



SHAE SORTWELL

STATE REPRESENTATIVE • 2nd ASSEMBLY DISTRICT

Hearing Testimony
Assembly Committee on Ways and Means
February 1, 2024
Assembly Bill 29

Chairman Macco and members of the Assembly Committee on Ways and Means – thank you for giving me the opportunity to speak on Assembly Bill 29, relating to sales and use tax exemptions for metal bullion.

Wisconsinites deserve as many options as possible to plan for their retirement. As believers in the free market and competition, it also makes sense to remove unnecessary barriers to commerce and private transactions and allow Wisconsinites to use alternative mediums of exchange if they so choose.

People throughout the world and history have sought precious metals like gold and silver as a relatively stable source of value and asset diversification. Americans can save, especially for retirement, by purchasing precious metals to store physically and as part of self-directed IRAs.

Our bipartisan bill is simple: it removes the sales tax from the purchase of non-collectible precious metals that are purchased for their precious metal content. This includes coins, bars, rounds, or sheets, but not jewelry.

In addition to giving individuals more options, this bill would also level the playing field for Wisconsin's precious metal sellers. Wisconsin is only one of seven states that still place a sales tax on precious metals. All of our Midwest neighbors – Iowa, Indiana, Minnesota, Michigan, and even Illinois – do not charge such a sales tax, making us an outlier in the region. Our state shouldn't drive business elsewhere when consumers would be just as happy buying right here from our own coin and metal shops in Wisconsin.

This legislation has the support of the Wisconsin Auctioneers Association.

I want to thank the committee for your time and consideration. I am happy to answer any questions members of the committee may have.



DUEY STROEBEL

STATE SENATOR • 20TH DISTRICT

Testimony on AB 29

February 1, 2024

Thank you Chairman Macco and committee members for your consideration of Assembly Bill 29, a bill I authored with Representative Sortwell for the purpose of exempting precious metal bullion from the sales and use tax. The exemption would apply to coins, bars, rounds or sheets containing at least 35 percent gold, silver, copper, platinum or palladium and that are marked with or minted on the basis of weight, purity and content. The bill explicitly excludes tangible personal property containing precious metal, such as jewelry, artwork, scrap metal or electronics.

As it currently stands, Wisconsin is one of only seven states that imposes a sales tax on precious metals.¹ All of our neighboring states have exempted purchases of precious metals from the sales tax, making Wisconsin even more of an outlier.

Unlike stocks, bonds, real estate or other common stores of value, gold and silver are explicitly identified as money in the U.S. Constitution.² Charging a sales tax on a form of money is fundamentally unfair, and has the effect of treating precious metal bullion as though it is merely a commodity. The concept of sound money dates back thousands of years, and individuals have long sought out precious metals as a stable store of value.³

In today's competitive marketplace, our sales tax on precious metals raises transaction costs and incentivizes Wisconsinites who are seeking to diversify their savings and protect their purchasing power to take their business elsewhere, sending money and jobs to other states.

As the Department of Revenue's fiscal estimate highlights, it is difficult to precisely estimate the potential effect of AB 29 on state revenues due to a variety of factors. The fiscal estimate on a comparable bill that was recently signed into law in Tennessee projected an annual reduction in state sales tax revenue of about \$360,000.⁴

There's no denying that tax exemptions have a tendency to distort our tax code and complicate future efforts toward broad-based tax reform. However, the taxation of sound money is putting Wisconsin at a competitive disadvantage with most other states and making it more cumbersome for Wisconsinites to build and protect their wealth. In closing, AB 29 would help to eliminate an unnecessary barrier to commerce and growth by exempting precious metal bullion purchases from the sales and use tax. Thank you again for your consideration.

References:

¹ Money Metals Exchange (2024). Sound Money Index: Gold & Silver Laws in 2024.

<https://www.moneymetals.com/resources/sound-money-index>

² U.S. Constitution, Article I, Section 10, Clause 1.

³ World Gold Council (n.d.). The History of Gold. https://www.nma.org/pdf/gold/gold_history.pdf

⁴ Tennessee General Assembly Fiscal Review Committee (2022). Fiscal Note: HB 1874 – SB 1857.

<https://www.capitol.tn.gov/Bills/112/Fiscal/HB1874.pdf>

Testimony of the National Coin & Bullion Association Industry Issues Advisor Patrick A. Heller
IN SUPPORT OF
SB33: EXEMPTS SALES OF PRECIOUS METAL BULLION FROM SALES AND USE TAX
Submitted before the Wisconsin Senate Universities and Revenue Committee, January 23, 2024

Chairman Hutton and members of the Committee, I write in support of SB 33 to establish a sales-and-use-tax exemption for the retail sales of precious metals bullion, including coins with a content of at least 35% of gold, silver, copper, platinum, or palladium, in Wisconsin.

My name is Patrick A. Heller. After working as a CPA in Michigan, in 1981 I became the owner of Michigan's largest coin dealer, Liberty Coin Service, in Lansing. When Michigan enacted a comparable exemption in 1999, the House and Senate fiscal agencies and the Michigan Treasury used my calculation of forsaken tax collections in their analyses. I also conservatively forecasted the likely increase in Michigan tax collections if the exemption was enacted, and later documented that the actual increase in tax collections was nearly double what I had estimated. My analyses of both tax expenditures and documented increases in state Treasury tax collections were subsequently used to support successful efforts to adopt sales and use tax exemptions for precious-metals bullion and coins in Alabama, Arkansas, Indiana, Iowa, Kansas, Minnesota, Mississippi, Nebraska, North Carolina, Oklahoma, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, West Virginia, and Wyoming. These same analyses were used to expand the tax exemptions in Texas and Louisiana (and to restore the exemption in Louisiana in 2017 after it was suspended in 2016).

