

# RACINE COUNTY SALES AND USE TAX

## FREQUENTLY ASKED QUESTIONS

Updated: October 28, 2024

### WHAT SERVICES DO WISCONSIN COUNTIES PROVIDE?

County governments provide a wide array of services (many of which are mandated by state law) that are critical to the community and the health and safety of its residents. Counties provide most social service programs (e.g., child welfare, public health, mental health, jail, juvenile justice, services for the aged and disabled, developmental disabilities, etc.), local and state road maintenance, cultural and recreational amenities (e.g., parks), law enforcement, and health services.

Counties also act as the local presence of the state and carry out certain critical functions of the state government. For example, clerks of circuit court administer the state court system, county sheriffs apprehend violators of state laws, county clerks manage elections, treasurers bill and collect state taxes, and registers of deeds keep certain state records, such as birth and death certificates, marriage licenses, and property deeds.

In summary, counties provide numerous state-mandated but not state-paid-for essential services to their residents such as human and social services, child welfare, law enforcement, health services and highway repair and maintenance, just to name a few. If any of these essential services cannot be fully funded, then county residents who rely on these services would be placed in risk of real harm.

### HOW DOES RACINE COUNTY FUND CRITICAL SERVICES AND STATE-MANDATED FUNCTIONS?

Racine County's general fund is the primary source of funding for critical services and state-mandated functions such as operating a county jail, managing 911 dispatch services, and providing emergency (and diversionary) law enforcement and mental health services. **Like virtually every Wisconsin county, Racine County faces a structural imbalance due to state cuts, stagnant revenues, and increasing costs. Unlike 69 of the 71 other counties, Racine County does not have a county sales and use tax and its property taxpayers presently shoulder 100 percent of debt obligations.**

Local governments across Wisconsin are dealing with increasing debt burdens. A [report](#) from the Wisconsin Policy Forum found that total debt owed by the state's cities, counties, villages, and towns rose by 5.4 percent to \$11.04 billion in 2020 – the highest amount on record. Meanwhile, property taxes in Wisconsin continue to rapidly rise. Factors contributing to the growth include voter-approved school referenda and increases in state revenue limits on schools.

Based on 2023 Wisconsin Department of Revenue data, the cost to operate Racine County government makes up approximately 14% of the total property taxes levied in Racine County, so other units of government and taxing districts (e.g., school districts, technical colleges, municipal, special tax districts, etc.) combined have a significant impact on individual property tax bills.

Debt is an instrument used by local governments to make investments (e.g., building roads or replacing/upgrading infrastructure). The Wisconsin Policy Forum [suggests](#) that state-imposed levy limits may be leading some local governments to use debt for spending they would have once paid for with cash and that such practice may not be financially sustainable.

Amidst this backdrop, Racine County has long been recognized as a leader among the 72 counties. It is known for consistently and successfully delivering essential services at a high level while remaining fiscally conservative and being responsible stewards of taxpayers' money. Additionally, Racine County

has a relatively low mill rate<sup>1</sup> and, consequently, lower property taxes, when compared to counties with similar consumer spending.

County	Population	2024 Mill Rate	2024 Levy	2023 Net New Construction	FTE	2023 Sales Tax
Kenosha	169,151	3.35	\$75,882,414	2.71%	1,086	\$20,411,590
Outagamie	190,705	2.91	\$65,317,152	2.26%	1,214	\$25,774,443
Racine	197,727	2.72	\$60,816,784	1.60%	1,057	-
Rock	163,687	4.09	\$75,500,871	2.14%	1,370	\$19,417,941
Winnebago	171,730	3.84	\$72,628,133	1.23%	1,113	-

It is noteworthy that Racine County maintains its outstanding reputation in delivery of critical services despite ranking **71 out of 72 counties** in county highway spending per capita and **72 out of 72 counties** in health and human services spending per capita.

With increased debt burdens, local governments increasingly put more of the property tax levy toward debt payments.

### HOW DOES WISCONSIN COUNTY SALES TAX OPERATE?

Under state law, counties are authorized to levy a sales tax of up to 0.5% on top of the 5% sales tax imposed by the state. Racine County remains one of only four counties to not levy the 0.5% sales tax. Meanwhile, effective January 1, 2024, Racine County’s neighbor to the north – Milwaukee County – *increased* its sales and use tax from 0.5% to 0.9% (*i.e.*, higher than any other Wisconsin county).

