

DEPARTMENT OF TAXATION

2014 Fiscal Impact Statement

1. **Patron** Jackson H. Miller

3. **Committee** House Finance

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

2. **Bill Number** HB 57

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 beginning January 1, 2014 and ending December 31, 2017 for gold, silver, or platinum bullion when the total price for one transaction of such pieces exceeds \$1,000. The term "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. Jewelry and works of art would be specifically excluded from this definition.

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 of Taxation ("the Department") has not assigned any administrative costs to this bill because the changes required by a single bill such as this can be implemented as part of the annual changes to our systems and forms. As stand-alone legislation, the Department considers implementation of this bill as "routine," and does not require additional funding.

The Department will provide specific administrative costs on any legislation that is not "routine." Additionally, the Department will review all state tax legislation likely to be enacted prior to the passage by each house. If the aggregate number of routine bills likely to pass either house is unusually large, it is possible that additional resources will be required. If so, the Department will identify the costs at that time.

Revenue Impact

The Department determined this bill will result in a revenue loss. The Joint Legislative Audit and Review Commission (JLARC) reviewed a similar bill introduced in 2012 that would have exempted purchases of gold, silver, or platinum bullion totaling \$1,000 or more and estimated that the exemption could have a fiscal impact in Virginia ranging from \$1.2 million and \$14.5 million in Fiscal Years 2014 and 2015. JLARC based its revenue estimate on the 2007 Economic Census data on wholesale dealers' sales of precious metals and the fiscal impact of similar exemptions offered in other states.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

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, Utah, 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); and New York (exceeds \$1,000).

cc : Secretary of Finance

