

DEPARTMENT OF TAXATION

2017 Fiscal Impact Statement

1. **Patron** Frank W. Wagner

2. **Bill Number** SB 934

3. **Committee** Passed House and Senate

House of Origin:

 Introduced

 Substitute

 Engrossed

4. **Title** Retail Sales and Use Tax Exemption; Legal Tender Coins.

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. **Summary/Purpose:**

This bill would exempt from the Retail Sales and Use Tax sales of legal tender coins where the sales price for the transaction exceeds \$1,000. The definition of "legal tender coins" includes coins of any metal content issued by a government as a medium of exchange or payment of debts.

Under current law, the sale of legal tender coins constitutes a sale of tangible personal property that is subject to the tax.

This bill has a delayed effective date of January 1, 2018. The exemption would expire June 30, 2022.

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

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

8. **Fiscal implications:**

Administrative Costs

The Department of Taxation considers implementation of this bill as "routine" and does not require additional funding.

Revenue Impact

This bill would decrease state and local revenues by an unknown amount. The amount of the revenue loss resulting from the proposed exemption would depend heavily upon the amount of legal tender coins sold in Virginia each year. There is insufficient data available to provide an estimate of the revenue impact, but the proposed bill would potentially decrease tax revenues by no more than \$100,000 annually based on the limited data available.

9. **Specific agency or political subdivisions affected:** Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Current Law

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.

In general, coins and currency are considered tangible personal property and are subject to the tax unless a specific exemption applies. Under current law, however, 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.

Legislation enacted in the 2015 Session of the General Assembly, House Bill 1648 and Senate Bill 1336 (2015 *Acts of Assembly*, Chapters 620 and 629) granted a Retail Sales and Use Tax exemption for the sale of gold, silver, and platinum bullion where the sales price for the transaction exceeds \$1,000. “Gold, silver, or platinum bullion” means 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. Coins not meeting the definition of gold, silver, and platinum bullion, however, remain subject to sales and use tax under current law.

Exemption in Other States

The following states provide exemption on some form of coins: Arizona, California, Colorado, Connecticut, Florida, Georgia, Idaho, Illinois, Indiana, Iowa, Louisiana, Maryland, Massachusetts, Michigan, Missouri, Nebraska, North Dakota, Oklahoma, Pennsylvania, South Carolina, South Dakota, Texas, Utah, and Washington.

Maryland is the only surrounding state that 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.

Proposal

This bill would exempt from the Retail Sales and Use Tax sales of legal tender coins where the sales price for the transaction exceeds \$1,000. The definition of “legal tender coins” includes coins of any metal content issued by a government as a medium of exchange or payment of debts.

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Similar Legislation

House Bill 1668 is identical.

cc : Secretary of Finance

Date: 2/20/2017 VB
SB934FER161