

DEPARTMENT OF TAXATION

2012 Fiscal Impact Statement

1. **Patron** Jackson H. Miller

2. **Bill Number** HB 207

3. **Committee** Senate Finance

House of Origin:

☐ Introduced

☐ Substitute

☐ Engrossed

4. **Title** Retail Sales and Use Tax; Exemption for
Gold, Silver, and 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, 2015.

6. **Budget amendment necessary:** No.

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

8. **Fiscal implications:**

Administrative Costs Impact

The Department 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. The Department lacks the data concerning retail sales of gold, silver, and bullion that would qualify for this 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 the Retail Sales and Use Tax were applied to these sales, the estimated tax revenue would have been \$500,000. However, prices of gold and silver have increased substantially from 2007 to 2012. Furthermore, the Department does not have the data to determine the number of sales of gold, silver, and platinum that exceed \$1,000. Further, 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, sales to manufacturers and other industrial processors, and other exempt sales

9. Specific agency or political subdivisions affected:

Department of Taxation

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

Of the surrounding states, Maryland is the only one that exempts bullion. The exemption applies only if the sales price exceeds \$1,000.

Other States

The following states provide an exemption for bullion: Arizona, California, Colorado, Connecticut, Florida, Georgia, Idaho, Illinois, Iowa, Louisiana, Massachusetts, Michigan, Missouri, New York, Oklahoma, Pennsylvania, Rhode Island, South Carolina, South Dakota, and Texas.

Dollar Limit: The following states provide an exemption, provided the total sale exceeds a certain amount: California (\$1,500); Connecticut (\$1,000); Florida (\$500); Louisiana (\$1,000); Massachusetts (\$1,000); New York (\$1,000); and Texas (\$1,000).

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.

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cc : Secretary of Finance

Date: 2/22/2012 KP
DLAS File Name: HB 207FE161