ECONOMIC ACTIVITY IN A

PANDEMIC

WISCONSIN TAXABLE SALES IN MARCH & APRIL

DALE KNAPP, DIRECTOR

FORWARD ANALYTICS
forward-analytics.net

June 2020

Executive Summary

Economic Activity in a Pandemic

According to recently released data from the Wisconsin Department of Revenue, taxable sales in Wisconsin declined 10.5% in March and April compared to the same months in 2019. These two months represent the early stages of the Covid-19 pandemic in Wisconsin and the “Safer at Home” order issued in late March and lasting through May.

Taxable sales varied widely by both industry and by county. Among the larger industries that were hardest hit during this period were Accommodation (-64%), Clothing and Accessories Stores (-57%), Food and Drinking Establishments (-42%), Motor Vehicle and Parts Dealers (-27%), and Furniture and Home Furnishing Stores (-25%).

The biggest beneficiary in terms of sales were online sellers such as Amazon. Nonstore Retailers saw taxable purchases rise 66% during March and April compared to the same months in 2019. Taxable sales rose 23% at food and beverage stores and 16% at building material and garden supply stores.

Economic activity varied widely by county with taxable sales off by 31% in Sauk County but up 7% in Burnett County. Of the 66 counties with sales taxes in place in 2019 and 2020, 14 saw more economic activity this year compared to last year. The sales data show there was an urban/rural component to the changes. As a group, urban counties saw a decline of 11.9% while rural counties experienced a drop of 6.5%.

Economic Activity in a Pandemic

Wisconsin Taxable Sales in March & April

Dale Knapp, Director

By early March of this year, it was widely known that the Covid-19 virus would affect Wisconsin. What was less clear was how severe the disease would be in the state.

On March 12, Wisconsin declared a state of emergency in response to the virus. Two weeks later, on March 25, Governor Tony Evers issued a "Safer at Home" order, which limited human interaction to help slow the spread of the virus. The order closed or severely restricted many businesses and encouraged residents to stay at home as much as possible. Most states across the country enacted similar orders.

These orders were implemented in a time of uncertainty. Virologists were continuing to learn about the lethality and transmissibility of the virus. Economists knew these orders would have major economic impacts but were unsure of the severity or length of the effects.

This report examines changes in economic activity in Wisconsin during March and April of this year compared to the same months in 2019.

STATEWIDE CHANGES

The Wisconsin Department of Revenue (DOR) recently released detailed taxable sales data for March and April[1]. These data shed light on changes in economic activity during the early stages of the Covid-19 pandemic in Wisconsin.

To examine economic activity during the spring of 2020, these data were compared to similar data from 2019. These two months cover the lead in to the "Safer At Home" order when concern over the virus was growing and the period in which the order was in effect.

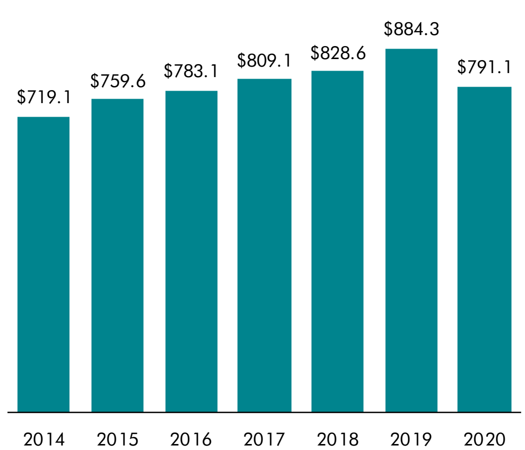
DOR figures show taxable sales statewide during March and April of 2020 declined 10.5% over the same period in 2019, dropping from $884 million to $791 million. The decline returned state collections during those two months to a level similar to 2016 (see Figure 1).

By month, taxable sales in January and February of 2020 were above prior year sales by 9.9% and 10.0% respectively. Taxable sales in March dropped 8.1% followed by a 13.1% drop in April.

Collections by Industry

A deeper look at tax collections by industry provides insight into consumer behavior during these two months.

FIGURE 1: Taxable Sales Fall in March and April
March/April Taxable Sales by Year, 2014-2020



1 The data generally cover sales occurring in March and April. However, some businesses file sales tax returns quarterly. For these filers, the March return represents sales occurring in January through March.