I write to address three issues about which legislators around the country have expressed concern. First, I discuss weaknesses in the methodology used by state governments to calculate the tax expenditure of such exemptions that invariably result in a huge over-projection of lost sales and use tax collections such as has occurred with LRB Number 23-0818/1 for this Bill. Second, I discuss the question of whether enacting a sales tax exemption for money and not for other tangible property is fair. Third, I discuss why precious metals and coins merit a sales-and-use-tax exemption, while other assets sometimes purchased as investments (such as rare stamps, works of art, antiques, and the like) do not.

1. Methodological weaknesses in calculating the tax expenditure of a precious metal bullion sales tax exemption.

State treasuries and legislative fiscal agencies use a static analysis of the impact of tax-law changes. A static analysis asks, "If a sales tax exemption is enacted, how much in existing tax collections would be lost?"

However, if only the forsaken taxes are calculated, with no consideration of the change in behavior of Wisconsin residents after a tax change occurs, the overall impact on total tax collections will be inaccurate. Instead, a dynamic analysis is needed to reflect the impact of changes on other Wisconsin state government tax collections.

From my work with the agencies in Michigan, I learned that there is no approved methodology for state treasuries and fiscal agencies to do a dynamic analysis. I believe my findings of the coin-dealer industry's

changes in Michigan, once the exemption was adopted, will help this committee in approximating a dynamic analysis.

- From the enactment of the exemption in 1999 to the end of 2011, I tracked a 67% increase of coin dealerships in Michigan. About half of this increase was from new businesses opening, and about half was from existing businesses expanding their operations to also become coin dealers.
- Coin-dealer employment levels more than doubled over this time frame, and total payrolls increased by an even greater amount. For my own company, from 1997 to 2011, total employment and contractors increased 243%, while total payroll increased more than 800%. Michigan Treasury research has determined that 38.5% of payrolls are spent on merchandise for which Michigan sales tax is collected. The increase in coin-dealer payrolls in Michigan generated additional sales tax collections that more than offset tax collections lost because of the exemption. I would also like to point out that this coin-dealer employment increase occurred while Michigan as a whole was suffering a decline in employment.
- Industry sales soared. According to Dun & Bradstreet information in 1995, my company accounted for about 15% of sales by coin dealers in Michigan. From 1997 to 2011, my company's out-of-state retail and wholesale sales and Michigan wholesale sales increased about 673%. Our Michigan retail sales during this time increased more than 2,500%. Yes, volume increased across the board, but there was a definite major volume increase specifically resulting from the new tax exemption. Before the exemption was enacted in Michigan, my company rarely saw in-state retail sales of precious-metals bullion or coins amounting to more than \$1,000. An analysis of my company's Michigan retail sales for the year 2011 showed that 94% of total sales volume was for transactions of \$5,000 or higher. (Special note: State treasuries and legislative fiscal agencies do not realize how price-sensitive customers are to have to pay sales and use taxes on precious-metals bullion and rare-coin investments. Therefore, they almost always assume that states that impose such taxes on these sales still have as much per capita in-state retail sales as do states that grant exemptions. There have been several one-time surveys done on coin dealer sales tax collections over the past 30 years of sales tax collections for the retail sales of precious-metals bullion and coins, almost no state treasuries collected more than \$500,000 per year).
- As coin dealers drew more customers for exempt merchandise, they also drew more customers for merchandise they handled that were still subject to sales tax. Major categories of such products handled by coin dealers were jewelry, antiques, sports cards, other collectibles, and hobby supplies. A national survey conducted in 2016 by the National Coin & Bullion Association (the trade name for the Industry Council for Tangible Assets or ICTA), the coin and precious metals dealer national trade association, found that in states with precious metal bullion and coin sales and use tax exemptions, dealer sales of merchandise still subject to sales tax increased so much that, on average, replace two-thirds of tax collections lost from the exemption.

- As the number of coin dealers increased and their volumes rose, business tax collections from these companies rose.
- For my own company, from 1997 to 2011, our total Michigan tax collections increased 216% despite the drop in sales taxes collected on our Michigan retail sales. Over the same period, our Lansing tax payments increased by more than 1,100% and our local advertising expenditures increased more than 480%!
- Further, the hospitality industry in Michigan increased tax collections as more coin shows were sponsored in the state, which encouraged more out-of-state dealers to spend money in Michigan.
- My research that indicated that the Michigan Treasury collected greater sales taxes after the exemption and greater amounts of other taxes was confirmed nationwide by the National Coin & Bullion Association 2016 national survey of actual 2015 sales, sales tax collections, and coin show attendance.

The fiscal note for SB33, LRB Number 23-0818/1, estimates that the state would experience a net loss of \$3.7 million and local governments would experience a net loss of \$298,000 if this bill were to become law. But the fiscal note did not have actual data on which to prepare their fiscal analysis. Such data could be obtained from the Department of Revenue or by using Dun & Bradstreet data.

The Industry Council for Tangible Assets, now operating under the trade name of the National Coin & Bullion Association, conducted a nationwide coin dealer survey in 2016, asking for 2015 annual information on total sales, out-of-state sales, in-state retail sales of precious metals bullion and investment coins, in-state wholesale sales, service sales, and in-state sales taxable sales of merchandise other than precious metals bullion and investment coins.

A total of 278 usable responses were received, which was estimated at about 2.5% of all coin dealers nationwide. Of this total, 76 were from dealers in states that did not have any sales and use tax exemption for precious metals bullion and/or coins. These 76 dealers in taxable states reported total sales tax collections of \$527,630, a mean of \$6,943 per dealer. The median amount of sales tax collected among these 76 dealers was \$315. By amounts of annual sales taxes collected, here was the breakdown:

Number of dealers	Range of annual sales taxes collected in 2015
40	\$0-499
1	\$500-999
7	\$1,000-1,999
7	\$2,000-2,999
6	\$3,000-4,999
7	\$5,000-7,999

3	\$8,000-13,999
1	\$25,000
1	\$28,600
1	\$43,992
1	\$80,000
1	\$225,000

Among all 278 dealers nationwide, only six of them reported total sales tax collections of \$50,000 or more.

