

DEPARTMENT OF TAXATION

2013 Fiscal Impact Statement

1. **Patron** Stephen H. Martin

3. **Committee** Senate Finance

4. **Title** Retail Sales and Use Tax; Exemption for
Bullion and Currency

2. **Bill Number** SB 691

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 the sale of bullion and currency. The term "bullion" would include bars, ingots, coins or commemorative medallions made of gold, silver, platinum, or palladium, or a combination of these substances, that have gone through a refining process and is in a state or condition such that its value is based on its mass and purity and not its form, numismatic value, or other value. Currency would be defined as any form of tangible money that is or has been designated by a government as legal tender.

Under current law, the sale of bullion is subject to the Retail Sales and Use Tax as tangible personal property.

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

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.

The Joint Legislative Audit and Review Commission (JLARC) reviewed a similar bill introduced during the 2012 legislative session that would have exempted retail purchases

of gold, silver, or platinum bullion totaling \$1,000 or more. JLARC estimated that the exemption could have a fiscal impact in Virginia ranging between \$1.2 million and \$14.5 million in Fiscal Years 2014 and 2015, assuming that 100% of wholesale dealers' sales are made available for individual retail purchase. JLARC based its revenue estimates partially on similar exemptions in other states.

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 considered 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 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 provides a similar exemption. In Maryland, the exemption applies to sales of precious metal bullion or coins if the sales price is greater than \$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, North Dakota, Oklahoma, Pennsylvania, Rhode Island, South Carolina, South Dakota, Texas, Washington, and Wisconsin.

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

Proposal

This bill would provide an exemption from the Retail Sales and Use Tax for the sale of bullion and currency. The term "bullion" would include bars, ingots, coins, or commemorative medallions made of gold, silver, platinum, or palladium, or a combination of these substances, that have gone through a refining process and is in a state or condition such that its value is based on its mass and purity and not its form, numismatic value, or other value. Currency would be defined as any form of tangible money that is or has been designated by a government as legal tender.

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cc : Secretary of Finance

Date: 1/7/2013 KP
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