tax Jan. 1, 2018, sales tax collections increased \$1 million to \$29.6 million in 2020, a 3.6% increase, according to Wisconsin Department of Revenue data, which provides figures for counties that have enacted 0.5% sales taxes.

For comparison, that's \$5 million more than the county ever received in a year under its sales tax to pay for Lambeau Field renovations, which maxed out at \$24.6 million in 2014.

Figures are reported monthly, but the distributions — DOR's term for funds taxing entities receive — can lag a month or two behind. Companies that collect the tax often pay it a month or two later, or sometimes annually, which can make month-to-month comparisons difficult.

The increases might seem counterintuitive at a time when retailers, restaurants, bars, entertainment venues and tourist attractions across the state continue to struggle, hoping to eke through the pandemic.

But macroeconomic data shows consumer spending, which dropped sharply in March and April, quickly recovered in May and grew 5-10%, said Noah Williams, director of the University of Wisconsin-Madison's Center for Research on the Wisconsin Economy.

See TAX, Page 3A

Tax

Continued from Page 1A

Williams attributed the increase to shifts in consumer spending, pandemic relief checks sent to low- and middle-income Americans, and enhanced unemployment benefits that paid unemployed workers an extra \$600 per week through July and now provide an extra \$300 per week through March 14.

"It's striking," Williams said. "Consumption had a short-run hit but came back quickly. Incomes have been high. But underlying this, there's some big shifts in patterns of consumption across industries and online versus in-store."

'We'd be looking at a different situation'

Those big shifts might have proved as detrimental to sales tax coffers as they did other local and state government revenue streams, if not for South Dakota v. Wayfair Inc.

In that case, the U.S. Supreme Court in 2018 upheld South Dakota's law that requires out-of-state businesses that sell to state residents to charge, collect and remit sales taxes. Prior to the ruling, states could only require businesses with a physical presence in the state to collect and remit sales taxes. The change means you now pay sales tax when you check out at Wayfair, Amazon and other digital retailers.

Wisconsin passed a law in 2019 that ensured it could collect those taxes on out-of-state sales, said Chad Weininger, Brown County's director of administration. The law does have exceptions for remote retailers who do less than 200 transactions or \$100,000 in business annually with in-state residents.

Weininger said Wisconsin Department of Revenue economists projected the Wayfair ruling would generate an additional \$150,000 annually for the county. Last year, he said, it was closer to \$250,000.

"This ticked up a lot," Weininger said.

Williams said macroeconomic trends show double-digit growth in online sales while in-store shopping, not unexpectedly, dropped during the pandemic.

"Without the Wayfair decision, we'd looking at a different situation," he said. "Nationally, we've seen a 18% growth last year in online sales while in-store was down about 10%. There would have been a whole lot of transaction growth that would have been untaxed in the state without (the Wayfair decision)."

This shift is one most shoppers have probably grown familiar with after living with the coronavirus for 11 months: From in-store to online, vacation rental to home improvements, from tickets to sporting events to sporting goods.

"Not surprisingly, travel and tourism are all way down. Goods spending overall has increased, but they're spending on home goods, sporting goods, and home entertainment," Williams said. "People aren't going out as much or on vacation, so they're spending to make life at home better."

Swimming pools and sporting goods

Sporting goods, in particular for winter activities like cross country skiing, have seen a huge spike in sales, said Chris Zeller, a third generation co-owner of Zeller's Ski & Sports in Green Bay. The shop, a fixture in Green Bay since the 1950s, sold out of its inventory of cross country skis and snowshoes before Christmas.

"It's something you can do outside, while you wear a mask," Zeller said of cross country skiing. "You can ski with a small group of family members and there's not a lot of people on the trail. With the lack of school activities like soccer, volleyball and basketball, families are figuring they have to get out and do something. The sport is just booming right now."

The specifics of what consumers buy can also push sales tax distributions up or down since some products are taxed while others are not, said Robert Schmidt, administrator for Revenue's

Division of Research and Policy.

For example, if you bought a home exercise bike in lieu of a gym membership last year, the bike is a taxable product while a monthly membership is a service, thus not taxed.

Conversely, consider a sandwich: A pre-made sandwich is a product that is taxed, but essential groceries like bread, turkey and lettuce are not taxed. So more trips to the grocery store rather than a sit-down restaurant would decrease taxes paid.

The sales tax applies to all of Brown County. But a look at Green Bay building permit data can provide other examples of how consumer spending shifted during the pandemic, yet still fueled an increase in sales tax collections.

A caveat: Every permit issued or bit of repair requested cannot be traced directly back to a pandemic-influenced decision, but the increases do match up well with macroeconomic shifts Williams reported.

Take, for example, swimming pools and decks.

The city issued 34 swimming pool permits last year at an estimated value of \$722,280, more than the 29 pool permits issued in 2018 and 2019 combined. Deck, porch and patio permit numbers remained steady year over year at 124, but the permit values increased \$118,418.

The number of residential alteration and addition permits, which cover general home improvements and expansions, dropped slightly, but the value of those improvements increased 56.6% from \$4.3 million to \$6.7 million in 2020.

Impact on Brown County's plans

With 2020 in the books, the county is now at the halfway point in its six-year plan to impose the 0.5% sales tax in order to pay for county improvement projects.

The tax has generated \$80.7 million in three years, or 54.9% of the \$147 million Brown County wanted to collect before the tax ends Dec. 31, 2023. The

County Board of Supervisors approved the plan in 2017 with the intent to pay down debt, fund facility improvements without borrowing and to help pay a part of the \$93 million Resch Expo project.

The \$147 million would pay for:

- Resch Expo: \$15 million
- Infrastructure, Roads and Facilities Projects: \$60 million
- Jail and Mental Health Projects: \$20 million
- Libraries: \$20 million
- Resch Expo maintenance fund: \$10 million
- Medical Examiner and Public Safety Projects: \$10 million
- Museum Project: \$1 million
- Parks and Fairgrounds Project: \$6 million
- STEM Innovation Center: \$5 million

The sales tax dollars will pay off debt issued for Resch Expo until 2029. From then on, hotel room taxes will pay off Resch Expo debt.

The sales tax plan approved in 2017 including a freeze on the county's property tax rate and debt reduction. Brown County had about \$120 million in debt to pay off when the tax went into effect and now o \$70 million.

Even with three solid years of distributions, County Executive Troy Streckenbach is not ready to start budgeting excess dollars or ending the sales tax sooner than planned. Consumer spending might decline if the pandemic rages on or the area's key employers might be hit by a recession that sends distributions way down.

"From our perspective, we're very confident in where we are today. But until all those projects have been funded and completed, we really don't hold our breath or count a year as a good one," Streckenbach said. "When the projects have been completed and we've brought them in, then we will say 'mission accomplished.'"

Contact Jeff Bollier at (920) 431-8387 or jbollier@gannett.com. Follow him on Twitter at @GBstreetwise.