Sales tax is essentially a consumption tax (*i.e.*, taxes people when they purchase certain categories of goods or services). **Unlike property tax, which can be levied only against property owners within Racine County and payment amounts of which can deviate based on tax avoidance strategies, sales tax is applied uniformly on all eligible purchases regardless of whether or not the purchaser resides in Racine County.** Because sales and use taxes apply to goods and services, and not real estate, they generate revenue from non-residents who shop, eat, vacation, and enjoy entertainment venues. In other words, **sales and use taxes spread the tax burden to all of the people who use the infrastructure and services that the tax supports.** As the tax base is broadened to include non-residents, county property taxpayers necessarily receive tax relief. A body of research shows that, overall, sales-tax rates are not noticeable enough to consumers to make them change their spending behavior.

### WHAT ARE THE PROJECTED REVENUES FROM A COUNTY SALES TAX?

Projected revenues from a local 0.5 percent sales tax are reasonably estimated to be a **minimum of \$20 million per year with a realistic opportunity to exceed \$25 million** during a 12-month period. Sales taxes increase or decrease with the economy. The reliability of the sales tax can also depend on the amount of sales tax used within a county budget and Racine County is steadfast in its longstanding commitment to conservative budgeting practices as evidenced by the allocation of \$2 million of all tax revenues collected, beginning in 2026, toward debt service on general obligation debt. The Interim County Executive’s proposed 2025 budget also allocates \$1 million in tax revenues collected in 2025, toward debt service on general obligation debt.

<sup>1</sup> The mill rate is a figure representing the amount per \$1,000 of the assessed value of property, which is used to calculate the amount of property tax

## **WHAT PORTION OF PROJECTED COUNTY SALES TAX REVENUES WOULD COME FROM SPENDING BY NON-COUNTY RESIDENTS?**

Approximately 20-25 percent of the projected sales tax revenue is projected to come from spending by non-county residents and can be put toward debt reduction and/or controls. Without a county sales tax, 100 percent of debt obligations would be shouldered by county property taxpayers. **Sales and use taxes benefit county residents by allowing them to enjoy a reduced property tax burden that is paid for in part by the in-county spending of out-of-county visitors.** In contrast, borrowing falls solely on the resident property taxpayers and then compounds the burden as those taxpayers are responsible for both the borrowed principle and the interest payments (*i.e.*, it is more costly to resident-taxpayers).

## **WHAT IS THE ANTICIPATED IMPACT TO COUNTY RESIDENTS?**

In order to avoid critical service cuts, the average resident could expect to pay approximately \$126 per year if Racine County levied a 0.5 percent sales tax, with a reasonable expectation that the number would be reduced – and the difference borne instead by non-residents. It is important to note that the proposed county sales tax would be imposed on retailers who make taxable retail sales, licenses, leases, or rentals on tangible personal property, such as clothing, entertainment, computers, boat docking, office equipment, cable television, landscaping, calls and messaging, and rooms and lodging. Additionally, certain digital goods are also included. Essential items are exempt from this tax, including prescription drugs, medical equipment, insurance, food and food ingredients, manufactured homes, motor vehicle and alternate fuel, electricity and natural gas (from November to April), and water utilities. Additionally, the revenue generated will help fund critical services, including those that directly benefit low-income individuals, such as public safety, health services, and direct property tax relief. The Interim County Executive's proposed 2025 budget allocates \$1 million in tax revenues collected in 2025, toward debt service on general obligation debt. Under Ordinance No. 2024-60-S, beginning in 2026, \$2 million of sales tax received will go toward debt service on general obligation debt. The average homeowner can expect to see a tax credit of \$10-32 on their property tax bill starting in 2026.

## **WHO HAS THE AUTHORITY TO LEVY A COUNTY SALES TAX?**

County boards have the [authority](#) to implement a half percent sales tax by adopting an ordinance with a majority vote of the members of the board. The ordinance shall be effective on the first day of January, April, July, or October. After an ordinance is adopted, a certified copy of that ordinance must be filed with the Department of Revenue at least 120 days prior to its effective date.

## **ONCE A COUNTY ENACTS A SALES TAX, CAN IT BE ENDED AT SOME POINT? IF SO, HOW?**

State law allows for the repeal of a county half percent sales tax through the repeal of the ordinance that the county passed to adopt the tax. A certified copy of the ordinance must be delivered to the secretary of the Department of Revenue at least 120 days prior to the effective date of the repeal. The repeal of such ordinance shall be effective December 31. It is important to note that Racine County's financial advisors urge the avoidance of any sunset provision due to the anticipated negative perception of credit rating agencies (which, in turn, would result in increased costs and property tax impacts).