Sales taxes from hotels and motels dropped more than 60% during March and April. Taxable restaurant and bar sales fell 42% from 2019.

The "Safer at Home" order effectively shut down most short-term lodging facilities. As a result, taxable sales from these entities plummeted 64% over the prior year (see Table 1).[2] They dropped 48% in March and 81% in April.

During the end of March and all of April, restaurants and bars were allowed to only offer takeout. Some establishments were not open during this period. As a result, sales were down 42% in the two months studied. Again, sales were down more in April (53%) than in March (33%). The decline had a large impact on overall state sales tax collections as nearly 10% of taxable sales in typically are from this industry.

Several smaller industries were affected more from the pandemic and the state order due to temporarily closing or reduced consumer traffic. Sales from clothing stores fell 57% year over year. Sales at museums, historical sites, performing arts, and spectator sports dropped more than 60% over the two months studied.

Two other major industries saw sales fall at least 25%. Car dealers and automobile parts retailers typically account for more than 13% of March and April taxable sales. Their sales dropped 27% in the two months studied. Sales at furniture and home furnishing stores fell 25%.

Several industries saw significant increases in traffic during the "Safer at Home" order. The biggest beneficiary was online sellers such as Amazon. Sales from "nonstore retailers" increased 66% year over year in the two months combined; they were up 83% in April compared to the same month in 2019.

2 *Two very small industries in Wisconsin declined more: scenic and sightseeing, and motion picture and sound recording.*

Table 1: Change in Taxable Sales by Industry

Percent Change in Sales Tax Collections; March & April 2020 vs. 2019

Industry	**Change**
Accommodation	-64.1%
Museums/Historical Sites	-63.5%
Performing Arts/Spectator Sports	-61.9%
Clothing and Accessories Stores	-56.9%
Air Transportation	-48.5%
Food Services and Drinking Places	-42.2%
Motor Vehicle and Parts Dealers	-27.0%
Furniture/Home Furnishings Stores	-24.9%
Sporting Goods/Hobby/Book/Music Stores	-19.4%
Electronics and Appliance Stores	-6.9%
General Merchandise Stores	-1.0%
Telecommunications	0.2%
Bldg. Material/Garden Equip. & Supplies	16.2%
Food and Beverage Stores	23.4%
Nonstore Retailers	66.0%

While most grocery store sales are not taxable, this industry still accounts for almost 3% of taxable sales. Taxable purchases in these stores climbed 23% from 2019. Signs of "stocking up" in March show up in the data as purchases rose more in that month (29%) than in April (18%).

Finally, residents appear to have flocked to building material and garden supply stores where sales rose 16% over the year. With residents at home during much of this period, it appears that many accomplished home repairs or started gardens.

By County

Just as consumer behavior varied by industry, it also varied by county.

Figure 2 on page five shows changes in county taxable sales ranged from a decline of 31% in Sauk County to an increase of 7% in Burnett County. In 14 of the 66 counties studied, taxable sales were higher in March and April of 2020 compared to the same months in 2019.

After Sauk County, the counties of Dane, Milwaukee, and Brown had the largest sales declines, ranging from -14.8% to -16.4%. These are three of Wisconsin's most populous and urban counties and, along with Kenosha and Waukesha counties, had the most positive cases of Covid-19.

Waukesha County does not have a sales tax, so activity there could not be tracked. Kenosha County's taxable sales fell nearly 11%.

The overall state decline of 10.5% was influenced greatly by relatively large drops in populous counties. The median county change was just -4.5%. In other words, half the 66 counties studied had gains or declines less than 4.5%.

There was also an urban vs. rural component to the changes. As a group, metropolitan counties experienced a drop of 11.9% while rural counties saw taxable sales fall 6.5%.

By County and Industry

There was wide variation in industry sales by county. Data by county does not allow for analysis at the same level of detail as state data does, so larger industry groups are examined here.

One example of the variation was in the accomodation and food service sector. Statewide, sales at these businesses dropped 46% in March and April combined. However, in Crawford, Polk, and Waushara counties, the drop was less than 30%. In Florence and Sauk counties, sales at these businesses fell more than 70% (see Table 2 on page 6).

