



Support for HB 357, Ending Sales Tax on Purchases of Gold and Silver Below \$1,000

Thank you for the opportunity to testify today. My name is Jp Cortez and I am the executive director of the Sound Money Defense League.

On behalf of our 17,000 Maryland supporters, I ask that you vote YES on House Bill 357 to support a measure that removes the \$1,000 transaction threshold to be eligible for the sales tax exemption on purchases of gold and silver.

Most people who buy gold and silver do so in small increments as a way to save their wealth. This \$1,000 threshold harms small-time investors in Maryland. It does not make sense to penalize individuals making small contributions to their savings but to allow larger purchases to remain tax-free. This policy is extremely regressive.

Maryland's small businesses are harmed by this policy of taxing precious metals purchases under \$1,000. Their sales (of taxable *and* non-taxable items) are leaving the state – along with Maryland's state revenue.

There are several reasons why Maryland residents shouldn't be penalized for protect their savings with gold and silver:

- **Studies have shown that taxing precious metals is an inefficient form of revenue collection.** The results of one study involving Michigan show that any sales tax proceeds a state collects on precious metals are likely surpassed by the state revenue lost from conventions, businesses, and economic activity that are driven out of the state.

The harm is exacerbated when you consider that all of Maryland's neighbors (Pennsylvania, Delaware, West Virginia, Virginia) have already stopped taxing all purchases gold and silver. 45 states in the country have either fully or partially ended this tax thus far.

- **Taxing gold and silver harms in-state businesses.** It's a competitive marketplace, so buyers will take their business to neighboring states, thereby undermining Maryland's jobs. Levying sales tax on precious metals purchases below \$1,000 harms in-state businesses who will lose business to out-of-state precious metals dealers.

In total, 45 states have reduced or eliminated sales tax on the monetary metals. The trend is towards ending this tax entirely.

- **Taxing precious metals is unfair to certain savers and investors.** Gold and silver are held as forms of savings and investment. Maryland does not tax the purchase of stocks, bonds, ETFs, currencies, and other financial instruments.

- **Levying sales taxes on precious metals is inappropriate.** 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 application of sales taxes on precious metals inappropriate.

- **Taxing precious metals is harmful to citizens attempting to protect their assets.** Purchasers of precious metals aren't 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, Marylanders on fixed incomes, wage earners, savers, and more.

The Virginia legislature passed a measure eliminating their \$1,000 threshold in 2022. The measure's sponsor explained that the policy of only taxing purchases of precious metals below \$1,000 is regressive and discriminatory, harming those choosing to make small purchases of gold or silver to protect their savings from inflation.

Please consider following in Virginia's footsteps and support HB 357 to eliminate the \$1,000 sales tax exemption threshold on precious metals in Maryland.

Sincerely,
Jp Cortez
Executive Director
Sound Money Defense League