## **WHAT CAN A COUNTY HALF PERCENT SALES TAX BE USED FOR?**

State law requires that a county sales tax be used for the reduction of property taxes. However, a dollar-for-dollar offset is neither required by state law nor workable under the levy limit statute. In simple terms, the same amount of countywide property tax reduction occurs whether a county chooses to budget revenues from net proceeds of the sales and use tax as a reduction in the overall countywide property tax levy or as an offset against a portion of the costs of specific items which can be funded by the countywide property tax. Notwithstanding that flexibility, Racine County's recently approved sales and use tax ordinance specifically requires, among other things, that \$2 million of tax revenues collected, beginning in 2026, shall go toward debt service on general obligation debt to effect direct property tax relief. The Interim County Executive's proposed 2025 budget also allocates \$1 million in tax revenues collected in 2025, toward debt service on general obligation debt.

**WHAT WILL THE SALES TAX BE USED FOR?**

Sales tax revenue will be included in the non-allocated revenues department. A schedule will be included in the annual budget book with anticipated uses by department (e.g., veterans service office, capital equipment, etc.). Priorities for these funds will be established by the County Executive and authorized by the County Board of Supervisors and are expected to be set forth by policy. That policy is expected to include an estimated amount of intended use to defray the cost of operations which can be funded by a property tax levy (i.e., indirect property tax relief), capital, reserves, and toward debt service on general obligation debt.

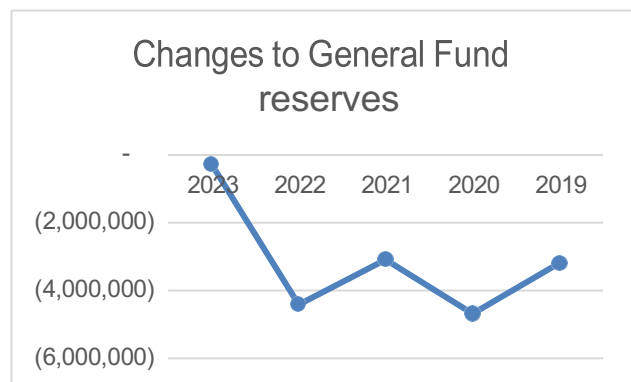
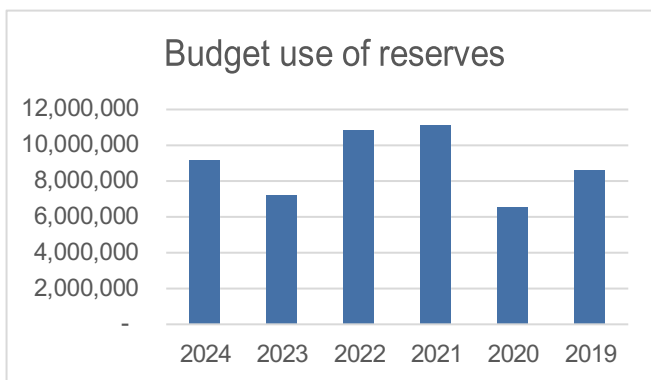
**HOW DOES THE PROPOSED ORDINANCE ENSURE PROPERTY TAX RELIEF?**

The sales and use tax ordinance includes provisions ensuring that (i) the property tax levy is not increased; (ii) at a minimum, \$2 million of tax revenues collected, beginning in 2026, shall go toward debt service on general obligation debt; (iii) Racine County will calculate and make publicly available the amount of property tax reduction achieved; and (iv) the Racine County Finance Director will periodically report and analyze the revenues derived under the sales and use tax. Sales tax revenues will additionally be used to defray the cost of operations which can be funded by a property tax levy, offset borrowing for capital projects, and/or be placed in financial reserves.

**HOW IS THE ANNUAL BUDGET CREATED?**

The annual budget process fully begins in May of each year. Each department submits their request for operations and capital budgets to the Finance Department by end of July. The first draft of the budget is prepared in August and departments have an opportunity to discuss their budget with the County Executive and County Board leadership. During this time, information about net new construction and equalized value is released by the Department of Revenue, informing us of the allowable increase in property tax levy and the anticipated mill rate. Year after year the expenditures of the operating budget exceed the new revenue, and the County Executive and County Board makes the hard decisions on how to balance the budget.