The variation in retail sales was even more striking. Statewide, retail sales were off 5.5% from a year ago. However, in Adams, Burnett, Florence, Marquette, and Polk counties, they were up more than 15% from a year ago. In Dane, Milwaukee, and St. Croix counties, retail sales fell more than 10%.

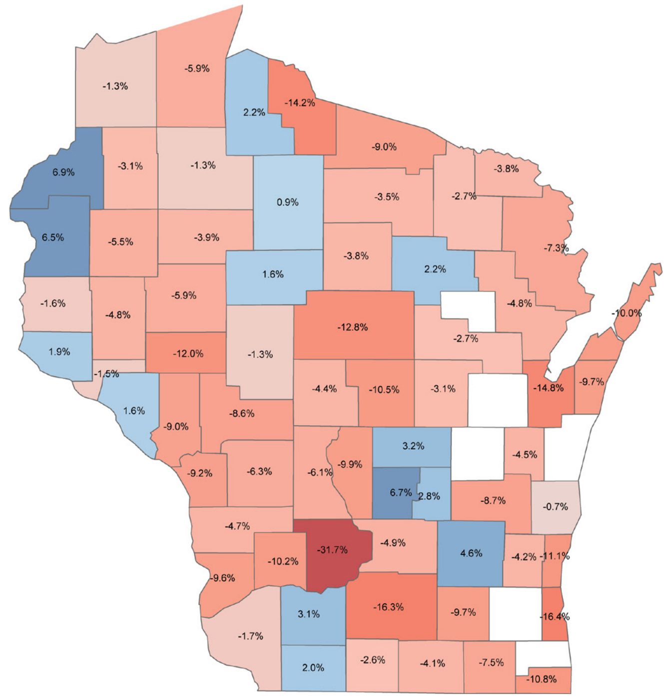
The information sector includes telecommunications, data processing, and related services. These services have grown in importance during the pandemic and related shutdowns. Statewide, sales in this sector increased 0.6%. However, in 10 counties taxable sales rose more than 20%. In four, they fell more than 5%.

Wholesale trade accounts for 6% of all taxable sales and declined 3% in March and April combined. Again, changes varied throughout the state. Most small counties generate few taxable sales in this industry, allowing relatively small changes to generate large percentage gains or losses. This is evident in the four small counties with gains of more than 40% and the three with declines of more than 30%.

However, there was wide variation in more urban counties as well. In Eau Claire, Marathon, and Milwaukee counties, declines topped 20%. In La Crosse and Rock counties, sales were up more than 30%.

Figure 2: Change in Taxable Sales Vary

Change in March/April Taxable Sales, 2020 vs. 2019



IN SUM

It was widely understood that the Covid-19 pandemic and Wisconsin's "Safer at Home" order would have economic impact, particularly in terms of consumer purchases. What was not known was the severity of the impact. DOR figures on taxable sales during March and April shed light on the impact; taxable sales were off more than 10% from the same months in 2019. That figure underestimates the actual loss as sales were expected to grow this year.

As expected, hotels, motels, bars, and restaurants saw large declines in activity. The retail sector declined, wit the drop limited by a surge in online sales.

Most surprising was the wide variation in consumer activity by county. Taxable sales rose in 14 counties and declined by more than 30% in one county.

As businesses begin opening again, consumer activity will rebound. It is unclear, though, whether that rebound will be quick or a slow move back to "normal."

Table 2: Percent Change in Economic Activity by County and Industry

Percent Change in Taxable Sales; March & April 2020 vs. 2019 (Source: Wisconsin Department of Revenue)

