

DEPARTMENT OF TAXATION

2011 Fiscal Impact Statement

1. **Patron** Jackson H. Miller

2. **Bill Number** HB 1906

3. **Committee** Senate Finance

House of Origin:

☐ **Introduced**

☐ **Substitute**

☐ **Engrossed**

4. **Title** Retail Sales and Use Tax; Exemption for
Gold, Silver, Platinum Bullion

Second House:

☒ **In Committee**

☐ **Substitute**

☐ **Enrolled**

5. **Summary/Purpose:**

This bill would provide an exemption from the Retail Sales and Use Tax for gold, silver, or platinum bullion (excluding jewelry or works of art), provided the sales price for the entire transaction exceeds \$1,000. "Gold, silver, or platinum bullion" would be defined as gold, silver, or platinum, and any combination thereof, that has gone through a refining process and is in a state or condition such that its value depends on its mass and purity, and not on its form, numismatic value, or other value.

Under current law, the sale of these items is subject to the Retail Sales and Use tax as tangible personal property.

The effective date of this bill is not specified. The provisions of this bill would expire on June 30, 2014.

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. 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 of the precious metal. The sale of gold bullion is treated as 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

Exemptions

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.*

Definitions

The following states define bullion as metals, such as gold, silver, platinum, rhodium, and palladium which have been smelted or refined so that their values are dependent on the content, rather than the form: *Arizona, Colorado, Idaho, Iowa, Oklahoma, Pennsylvania, Rhode Island, South Dakota, and Washington.* *Oklahoma* requires that the metals be stored in a recognized depository facility. *Rhode Island* requires that the metals be substantially equivalent to a transaction in securities or commodities.

The following states define bullion according to its purity level: *Illinois* defines bullion as containing not less than 980 parts per 1,000; *Michigan* and *Missouri* define bullion as containing 900 parts per 1,000.

The following states do not provide a definition of bullion in their statute: *Georgia* and *South Carolina.*

Proposal

This bill would provide an exemption from the Retail Sales and Use Tax for gold, silver, or platinum bullion (excluding jewelry or works of art), provided the sales price for the entire transaction exceeds \$1,000. "Gold, silver, or platinum bullion" would be defined as gold, silver, or platinum, and any combination thereof, that has gone through a refining process and is in a state or condition such that its value depends on its mass and purity, and not on its form, numismatic value, or other value. Gold silver or platinum bullion may contain other metals or substances, provided that the other substances, by themselves, have minimal value compared with the value of the gold, silver or platinum.

The effective date of this bill is not specified. The provisions of this bill would expire on June 30, 2014.

cc : Secretary of Finance

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