**Fiscal Facts:** **Sales Tax Revenues Begin to Slow**

As the nation emerged from the pandemic, a surge in purchasing and economic activity fueled strong growth in Wisconsin’s sales tax revenues. But in recent months this growth has slowed considerably, preliminary 2024 figures show.

Wisconsin businesses reported $2.73 billion in state sales tax collections in the first five months of 2024, a 0.4% increase over $2.72 billion in the same five months last year. With the exception of 2020, this was the smallest year-over-year increase for these months going back to at least 2016.

When lawmakers passed the state budget last summer, sales tax revenues in the 2023-24 fiscal year (which ended June 30) were projected to total $7.64 billion, a 2.5% increase from the $7.46 billion collected the year prior. That would have been the smallest annual increase since the Great Recession, when sales tax revenues actually declined in both 2009 and 2010. And as of May 2024, reported revenues to date in the fiscal year that ended on June 30, 2024 were only 1.9% higher than through the same month in 2023.

Inflation was high during the period of rapid sales tax revenue growth in 2021 and 2022, meaning that the same level of purchasing still led to a marked increase in sales tax revenues. While inflation has decreased markedly since then, in 2024 it remains above where it was in the years preceding the pandemic -- making the current slowdown in sales tax revenues even more notable.

In Wisconsin, the state collects a 5% sales tax, while counties also are permitted to levy an additional 0.5% sales tax. Last year, Gov. Tony Evers signed into law 2023 Wisconsin Act 12, which allowed Milwaukee County to increase its sales tax rate from 0.5% to 0.9%. It also allowed the city of Milwaukee to levy a 2% sales tax, the first of its kind for municipalities in the state.

As of the end of June 2024, 68 of 72 counties in Wisconsin chose to levy a 0.5% sales tax, with Manitowoc, Racine, Waukesha, and Winnebago the exceptions. Comparing the first six months of 2024 to the first six months of 2023, the 26 counties saw their sales tax revenues decline, including very populous counties like Dane (-2.7%), Brown (-1.4%) and Kenosha (-2.3%). On the other hand, many counties in northwest Wisconsin saw strong growth.

Milwaukee County’s sales-tax rate increase did not materialize in the reported data until March of this year. From March to June 2024, businesses in Milwaukee County reported revenues of $53.9 million in county sales taxes, a 67.0% increase from the $32.3 million reported in the same months in 2023. Given that the county’s sales tax rate increased by 80%, however, it appears that taxable sales in the county may actually be falling, much like other populous counties in the state.

Businesses that submit sales tax information to the state Department of Revenue are grouped into 21 sectors. The retail sector contributes the largest amount in sales tax revenues by far, at nearly half of total revenues.

Total reported retail sales tax revenues grew by 0.6% from the first five months of 2023 to the first five months of 2024. Only one of the 12 retail subsectors saw growth of more than 1.5% in the same period: non-store retailers, which include online businesses like Amazon. Non-store retailers reported bringing in an additional $12.7 million in January to May 2024 compared to the same months in 2023, while all other retail sectors brought in $4.4 million less over the same time period.

Overall, the trend of slowing sales tax revenues may be partially due to declining inflation on durable goods, which make up the vast majority of the sales tax base. Sales tax revenues are an important revenue source for the state and most counties, and revenues in the coming months will be critical to determining future budgets in 2025 and beyond.

*This information is a service of the Wisconsin Policy Forum, the state’s leading resource for nonpartisan state and local government research and civic education. Learn more at* [*wispolicyforum.org*](https://wispolicyforum.org/research/state-tax-burden-up-but-overall-burden-still-falling/)*.*