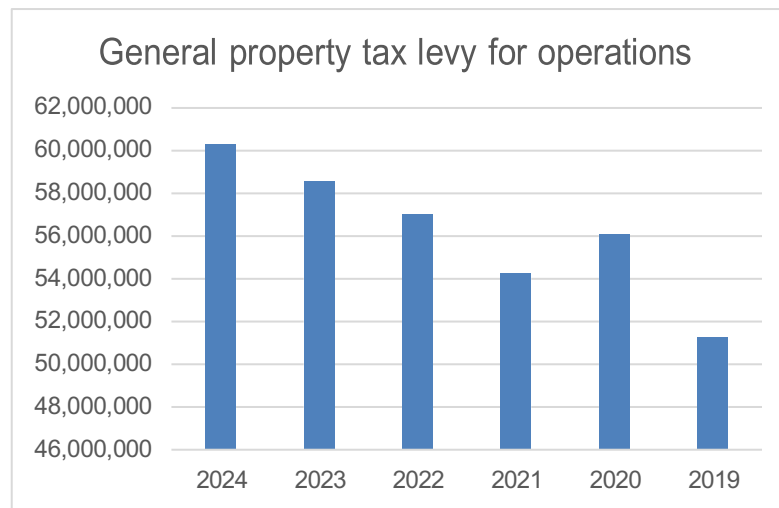
A review of annual budgets since 2019, shows the use of financial reserves to balance the budget has regularly been between \$6 to \$11 million. However, in that same time period, the County has not once added back into the general fund financial reserves during year end. This means that a) budgeted revenues and expenditures are not able to cover all operating expenses and b) the actual amount of revenues and expenditures are leading to a net loss every year.



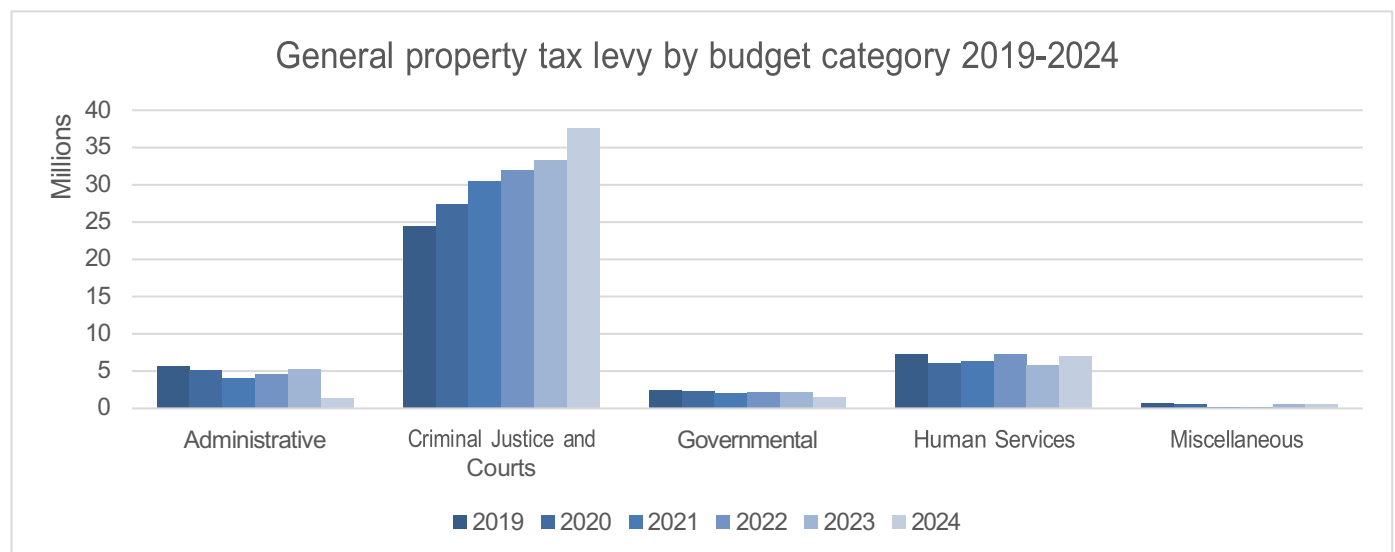
The standard practice for departments in requesting budget is to present a zero increased budget except for things that are contractually obligated or mandated to increase (e.g., software subscription contracts, union agreement contracts). The County Executive decides on other factors that may influence the budget such as personnel wage increases and changes to the self-funded health insurance. Each budget year starts with a deficit which incorporates all these decisions. The preliminary 2025 budget deficit was \$17 million. This deficit has remained steady over the last five years and was covered with American Rescue Plan Act funding and financial reserves. Neither of those options are available any longer.

**HOW HAS THE BUDGET BEEN ALLOCATED IN RECENT YEARS?**

The property tax levy is made up of operations and debt services. The operations levy may only increase by the amount of next new construction. The County’s new growth has been under 2% in the last three years, adding about \$800,000 new revenue annually.