The *2015 Numismatic Dealer Directory* listed 101 coin dealers in Wisconsin. Simply multiplying 101 times the mean and median sales tax collections in the survey would yield \$701,243 (101 x \$6,943) or \$31,815 (101 x \$315) in total Wisconsin sales tax collection in 2015. Both numbers are far smaller than contained in the fiscal note. As the Wisconsin state sales tax rate was 5% in 2015; below the national average, it is likely that Wisconsin sales tax collections were even lower than these amounts.

In 1994, the state of Michigan increased its sales tax rate from 4% to 6%. Our company's sales tax collections in the 12 months before the increase were almost exactly the same as our sales tax collections in the 12 months from the date of the rate increase. That happened because our sales of taxable merchandise fell by almost exactly one-third. Obviously, customers of coin dealers are extremely sensitive to the impact of having to pay sales tax, often on merchandise where the dealers profit margin is 1-5%.

Michigan adopted a precious metals bullion and investment coin sales and use tax exemption in 1999. Our sales taxable sales, almost all for precious metal bullion and coins, were only 12.8% of our total sales in 1997; by 2011 in-state sales tax exempt precious metals bullion and coin sales had climbed to 33.8% of total annual sales. This result roughly matched the data in the ICTA/NCBA 2016 dealer survey where coin dealers in states that had to charge sales tax had only 9.7% of total sales subject to sales tax while 22.8% of total sales in state with no sales tax or tax exemptions were in-state retail sales of precious metals bullion and investment coins.

Having to charge sales tax on the in-state retail sales of precious metals bullion and investment coins is especially significant to more affluent customers. When my company had to charge sales tax on such products, transactions of \$5,000 only accounted for about 1% of our in-state retail sales in 1997. By 2011, when our in-state retail sales had grown more than 2,500% from 1997 (while out-of-state and in-state wholesale sales only rose 500-600%), 94% of our in-state retail sales volume came from transactions of \$5,000 and larger.

Affluent people interested in owning precious metals bullion have a variety of options to make such purchases where no Wisconsin sales or use taxes would be due. Among them are:

- Precious metals commodity futures contracts
- Shares of precious metals exchange traded funds
- Shares of precious metals mining companies
- Purchases of physical precious metals and coins stored in Delaware vaults
- Purchase of certificates of physical precious metals stored in the vaults of the Perth Mint in Australia, Royal Mint in England, or the Royal Canadian Mint

Wisconsin residents have another alternative to acquire precious metals bullion and investment coins. They can drive to nearby Illinois, Iowa, Michigan, or Minnesota to make their purchases there and store them in safe deposit boxes in those states. We saw similar actions by Indiana residents before that state adopted its sales tax exemption on precious metals bullion and investment coins. Even though my company's store was seventy miles north of the Indiana border, we had many Indiana residents drive to our store to make purchases, then store them in the safe deposit boxes in one of the seven banks and credit unions around the shopping center where my company operated.

To collect \$3.7 million in sales taxes on the retail sales of precious metal bullion, Wisconsin would need to have somewhere between 533 to more than 11,000 coin dealerships. Obviously, this isn't possible, which can be verified using Dun & Bradstreet data to search for such Wisconsin businesses.

With the experience in Michigan and confirmed in other states that have adopted precious metals bullion and investment coins sales and use tax exemptions, state treasuries can expect a net increase in tax collections because of

- Greater sales of other merchandise sold by coin dealers still subject to sales tax such as jewelry, antiques, other collectibles, and hobby supplies. The 2016 dealer survey found that higher such sales in exempt states generated higher sales tax collections to replace about two-thirds of the tax expenditure of the exemption.
- Higher sales tax collections resulting from greater payrolls in the Wisconsin coin dealer industry. The Michigan Treasury study in the 1990s calculated that 38.5% of payrolls were spent on merchandise on which Michigan sales tax was collected. The increase in Michigan's coin dealer employment replaced more than 100% of the tax expenditure of the exemption.
- The increase in the number of coin dealer businesses also generates additional Wisconsin tax collections. From 1999 when Michigan's sales tax exemption took effect to 2011, the number of

businesses rose about two-thirds, of which about half were new businesses and half were existing businesses that expanded their product line.

- States with sales and use tax exemptions on precious metals bullion and investment coins also have a greater number of coin shows and larger attendance at such shows, resulting in greater sales by lodging establishments, restaurants, gasoline stations, and general retailers.

2. Is it fair to exempt money but no other tangible property?

Precious metal bullion, including coins made of at least 35% gold, silver, copper, platinum, or palladium, have a major distinction from other tangible assets that are subject to sales and use tax. Sales and use taxes are consumption taxes on assets that are consumed or used. In contrast, coins and precious metal bullion are not consumed. Often, they are acquired as investments to be sold. Others are acquired for the enjoyment of a hobby but are still preserved carefully with an eye toward future sale. They are not worn, used, or otherwise consumed.

The Internal Revenue Service and Wisconsin Department of Revenue confirm that precious metal bullion and coins are capital assets that are not consumed. The IRS anticipates that these assets will be sold and that the owners will report and pay income taxes on their profits from the sales. In fact, the IRS has a Form 1099-B, which is used by coin dealers to report to the IRS some precious metals bullion and coin purchases from the public.

3. Why it is appropriate to “draw the line” with a coin and precious metal bullion exemption?

- It parallels the intent of Federal legislation that permits Individual Retirement Accounts to own many of these products but no other tangible personal property.
- It parallels legislation in over thirty-five states, none of which extend exemptions to stamps, art, antiques, diamonds, and so forth.
- It parallels the scope of investment advice given by many prudent investment advisors, who recommend only these forms of tangible personal property.
- The state of Utah exempts gold and silver gains and losses from Utah income taxes; the state of Arizona now exempts gains and losses from US gold, silver, and platinum coins from that state's income taxes.
- Coins and currency are or have been “legal tender” in their land of issue, a status not shared by other tangible personal property.
- The U.S. Constitution specifically grants the Federal government the authority to coin money, but no explicit powers to manufacture any other tangible personal property.

