

**SUBJECT:** Extending sales tax exemption for coins and precious metals

**COMMITTEE:** Ways and Means — favorable, without amendment

**VOTE:** 5 ayes — Hilderbran, Bohac, Button, Gonzalez, Strama  
0 nays  
4 absent — Otto, Eiland, Martinez Fischer, Ritter

**WITNESSES:** For — Rich Danker, American Principles Project; Mike Fuljenz, Universal Coin and Bullion, Ltd.; Chris Howe; Ryan Lambert, Texas Sound Money; Jorge Landivar; (*Registered, but did not testify:* Stephanie Gibson, Texas Retailers Association; Jake Posey, United States Money Reserve, Inc.)  
  
Against — None  
  
On — Carol McAnnally and Brad Reynolds, Comptroller

**BACKGROUND:** Tax Code, sec. 151.010 defines taxable items for the purpose of assessing state and local sales-and-use taxes.  
  
Tax Code, sec. 151.336 exempts precious metal coins and bullion from the sales tax when the total sales price is \$1,000 or more. Sale of a precious metal coin is also exempt from the use tax until the item is subsequently transferred.

**DIGEST:** HB 787 would amend Tax Code, sec. 151.336 so that all precious metal coins and bullion would be exempt from sales-and-use taxes.  
  
This bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect September 1, 2013. Only tax liability accruing before the bill's effective date would be affected.

**SUPPORTERS SAY:** HB 787 would allow more Texans, especially lower and fixed-income residents, to invest in the financial security offered by precious metal coins

without being penalized by the sales tax. The difficulty with Texas' current tax treatment of precious metal coins is that the tax break is out of reach for most Texans. The current policy actually punishes those who would like to save but can only purchase precious metal coins in lower denominations. Those who wish to protect themselves against possible future increases in inflation should not be penalized 8.25 percent for making smaller investments in gold and silver.

By extending the sales-and-use tax exemption to all purchases of metal coins under \$1,000, the bill would allow Texans to save more. Twenty-one other states have no sales tax on gold and silver coins. It is difficult for those with low or fixed incomes, such as teachers who want to invest in metal coins to pay for retirement, to save enough for their precious metal purchases to be exempt from sales tax. These individuals should be able to make small transactions to help make themselves financially secure, as opposed to making their purchases out-of-state, which leaves them unprotected by consumer protection laws.

Precious metal coin dealers in the state would see increased sales because Texans would purchase their metal coins from them instead of from out-of-state dealers. These in-state dealers also would spend more advertising dollars in the state trying to reach Texas customers. HB 78's minor impact on tax revenue would be offset with the economic impact from this increase in advertising directed at the large Texas market.

**OPPONENTS  
SAY:**

In recent years, there have been deep cuts to public services in Texas. Now that the state is enjoying stronger fiscal health, it should restore these services to levels that existed before the recession and then fund other, more pressing priorities, such as water and transportation, before considering such a tax break. Additionally, no significant increase to the market for metal coins in Texas would occur as a result of the bill. Currently, millions of dollars of sales of bullion and coins in the state are not taxable. The below-\$1,000 transactions constitute a very small portion of gold and silver purchases in the state.

**NOTES:**

According to the fiscal note, the tax exemption in HB 78 would have a negative impact on general revenue of \$424,000 through fiscal 2015 if the bill took immediate effect. If the bill took effect September 1, 2013, there would be a negative impact of \$375,000 in fiscal 2014-15. A proportional loss of sales and use tax revenue would be experienced by local taxing jurisdictions.