

Department of Legislative Services
 Maryland General Assembly
 2015 Session

FISCAL AND POLICY NOTE

House Bill 903 (Delegate M. Washington)
 Ways and Means

Sales and Use Tax - Exemption for Precious Metal Bullion and Coins - Repeal

This bill repeals the State sales and use tax exemption for the sale of precious metal bullion or coins with a sale price of greater than \$1,000.

The bill takes effect July 1, 2015.

Fiscal Summary

State Effect: General fund revenues increase by an estimated \$3.3 million in FY 2016 and by \$4.2 million in FY 2020 due to the elimination of the tax exemption. Expenditures are not affected.

(\$ in millions)	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
GF Revenue	\$3.3	\$3.5	\$3.7	\$4.0	\$4.2
Expenditure	0	0	0	0	0
Net Effect	\$3.3	\$3.5	\$3.7	\$4.0	\$4.2

Note:() = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate effect

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Current Law: The sale of precious metal bullion or coins, if the sale price is greater than \$1,000, is exempt from the State sales and use tax. The tax policies in surrounding states are shown in **Exhibit 1**.

Exhibit 1
Tax Policies for Precious Metal Bullion and Coins

<u>State</u>	<u>Tax Status</u>
Delaware	No sales tax.
District of Columbia	Taxable.
New Jersey	Retail sales of gold coins and gold and silver bullion, priced according to their metal content, are sales of tangible personal property subject to the sales and use tax. When used as an investment in precious metals they are also taxable. However, they are not taxable when used as a medium of exchange.
North Carolina	Taxable, except for casual or isolated sale of coins.
Pennsylvania	Sales at retail or use of investment metal bullion and investment coins are tax exempt. Coins included within jewelry and commemorative medallions are taxable.
Virginia	Sales of coins, gold, silver bars, or other tangible personal property by dealers are subject to tax.
West Virginia	Taxable.

Source: CCH

Background: The sales and use tax is the State's second largest source of general fund revenue, accounting for approximately \$4.3 billion in fiscal 2015 and \$4.5 billion in fiscal 2016, according to the December 2014 revenue forecast. **Exhibit 2** shows the sales and use tax rates in surrounding states and the District of Columbia.

Exhibit 2
Sales and Use Tax Rates in Maryland and Surrounding States

Delaware	0%
District of Columbia	5.75%; 10% for liquor sold for off-the-premises consumption and restaurant meals, liquor for consumption on the premises, and rental vehicles
Maryland	6% 9% for alcoholic beverages
Pennsylvania	6% plus 1% or 2% in certain local jurisdictions
Virginia*	5.3%; 2.5% for food, both rates include 1% for local jurisdictions
West Virginia	6%; plus 0.5% or 1% in certain municipalities

*An additional State tax of 0.7% is imposed on sales in localities in Northern Virginia and the Hampton Roads region.

State Fiscal Effect: There is limited data available on the sale of gold and other precious metals in the State upon which to base a reliable estimate of the revenue impact of repealing this exemption. Annual coin shows take place in the State, but the number and amount of transactions that occur at each show are unknown. The Whitman Coin and Collectibles Expo is held three times each year in Baltimore City.

The Department of Budget and Management's *Tax Expenditures Report* for fiscal 2014 estimates that the current sales and use tax exemption for sales of precious metal bullion or coins will reduce general fund revenues by approximately \$2.9 million in fiscal 2014. Based on annual growth rates for the value of the exemption in the *Tax Expenditure Report*, this estimate assumes the value of the exemption will increase by 6.5% annually. As a result, it is estimated that repealing this exemption will increase general fund revenues by approximately \$3.3 million in fiscal 2016 and by \$4.2 million in fiscal 2020.

However, the actual effect on State revenues depends on the number of transactions that occur each year and the value of these transactions. To the extent the volume of sales and the prices of various precious metals vary over time, general fund revenues will be affected accordingly.

Small Business Effect: Vendors that deal in the sale of precious metal bullion or coins may realize fewer transactions as a result of the change. These vendors may also incur

some expenditure increases from having to collect and remit the sales tax on these transactions.

Additional Information

Prior Introductions: As introduced, the Budget Reconciliation and Financing Act of 2012 (SB 152/HB 87) contained a provision similar to the provision in this bill. The provision was subsequently amended out of the bill. HB 206 of 2011 received a hearing in the House Ways and Means Committee, but no further action was taken.

Cross File: None.

Information Source(s): Comptroller's Office, Department of Legislative Services

Fiscal Note History: First Reader - February 27, 2015
min/jrb

Analysis by: Michael Sanelli

Direct Inquiries to:
(410) 946-5510
(301) 970-5510