- The United States Mint manufactures commemorative coins and proof versions of circulating coinage. It sells them at prices well above precious metal or face value. The United States Bureau of Engraving & Printing manufactures commemorative versions of circulating currency that it sells at prices above face value. The U.S. government has no other programs to manufacture and sell art, antiques, gems, and so forth.
- Investment brokerage firms have often established investment funds for the sole purpose of acquiring coins. To my knowledge, no comparable investment funds have ever been created for investments in other tangible personal property.
- Investment brokerage firms have established exchange-traded funds for trading gold, silver, platinum, and palladium. I am not aware of exchange-traded funds established to invest in stamps, art, antiques, gems, or other collectible tangible personal property.
- Directly underneath the masthead of The Wall Street Journal are listed key financial indicators, including the price of gold. No information appears there for stamps, art, antiques, gems, or other collectible tangible personal property.

OTHER QUESTIONS AND CONCERNS

Why would Wisconsin coin dealers experience such growth after an exemption was established?

- Affluent investors have almost no financial benefit from enactment of this exemption since they already can afford to 1) purchase in bulk quantities out of state and have their purchases stored at specialized depositories in Delaware, 2) purchase shares of gold, silver, platinum, or palladium exchange traded funds, 3) purchase gold, silver, platinum, or palladium commodity or options contracts such as on the New York COMEX, or 4) purchase certificates of precious metals bars stored in the vaults of the Perth Mint in Perth, Australia, Royal Mint in the suburbs of London, England, or the Royal Canadian Mint in Ottawa, Canada—all of which are exempt from payment of Wisconsin sales and use taxes. However, our experience is that many such purchasers would prefer to deal face-to-face when making sizeable transactions. In the circumstances of Liberty Coin Service, retail sales of \$5,000 or more only accounted for about 1% of our in-state retail coins and precious metals bullion sales in 1997 but rose to account for 94% of our in-state retail coins and precious metals bullion sales in 2011 (where our total in-state retail coins and precious metals bullion sales in 2011 rose 2,500% from 1997).
- Because of thin profit margins on bullion products, the sales tax is a major impediment to potential buyers. In 1994, Michigan raised the sales tax rate from 4% to 6%. My company's in-state retail sales for the 12 months following the increase fell by almost exactly one-third from the 12 months before the rate increase. Therefore, our sales tax collections did not increase.

Who would benefit from the exemption?

Wisconsin residents can easily purchase precious-metals bullion and coins from sellers in 41 states on the mainland plus Alaska, and then arrange for out-of-state storage. Generally, the more affluent use such arrangements.

There are several constituencies that would benefit from enacting SB33 in Wisconsin. Among the beneficiaries would be:

- Wisconsin state government, with increased tax collections
- Existing Wisconsin businesses, with higher profits
- Future owners and employees of new business that will be made possible
- Wisconsin workers, with more jobs and higher pay
- Wisconsin smaller-scale investors, who can deal locally without the burden of sales and use taxes, which affluent investors can easily achieve by purchasing commodities, shares of exchange traded funds, certificates of bullion stored outside of the US, or arranging for storage in Delaware.
- Wisconsin consumers, who are better protected by dealing with local businesses than with strangers
- Wisconsin senior citizens, who will have more resources to avoid scam artists
- Affluent Wisconsin citizens, while not really benefiting financially, will be more willing to conduct business with local Wisconsin businesses.

All these benefits and more were realized in Michigan with no net cost to the state Treasury or Michigan taxpayers.

In Michigan, a high percentage of sales tax collections is explicitly allocated to education funding. For this reason, the Michigan Education Association automatically opposes sales tax exemptions. However, the MEA did not oppose this exemption and was rewarded when total sales tax collections increased.

Thank you for the opportunity to submit this written testimony. Should you have any questions, you are welcome to call me at 800-933-4720 or email me at path@libertycoinservice.com. Thank you for your consideration.

Sincerely,



Patrick A. Heller
Industry Issues Advisor, National Coin & Bullion Association (2020–)
Member of the Board of Directors, National Coin & Bullion Association (2002–2021)
Treasurer, National Coin & Bullion Association (2002–2019)
Liberty Coin Service, Communications Officer and Owner Emeritus (2015-present), and Owner (1981–2014)

**Testimony of the National Coin & Bullion Association
IN SUPPORT OF
AB29: A SALES AND USE TAX EXEMPTION FOR PRECIOUS METAL BULLION
Wisconsin Assembly Committee on Ways and Means, February 1, 2024**

Chairman Macco and members of the committee,

Thank you for allowing me to submit written testimony on AB 29. I'm David Crenshaw, the executive director of the National Coin & Bullion Association, representing businesses in coins, paper money, and precious-metals bullion. We've been advocating for legislative and regulatory affairs for over 40 years at both state and federal levels.

The sales-tax exemption on precious metal bullion will enhance revenue for the State of Wisconsin in multiple ways. It will stimulate the growth of coin businesses and industry jobs, leading to increased sales-tax revenues as industry members spend on taxable merchandise. This surge in in-state retail sales will also boost sales taxes on related non-exempt items, such as supplies.

Moreover, it's worth noting that this exemption has proven beneficial in 42 states with existing exemptions, and Kentucky has a similar bill awaiting action this session that seeks to eliminate sales tax on coins and bullion. Notably, the hospitality industry has flourished by hosting various coin shows, such as the American Numismatic Association's World's Fair of Money.

Wisconsin, as the 21st most populous state, stands to gain from this exemption, aligning with the majority of populous states that have recognized the importance of such exemptions. Nineteen out of the 20 most populous states have already implemented coins, paper money, and precious-metals bullion exemptions.

