

DEPARTMENT OF TAXATION

2011 Fiscal Impact Statement

1. **Patron** Clifford L. Athey, Jr.

3. **Committee** House Finance

4. **Title** Retail Sales and Use Tax; Exemption for
Bullion Coins, Bars, or Ingots

2. **Bill Number** HB 1701

House of Origin:

 X **Introduced**

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 Enrolled

5. Summary/Purpose:

This bill would provide an exemption from the Retail Sales and Use Tax for sales of nongraded United States gold or silver bullion coins and gold or silver bullion bars or ingots.

Under current law, as tangible personal property, these items are subject to the Retail Sales and Use Tax.

The effective date of this bill is not specified.

6. Budget amendment necessary: No.

7. Fiscal Impact Estimates are: Not available. (See Line 8.)

8. Fiscal implications:

Administrative Costs Impact

TAX considers implementation of this bill as "routine" and does not require additional funding.

Revenue Impact

This bill would result in a revenue loss, the magnitude of which is unknown. TAX has no data on retail sales of property in Virginia that would qualify for the proposed exemption.

In order to give a very rough sense of the order of magnitude of the revenue impact of the proposed exemption, Virginia wholesale dealers sold \$10,007,000 in gold, silver, and platinum in 2007. If all of these sales were subject to the Retail Sales and Use Tax, the tax on these sales would have been approximately \$500,000. This estimate may be overstated because it includes sales of precious metals not subject to the tax, such as sales in interstate commerce, sales for resale, and other exempt sales, including sales to

manufacturers and industrial processors. However, there is no data that would allow TAX to quantify the exact revenue impact of the proposed exemption.

9. Specific agency or political subdivisions affected: TAX

10. Technical amendment necessary: No.

11. Other comments:

Currency Exchange

Exchanges of United States currency and foreign currencies are not subject to Virginia sales tax. The exchange of currencies is not a sale of tangible personal property for sales and use tax purposes.

Use of Gold as Currency

The Gold Reserve Act of 1934 required the Treasurer of the United States to withdraw gold coins and gold bullion from currency circulation in the United States. This remains true to this day. For this reason, gold bullion is no longer a legal currency in this country, but is treated as a commodity that can be bought and sold based on its current market value. The sale of gold bullion is a sale of tangible personal property, not an exchange of currency. As a sale of tangible personal property, the sale is subject to the Retail Sales and Use Tax.

Surrounding States

Maryland exempts metal bullion if the sales price is greater than \$1,000 and defines the term as any precious metal that has gone through a refining process and is in a state or condition such that its value depends on its precious metal content, and not on its form.

In the following surrounding states, the sale of bullion is taxable: *District of Columbia, North Carolina, Tennessee, and West Virginia.*

Other States

The following states exempt metal bullion if the sales price is \$1,000 or more: *Louisiana, New York* and *Texas*. In New York, the bullion must be sold for investment purposes in order to qualify for the exemption.

Florida exempts sales of gold, silver, or platinum bullion if the sales price of the single transaction exceeds \$500.

The following state exempt gold, silver, or platinum bullion with no restrictions as to the cost of the transaction: *Arizona, Colorado, Georgia, Idaho, Illinois, Iowa, Michigan, Missouri, Oklahoma, Pennsylvania, Rhode Island, South Carolina, South Dakota, and Washington.*

Proposal

This bill would provide an exemption from the Retail Sales and Use Tax for sales of nongraded United States gold or silver bullion coins and gold or silver bullion bars or ingots.

Similar Legislation

House Bill 1756 would exempt from the Retail Sales and Use Tax nongraded United States gold or silver bullion coins.

House Bill 1906 would exempt from the Retail Sales and Use Tax pieces of gold, silver, or platinum bullion (excluding jewelry or works of art), provided that the sales price for the entire transaction exceeds \$1,000.

cc : Secretary of Finance

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