

DEPARTMENT OF TAXATION

2015 Fiscal Impact Statement

1. **Patron** Frank W. Wagner

3. **Committee** Senate Finance

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

2. **Bill Number** SB 1336

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 gold, silver, or platinum bullion when the sales price for the entire transaction exceeds \$1,000. The exemption would expire on July 1, 2020. The bill would also exclude from the definition of “tangible personal property” paper money and coins that are or were once legal tender. As such, these items would not be subject to sales and use tax.

Under current law, the sale of gold, silver, or platinum bullion constitutes a sale of tangible personal property, and is subject to the sales and use tax. Exchanges of paper money and coins are not subject to the tax. Sales of paper money and other legal tender, however, are taxable sales of 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 decrease state revenues by an unknown amount. The amount of the revenue loss resulting from the proposed exemption would depend upon the amount and price of legal tender and, gold, silver and platinum bullion sold in Virginia each year. The Department reviewed the tax returns of 51 dealers in this industry who collected \$417,000 in state sales taxes in Fiscal Year 2014. According to an industry survey, seventy-five

percent of their sales were transactions exceeding \$1,000. Accordingly, this bill has the potential to decrease tax revenues by \$313,000 annually.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Generally

The Retail Sales and Use Tax is imposed on sales of tangible personal property. The *Virginia Code* defines “tangible personal property” as personal property “which may be seen, weighed, measured, felt, or touched, or is in any other manner perceptible to the senses.” Stocks, bonds, notes, insurance and other obligations and securities are specifically excluded from this definition.

Under current law, exchanges of United States currency and foreign currencies are not subject to Virginia sales tax. The currencies used in the United States and foreign countries represent valid and legal offers for payment of debts to creditors. The exchange of currencies is not a sale of tangible personal property for sales and use tax purposes.

The sale of coins, bullion, or other precious metals constitutes a sale of tangible personal property that is subject to sales and use tax under current law.

Exemption in Surrounding States

- *Bullion Exemption:* Maryland is the only surrounding state that provides an exemption for bullion. The exemption applies only if the sales price is greater than \$1,000. In the District of Columbia, North Carolina, Tennessee, and West Virginia, the sale of coins and bullion are generally subject to the tax.
- *Currency:* Maryland exempts monetized coins and other forms of money manufactured from precious metals that are or were used as a medium of exchange under the laws of the state, the United States or a foreign nation.

Exemption in Other States

- *Bullion Exemption:* The following states provide an exemption for bullion: Arizona, California, Colorado, Connecticut, Georgia, Hawaii, Illinois, Iowa, Louisiana, Massachusetts, Michigan, Missouri, Nebraska, Nevada, New York, North Dakota, Oklahoma, Pennsylvania, Rhode Island, South Carolina, South Dakota, Texas, Utah, Washington, and Wisconsin.
- *Bullion Limitations:* The following states provide a bullion exemption only if the total sales price is equal to or exceeds a certain amount: California (\$1,500);

Connecticut (\$1,000); Florida (\$500); Maryland (\$1,000); Massachusetts (\$500); and New York (\$1,000).

- *Currency Exemption:* The following states provide exemption on some form of currency: Arizona, California, Colorado, Connecticut, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Kansas, Maryland, Michigan, Missouri, Nebraska, North Dakota, Oklahoma, South Carolina, South Dakota, Texas, Washington, and Wisconsin.

Proposal

This bill would provide an exemption from the Retail Sales and Use Tax for gold, silver, or platinum bullion when the sales price for the entire transaction exceeds \$1,000. Under the terms of the bill, the term “gold, silver, or platinum bullion” would mean gold, silver, or platinum, or 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.” Other substances could be contained within the gold, silver, or platinum, provided they have minimal value compared with the value of the bullion. Jewelry and works of art would be excluded from the definition of gold, silver, and platinum bullion. The exemption would expire on July 1, 2020.

The bill would also exclude paper money and coins that are or were once legal tender from the definition of tangible personal property. As such, these items would not be subject to sales and use tax.

The effective date of this bill is not specified.

Similar Legislation

House Bill 1648 is identical to this bill.

cc : Secretary of Finance

Date: 1/25/2015 KP
DLAS File Name: SB1336F161