The sales tax exemption aims to level the playing field for small-business owners. Wisconsin businesses will no longer lose customers to neighboring states with exemptions like Illinois, Iowa, Michigan, and Minnesota. Residents will also enjoy the security of doing business locally, avoiding the expense, inconvenience, and potential risks of out-of-state purchases.

I urge you to support this crucial exemption, benefiting the state's revenue, local businesses, and investors. For further information or to discuss this matter, feel free to contact me at (678) 430-3252. Thank you for the opportunity to submit this written testimony.





National Coin & Bullion Association
IN SUPPORT OF A
WISCONSIN
SALES AND USE TAX EXEMPTION FOR PRECIOUS METAL BULLION

National Coin & Bullion Association	Tel (678) 430-3252
P.O. Box 237	Email ncba@ncbassoc.org
Dacula, GA 30019	Website ncbassoc.org



Wisconsin: Benefits of Exempting Coins, Paper Money, and Precious-Metals Bullion from Sales and Use Tax

- Profits will increase for existing businesses.
- More jobs and higher pay will be available to Wisconsin workers.
- The increased number of in-state businesses and the related increase in employment will result in additional business-tax and sales-tax collections. (The Michigan Treasury, for example, estimates that 38.5% of payroll is spent on merchandise on which Michigan sales taxes are collected.)
- As sales of tax-exempt merchandise rises, so too will sales of merchandise that is still subject to sales tax—for example, collector supplies, jewelry, antiques, and other collectibles.
- The playing field will be leveled for small-business owners.
- The hospitality industry will benefit significantly from the opportunity to host small, medium, and large coin shows (as has been the case in the other 41 states with sales-tax exemptions).
- Wisconsin coin and precious-metals bullion businesses will no longer lose almost all customers to businesses in states with sales-tax exemptions.
- Wisconsin consumers will have the security of doing business and developing relationships with local vendors, sparing them the expense, inconvenience, and potential risks of purchasing these high-value items out of state.
- Smaller-scale investors will have a chance to deal locally without the burden of sales and use taxes, which affluent investors can easily avoid by purchasing commodities or arranging for storage out of state.
- Senior citizens, who can consult local businesses for a second opinion, will have more resources to avoid scam artists.
- All Wisconsin consumers will benefit from the fact that local brick-and-mortar businesses have more incentives to address local customer concerns and problems than do out-of-state businesses.
- Increased tax collections by the State Treasury.

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SYNOPSIS

Rare Coins and Precious-Metals Bullion National Survey 2015 Sales-Tax Collections

Coin dealers generate sales-tax collections in four different ways: 1) in-state retail sales of rare coins and precious-metals bullion, 2) in-state retail sales of other merchandise on which sales tax is collected, 3) spending by coin dealership staff who devote part of their income on merchandise subject to sales tax, and 4) hospitality industry sales to attendees at coin trade shows.

On the basis of this survey, NCBA conservatively concludes that, contrary to what might be expected, **when a state government enacts a rare-coin and precious-metals bullion sales-tax exemption, the state is almost certain to experience a net increase in total sales-tax collections.**

Further, because of higher business activity and industry employment, states with such sales-tax exemptions also experience higher individual income-tax and business-tax collections.

<u>2015 Revenue Sources, per Coin Dealer</u>	Taxable States	Exempt States	Diff.
<u>In-State</u>			
Retail sales of rare coins and precious metals	\$104,188	\$1,068,612	926%
Retail sales of other merchandise	\$29,269	\$98,659	237%
Services	\$2,390	\$15,088	531%
Wholesale sales	\$252,189	\$651,584	158%
Total In-State Sales	\$388,036	\$1,833,943	372%
<u>Out-of-State</u>			
Retail sales	\$214,639	\$1,857,931	766%
Wholesale sales	\$472,029	\$984,780	109%
Total Out-of-State Sales	\$686,668	\$2,842,711	314%
TOTAL SALES	\$1,074,704	\$4,676,654	335%

<u>2015 Sales Taxes Collected, per Coin Dealer</u>			
Sales of sales-taxable rare coins and precious metals	\$5,423	\$0	-100%
Sales of sales-taxable merchandise—other	\$1,520	\$5,213	243%
TOTAL SALES TAXES COLLECTED	\$6,943	\$5,213	-25%

<u>Average Number of 2015 Coin Trade Shows Where Coin Dealers Hosted Booths</u>			
In-state	2.9	5.7	97%
Out-of-state in states with no coin/bullion exemption	1.3	0.5	-62%
Out-of-state in states with coin/bullion exemptions	5.3	4.6	-13%
TOTAL	9.5	10.8	14%

Proportion of taxable sales in taxable states consisting of merchandise other than coins or precious-metals bullion: **21.9%**

Total sales in taxable states not affected by enacting a coin/bullion sales-tax exemption: **90.3%**

Percentage of forsaken sales-tax collections from coin/bullion exemption replaced by increased sales of other merchandise still subject to sales tax $[(\$5,213 - \$1,520) / \$5,423]$: **68.1%**

Percentage of forsaken sales-tax collections from coin/bullion exemption replaced by increased sales-taxable purchases that result from higher industry personal incomes (estimated): **50-200%**

Percentage of forsaken sales-tax collections from coin/bullion exemption replaced by increased sales-taxable purchases that result from increased hospitality industry sales (estimated): **10-200%**

For more information, please contact NCBA by calling (678) 430-3252 or by emailing ncba@ictaonline.org.