County	Total	Accom./ Fd. Serv.	Retail Trade	Infor- mation	Wholesale Trade
Adams	-9.9%	-63.7%	15.3%	10.7%	-39.9%
Ashland	2.2%	-40.4%	3.3%	-6.7%	42.0%
Barron	-5.5%	-38.2%	-1.4%	9.1%	9.0%
Bayfield	-5.9%	-45.7%	0.2%	7.4%	-3.1%
Brown	-14.8%	-46.2%	-8.7%	4.9%	-4.1%
Buffalo	1.6%	-53.7%	-1.7%	14.9%	43.3%
Burnett	6.9%	-43.3%	19.0%	11.4%	12.5%
Calumet	-4.5%	-35.0%	-4.2%	32.3%	-15.3%
Chippewa	-5.9%	-35.7%	-0.4%	23.9%	-10.1%
Clark	-1.3%	-48.5%	3.6%	13.5%	28.8%
Columbia	-4.9%	-46.1%	-6.6%	-3.7%	8.4%
Crawford	-9.6%	-28.7%	-5.3%	8.9%	-4.9%
Dane	-16.3%	-55.8%	-12.8%	6.1%	-10.4%
Dodge	4.6%	-35.1%	8.3%	11.9%	3.8%
Door	-10.0%	-49.7%	-6.3%	-4.1%	-6.7%
Douglas	-1.3%	-37.8%	7.7%	7.5%	2.3%
Dunn	-4.8%	-41.9%	-1.9%	21.0%	-12.2%
Eau Claire	-12.0%	-45.8%	-4.9%	1.4%	-28.0%
Florence	-3.8%	-73.5%	15.6%	12.0%	56.4%
Fond du Lac	-8.7%	-42.0%	-4.9%	10.7%	-10.8%
Forest	-2.7%	-50.0%	-1.9%	11.0%	23.5%
Grant	-1.7%	-36.3%	2.3%	18.9%	-4.4%
Green	-2.6%	-39.0%	-1.0%	21.3%	-3.5%
Green Lake	2.8%	-38.9%	5.7%	23.8%	2.1%
Iowa	3.1%	-50.7%	3.4%	55.3%	-8.4%
Iron	-14.2%	-32.2%	1.7%	-0.6%	-60.7%
Jackson	-8.6%	-44.2%	-8.0%	9.0%	-16.7%
Jefferson	-9.7%	-34.9%	-7.9%	10.5%	-8.3%
Juneau	-6.1%	-36.9%	-3.7%	12.3%	-9.0%
Kenosha	-10.8%	-40.2%	-5.2%	2.7%	-13.2%
Kewaunee	-9.7%	-33.0%	-7.9%	3.5%	37.9%
La Crosse	-9.2%	-46.1%	-2.6%	-0.6%	38.6%
Lafayette	2.0%	-40.4%	4.1%	30.8%	40.4%

County	Total	Accom./ Fd. Serv.	Retail	Infor- mation	Wholesale Trade
Langlade	2%	-32%	7%	8%	-14%
Lincoln	-4%	-39%	-2%	12%	-2%
Marathon	-13%	-46%	-7%	3%	-28%
Marinette	-7%	-40%	-1%	-2%	18%
Marquette	7%	-31%	16%	28%	-2%
Milwaukee	-16%	-52%	-11%	17%	-22%
Monroe	-6%	-40%	0%	8%	-5%
Oconto	-5%	-42%	1%	-11%	2%
Oneida	-3%	-37%	-2%	6%	20%
Ozaukee	-11%	-44%	-6%	-1%	-16%
Pepin	-1%	-34%	2%	1%	12%
Pierce	2%	-45%	12%	13%	20%
Polk	7%	-29%	16%	3%	13%
Portage	-10%	-43%	-7%	0%	13%
Price	1%	-36%	4%	-3%	0%
Richland	-10%	-32%	-3%	7%	-32%
Rock	-4%	-38%	-2%	5%	31%
Rusk	-4%	-39%	7%	-9%	-1%
Sauk	-32%	-73%	4%	-6%	-11%
Sawyer	-1%	-45%	1%	-5%	18%
Shawano	-3%	-39%	-5%	-4%	4%
Sheboygan	-1%	-39%	7%	3%	-11%
St. Croix	-2%	-37%	-14%	5%	10%
Taylor	2%	-34%	5%	5%	27%
Trempealeau	-9%	-43%	-7%	18%	-18%
Vernon	-5%	-41%	-3%	-1%	5%
Vilas	-9%	-45%	-5%	1%	32%
Walworth	-7%	-50%	2%	2%	-11%
Washburn	-3%	-36%	2%	12%	1%
Washington	-4%	-41%	2%	1%	-11%
Waupaca	-3%	-41%	0%	29%	-3%
Waushara	3%	-28%	11%	31%	2%
Wood	-4%	-35%	2%	9%	6%
State Avg.	-11%	-46%	-6%	1%	3%

FORWARD
ANALYTICS

forward-analytics.net

22 E. Mifflin St., Ste. 900
Madison, WI 53703
608.663.7188
forward-analytics.net