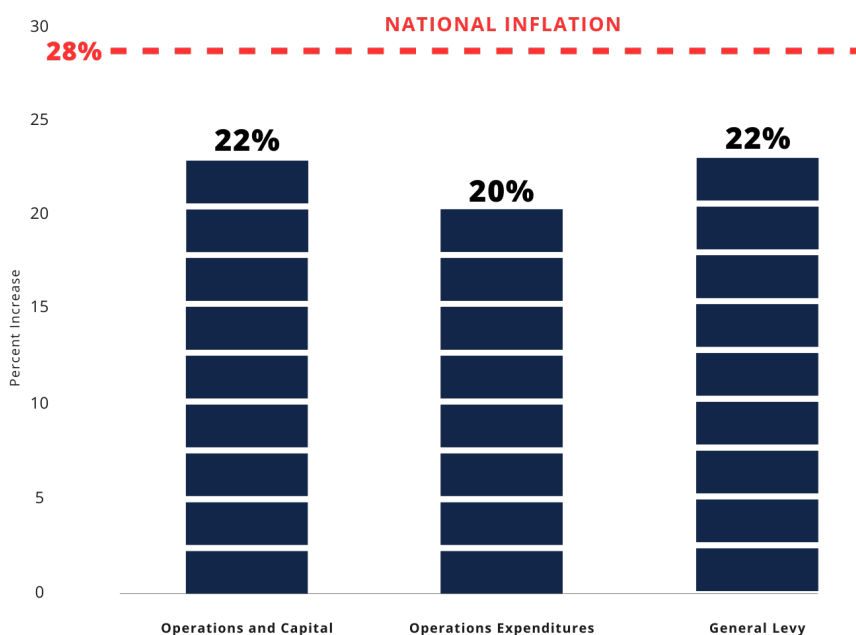


The general property tax levy may be used on any governmental expense. This can include Public Works, Sheriff, Human Services, and other departments included in the governmental funds. A review of annual budgets since 2019, shows that the property tax levy needed for many departments remain flat while the Criminal Justice and Courts area steadily grows.



## HAS RACINE COUNTY EXHAUSTED ALL OTHER OPTIONS?

A review of annual budgets since 2015, shows that the county property tax levy has not kept pace with national inflation and operational spending in that time period.



Moreover, Racine County continuously implements lean organizational adjustments and “belt tightening” actions and has exhausted all other reasonable options to delay a sales tax, including: asset divestment (e.g., sale of Ridgewood Care Center and County-owned land), use of one-time funding sources (e.g., American Rescue Plan Act, opioid settlement, Microsoft proceeds, etc.), elimination/reduction of nonessential programs/positions, service consolidation (e.g., public health, 911 dispatch services, etc.), health care solutions, periodic wage freezes, and furloughs. Again, **despite being fifth most populous county in Wisconsin, Racine County ranks 71 out of 72 counties in county highway spending per capita and 72 out of 72 counties in health and human services spending per capita.** Unfortunately, Racine County is at a critical tipping point where further avoidance of a sales and use tax will invariably result in higher employee turnover, increased property tax impacts, service cuts, and placing county residents who rely on critical and timely services (e.g., overseeing fair administration of elections, snow removal, human and social services, child welfare, emergency mental health interventions, law enforcement, highway repair and maintenance, etc.) in risk of real harm. Racine County faces a preliminary \$17 million deficit. It is estimated that 156 additional positions (i.e., in addition to those positions that would otherwise remain unfunded and other cost-savings measures in the proposed 2025 budget) would need to be eliminated or otherwise defunded in the 2025 budget without a county sales tax taking effect April 1, 2025. Of those 156 positions, 91 positions would come from within the Racine County Sheriff’s Office but across-the-board reductions would be necessary. Defunding the Sheriff’s Office and other critical services to such a degree could lead to catastrophic outcomes for the community.

While preparing his 2025 budget, County Executive Thomas Roanhouse remains committed to fiscal responsibility. The budget will incorporate a variety of “belt tightening” actions such as avoiding the creation of new positions and prudent cuts.

**WHEN IS RACINE COUNTY EXPECTED TO CONSIDER ENACTING A SALES TAX ORDINANCE?**

Ordinance No. 2024-60-S was approved and adopted by the Racine County Board of Supervisors on October 24, 2024. The half percent sales tax will take effect April 1, 2025. Upcoming public meetings related to the 2025 budget will be held on the following dates at Ives Grove Office Complex, 14200 Washington Avenue, Sturtevant, WI 53177:

October 30, 2024, at 5:00 p.m.  
Finance and Human Resources Committee  
*2025 Budget Deliberations*

November 4, 2024, at 6:30 p.m.  
Racine County Board of Supervisors  
*2025 Budget Approval*

November 12, 2024, at 6:30 p.m.  
Racine County Board of Supervisors  
*Set Levy*