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The Difficulty of Calculating Potentially Lost Sales-Tax Collections from Exempting Coins, Currency, and Precious-Metals Bullion from Wisconsin Sales and Use Tax

Prepared by Patrick A. Heller, CPA
Owner of Liberty Coin Service, Lansing, Michigan (1981-2014)

- Surveys conducted in the 1990s of coin dealers in Kentucky and in Ohio both determined that about 50% of in-state retail coin dealer sales involve merchandise other than what would be impacted by a sales-tax exemption for coins, paper money, and precious-metals bullion products.
- Many brick and mortar coin dealers are jewelers or antique stores that also handle a small volume of coins, paper money, and precious-metals bullion.
- It is therefore not possible to pull up data on sales-tax remittances from Wisconsin businesses identified as coin dealers and know how much of these taxes resulted from sales of coins, paper money, and precious-metals bullion.
- Using Dun & Bradstreet data in the mid-1990s, I calculated that my company collected about 25% of industry-wide Michigan sales-taxes on coin and precious-metals bullion sales. At the maximum, we collected almost \$48,000 annually on such sales, indicating that statewide sales-tax collections on such products totaled less than \$200,000. The Michigan Treasury and House and Senate fiscal agencies rounded this amount up to \$300,000 in annual sales-tax collections in their analyses of a coins and precious-metals bullion sales-tax exemption that took effect in July 1999.
- The impact on paying sales-tax on coin and precious-metals sales is so sensitive that when the Michigan sales-tax rate rose from 4% to 6% on May 1, 1994, my company's sales-taxable retail sales fell almost exactly one-third in the following 12 months compared to the 12 months before the rate increase.
- In 2005, the Ohio budget staff projected that a sales-tax on coins and precious-metals bullion would collect \$1 million over the two-year budget cycle.
- The retail profit margins on precious-metals bullion products are usually in the 1-5% range. These are the bulk of sales volume for dealers who sell coins, paper money, and precious-metals bullion. Collecting Wisconsin sales-tax on the sales of such products yields greater net revenues to the state treasury than the gross profit to the company making the sale.
- Precious-metals bullion products and many coins are fungible, meaning that matching products can be purchased from thousands of sellers located nationwide.
- Wisconsin purchasers of coins, currency, and precious-metals bullion can now easily purchase these products from non-Wisconsin sellers who do not have to charge Wisconsin sales-tax. If these purchases are stored in Delaware depositories, safe deposit boxes in neighboring states such as Minnesota, Iowa, Illinois, and Michigan, or elsewhere outside of Wisconsin—as is generally done by more prosperous Wisconsin residents—no Wisconsin sales or use tax would ever be due on such purchases.
- When coins and precious-metals bullion were subject to Michigan sales-tax when purchased in-state, in-state retail transactions of \$5,000 or larger for such merchandise accounted for about 1% of my company's in-state retail sales. By the year 2011, my company's total in-state retail sales of coins and precious-metals had increased more than 2,500% (versus about a 500% increase for our in-state wholesale and out of state sales) from when the sales-tax exemption in effect since 1999. Of this larger sales volume, transactions of \$5,000 or more accounted for 94% of total in-state retail sales volume.
- Therefore, any analysis such as using U.S. Mint sales volume to calculate state sales in proportion to that state's population to the national population is statistically invalid. For a more accurate figure, NCBA's 2016 national survey of actual coin dealer activity for the year 2015, determined that the average annual in-state retail sales of coins and precious-metals bullion came to \$104,188 per dealer of those in states where such merchandise is subject to sales-taxes. In the 2015 *Numismatic Dealer Directory*, there were listed 101 Wisconsin dealers. Calculating $101 \times \$104,188 \times 5\%$ = about \$526,149 in annual state sales tax collections.

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STEVEN M. BIEDA
ASSISTANT DEMOCRATIC LEADER
9TH DISTRICT
P.O. BOX 30036
LANSING, MI 48909-7536
PHONE: (517) 373-8360
FAX: (517) 373-9230
TOLL-FREE: (866) 262-7309
sensbieda@senate.michigan.gov

THE SENATE
STATE OF MICHIGAN

FINANCE, MINORITY VICE-CHAIR
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ECONOMIC DEVELOPMENT AND
INTERNATIONAL INVESTMENT
CAPITOL COMMITTEE
LEGISLATIVE COUNCIL
MICHIGAN COMMISSION ON
UNIFORM STATE LAWS

December 20, 2018

Mr. David Crenshaw
Chief Operating Officer
Industry Council for Tangible Assets
P.O. Box 273
Dacula, GA 21403

Dear Mr. Crenshaw:

I write to detail my involvement with the state of Michigan's 1999 enactment of a sales and use tax exemption for rare coins and precious metals, and my observations on its subsequent impact to the state's industry. I have been a long-time coin collector, attorney, and the designer of the reverse side of the U.S. Mint's 1992 Olympic Half Dollar Commemorative.

When the sales/use tax exemption was before the Michigan Legislature in 1999, I was serving as a Senior Policy Analyst, focusing on taxes, for the Democratic Caucus in the Michigan House of Representatives. In my official capacity, I did not take a position on the bill, but did describe the potential business development prospects which could replace the tax collections lost if the exemption became law.

Subsequent to enactment of this exemption, I was elected to the Michigan Legislature, serving in the House of Representatives from 2003 to 2009, and was elected to the State Senate in 2010. I am currently about to leave office on January 1, 2019, due to term limits. In the House, I served on the Tax Policy Committee, first as minority Vice Chair, and in my last term, prior to being term-limited in the House, as Chairman of the Committee. In the Senate, I served as Assistant Minority Leader and on the committees for Economic Development and International Investment, Energy and Technology, Finance, Insurance, and Judiciary, being the minority vice chair of the last three listed.

I have personally witnessed the expansion of trade show activity in the coin and precious metals industry in Michigan since the exemption took effect. The Central States Numismatic Society, which requires any state organization that would host its conventions be in a state with such a sales tax exemption, held its Fall Convention in Michigan not long after the exemption became law. A significant proportion of the increase in trade show activity resulted from non-Michigan dealers traveling to Michigan to host booths and patronize Michigan's hospitality industry.

When Michigan coin dealer Patrick A. Heller prepared an analysis in early 2012, it showed a significant increase in Michigan in the number of coin dealerships, in coin industry employment, in sales by the coin industry, and in trade show activity since the sales and use tax exemption became law. After

Mr. David Crenshaw
Page 2
December 20, 2018

reviewing his analysis, I found his conclusion that the Michigan Treasury experienced a net increase in tax collections and that the increased replacement taxes more than offset the lost tax collections were correct and coincided with my personal observations from visiting Michigan coin dealers and trade shows. As one example, I visited Heller's business before and after it moved to a new more prominent retail location in 2013 which had more than four times the space and many more employees.

Should you have further questions about the above points, you are welcome to contact me at sbieda76@gmail.com or call me at (586) 205-5500 (texting first please). Thank you for your attention.

Sincerely,

A handwritten signature in black ink that reads "Steve Bieda". The signature is written in a cursive, flowing style with a large initial "S" and "B".

Steve Bieda
State Senator
9th District

Hyatt Coin & Gun Shop

Tel. 704-394-0387

3332 Wilkinson Blvd.
Charlotte, NC 28208

Fax: 704-399-3388

November 5, 2018

David Crenshaw, Chief Operating Officer
Industry Council for Tangible Assets
PO Box 237
Dacula, GA 21403

Dear Mr. Crenshaw:

I write in response to your request asking how my business, Hyatt Coin and Gun Shop, Inc., has been impacted by North Carolina's adoption of a rare coins, precious metals, and currency sales and use tax exemption that became effective on July 25, 2017.

We have observed several developments. Among them are:

- Significant growth in purchases by existing in-state retail customers, both in frequency and in size of transaction.
- Significant expansion in the number of new in-state retail customers, which expansion is accelerating as more residents learn about the exemption.
- Significant growth of in-state retail sales of other merchandise we handle where such sales are still subject to North Carolina sales tax.
- To handle the surge in sales we have added five full-time and two part-time staff since enactment of this exemption became apparent. We are planning to soon hire one more full-time employee as our sales continue growing.
- Significant increase in our local advertising expenditures.
- Because of the growth of our in-state retail sales, we are liquidating less inventory to in-state and out-of-state wholesalers.

With the increase in sales tax collections on other merchandise we handle that is subject to the tax, the imputed increase in sales tax (and individual income tax) collections from the additional payroll, and the higher business activity from our expanded advertising, I project that the North Carolina Treasury is, barely 15 months after adoption of this sales and use tax exemption, already collecting more total taxes because of this company than it did before the exemption.

If you have questions or we can be of further assistance, please call me at (704) 394-0387 or email me at mitch@hyattcoins.com.

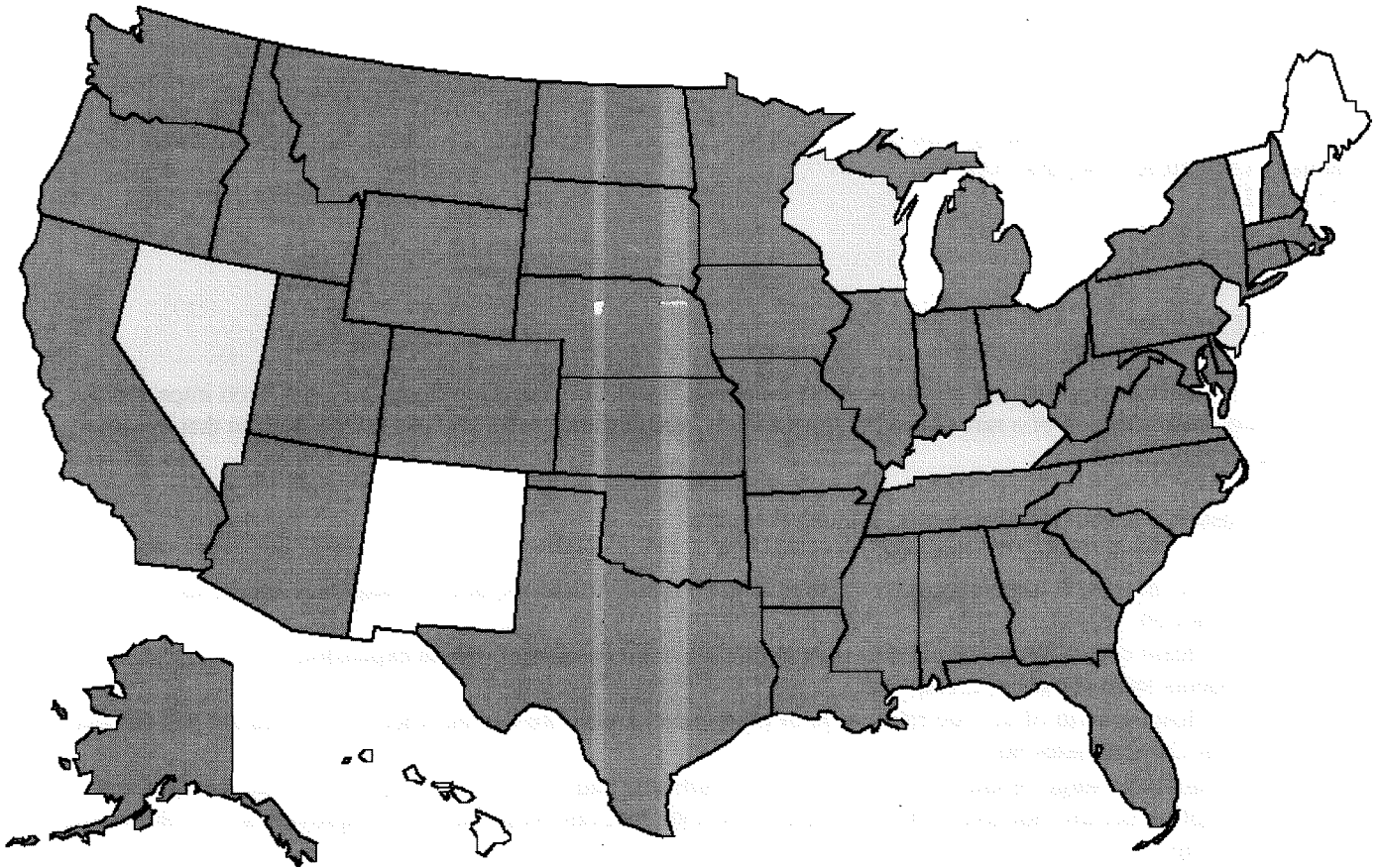
Sincerely,



Mitchell Hyatt
Hyatt Coin & Gun Shop, Inc
3332 Wilkinson Blvd
Charlotte, NC 28208



National Coin & Bullion Association States Sales Tax Map



- States that are exempt from sales/use tax or have some form of exemption from sales/use tax for coins, currency, or precious-metals bullion. For more information, see Sales-Tax Status by State.
- States that have ongoing initiatives to exempt sales/use tax on coins, currency, or precious-metals bullion.

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Revised: December 15, 2023

Support For Removing Sales Tax from Precious Metals

Chairman Macco, Vice-Chair Brooks, and the rest of the Assembly Ways and Means committee, thank you for the opportunity to testify before you today.

Under current law, Wisconsin citizens are inadvertently discouraged via tax policy from protecting the value of their savings from inflation by holding gold and silver. Assembly Bill 29 would eliminate this regressive tax that especially harms small-time savers.

Removing the sales tax on the purchase of gold and silver coins, bars, and rounds would benefit small-time savers and investors, who, unlike the wealthy, tend to have more limited options for investment. AB 29 would help level the playing field, and provide another option for Wisconsin residents to save.

Because inflation diminishes the purchasing power of the currency, it robs purchasing power from savers, wage earners, and retirees on a fixed income. Holding some savings in gold and silver – the only money actually mentioned in the United States Constitution – is one way to protect one's purchasing power.

With housing and other real assets increasingly out of reach to Wisconsin citizens, precious metals are more accessible forms of tangible assets.

Taxing gold and silver purchases has become an unusual and outmoded practice in the U.S. In total, 43 states have now ended this practice. In the past two years alone, Alabama, Arkansas, Mississippi, Ohio, Tennessee, and Virginia all passed legislation to enact or extend sales tax exemptions on precious metals in their states.

AB 29 is good policy for several reasons:

- **Taxing precious metals is harmful to smalltime savers.** Purchasers of precious metals aren't usually fat-cat investors. Most who buy precious metals do so in small increments as a way of saving money. Precious metals investors are purchasing precious metals as a way to preserve their wealth against the damages of inflation. Inflation harms the poorest among us, including pensioners, Wisconsinites on fixed incomes, wage earners, savers, and more.
- **Levying sales taxes on precious metals makes no sense because they held for resale.** Sales taxes are typically levied on final consumer goods. Computers, shirts, and shoes carry sales taxes because the consumer is "consuming" the good. Precious metals are inherently held for resale, not "consumption," making the imposition of sales taxes on precious metals illogical from the start.
- **Studies have shown that taxing precious metals is an inefficient form of revenue collection.** The results of a Michigan study, for example, demonstrated that any sales tax proceeds a state collects on precious metals may be surpassed by the state revenue *lost* from conventions, businesses, and economic activity that are driven out of the state.
- **Taxing gold and silver harms in-state businesses.** It's a competitive marketplace, so buyers will take their business to neighboring states, thereby undermining Wisconsin jobs. Levying sales tax on precious metals harms in-state businesses who will lose business to out-of-state precious metals dealers. Investors can easily avoid paying \$100 in sales taxes, for example, on a \$2,000 purchase of a one-ounce gold bar.
- **Other types of savings or investment do not carry a sales tax.** Gold and silver are held as forms of savings and investment. Yet Wisconsin does not assess a sales tax on the purchase of stocks, bonds, ETFs, real estate, currencies, and other financial instruments. It's illogical and discriminatory to tax the purchase of investment gold and silver.

Grosz, Scott

From: Rep.Macco
Sent: Thursday, February 01, 2024 8:29 AM
Subject: FW: Representative John Macco and Committee on Ways and Means

Please see the below testimony on AB 29 for today's hearing.

Reanna Rasmussen

Research Assistant/Committee Clerk
Office of Rep. John Macco
88th WI Assembly District
Phone: 608-237-9188
Subscribe to Rep Macco's E-Update [here](#)

From: Marvin Munyon <705mlm@gmail.com>
Sent: Thursday, February 1, 2024 6:29 AM
To: Rep.Macco <Rep.Macco@legis.wisconsin.gov>
Subject: Representative John Macco and Committee on Ways and Means

I am unable to attend the Committee hearing scheduled today on AB 29 because of prior commitments. However, I am asking to submit this written testimony in favor of AB 29 in my absence of presenting it in person.

Many individuals are purchasing precious metals as a means to preserve their wealth against the effects of inflation which is so prevalent in today's market. With the National Debt more than \$33 trillion dollars many people realize that inflation in our current monetary system is a real problem. They want to preserve what they can in a more protected way and want to invest in gold and silver currency. Gold and silver are spoken of in the US Constitution in Article I, Section 10 for the payment of debts. However, the purchasing of gold and silver is being hindered with the Wisconsin sales tax charged when a purchase is made.

All the states adjoining Wisconsin have already removed sales tax on gold and silver purchases. It is my understanding that there are 42 states in total that have done likewise. I understand that a number of the remaining states are working on the process to remove their sales tax on gold and silver.

I would encourage you and your committee to vote to remove the sales tax on precious metal bullion and join the great number of other states that have already done so.

Thank you for the opportunity to present this testimony to you and your committee.

Marvin Munyon
309 Benz Court
Sun Prairie WI 53590
608-444-1342
Marv Munyon
705mlm@gmail.com