

**SUBJECT:** Exempting the Texas Bullion Depository from property taxes

**COMMITTEE:** Ways & Means — committee substitute recommended

**VOTE:** 11 ayes — D. Bonnen, Y. Davis, Bohac, Darby, E. Johnson, Murphy, Murr, Raymond, Shine, Springer, Stephenson

0 nays

**WITNESSES:** For — (*Registered, but did not testify:* Adam Cahn, Cahnman's Musings)

Against — None

On — Mike Esparza, Comptroller of Public Accounts; Phillip Ashley, Comptroller of Public Accounts

**BACKGROUND:** HB 483 by Capriglione, enacted in 2015, created the Texas Bullion Depository, under Government Code, ch. 2116, as a division of the comptroller's office. The depository, managed by a private entity contracting with the comptroller, was established to accept deposits of precious metals from individuals and entities to be held until transferred or withdrawn, in exchange for a fee charged for the depository's services.

**DIGEST:** CSHJR 113 would allow the Legislature to exempt from property taxes precious metals held by the Texas Bullion Depository.

The ballot proposal would be presented to voters at an election on November 7, 2017. The proposal would read: "The constitutional amendment authorizing the legislature to exempt from ad valorem taxation precious metal held in the Texas Bullion Depository."

**SUPPORTERS SAY:** CSHJR 113 would allow current efforts to create the Texas Bullion Depository to succeed. Under current law, a depository could be subject to property taxation by a locality as the precious metals are considered tangible personal property under Tax Code, ch. 11. Creating a property tax exemption for the depository would make it more competitive and

successful.

A state depository is an opportunity for the state to become more self-sufficient, realize economic benefits by keeping funds in the state, and provide certainty and safety for individuals and institutional investors who want to invest in precious metals. The state currently owns about \$650 million in precious metals that are held in other states and pays more than \$600,000 in holding fees every year. A state depository would bring those fees back to the Texas economy.

The depository could be commercially viable because Texas' name is associated with financial strength and stability. A strong credit rating and reputation means that Texas' depository could attract investors from across the nation and the world and create an impetus for the depository to be authorized by the Chicago Mercantile Exchange's COMEX market, opening up investment opportunities for depositors. This could allow Texas to make money through the fees collected from depositors and provide an alternative to the federal monetary system in case of a systematic failure.

**OPPONENTS  
SAY:**

CSHJR 113 is unnecessary because the Texas Bullion Depository is not feasible, even with a property tax exemption. Institutional investors are interested in ensuring that their investment in precious metals can be easily liquidated, and depositories need to be authorized by the Chicago Mercantile Exchange's COMEX market to be eligible to be used to settle gold futures contracts traded on the exchange. Without this authorization, which Texas' depository would be unlikely to receive, no institutional investors would choose to use the state's depository.

Moreover, there exists no need for a Texas depository. Alternatives to the federal monetary system are not necessary because it is not in danger of failing. Also, other, more cost effective options exist for both individuals and institutional investors to invest in precious metals without actually handling the precious metals themselves, including certificates, futures contracts, or options.

HJR 113  
House Research Organization  
page 3

NOTES:

According to the Legislative Budget Board, HJR 113 would have no fiscal implication to the state other than the cost of publication, which would be \$114,393.

The enabling legislation for HJR 113 is HB 3169 by Capriglione, which was approved by the House on May 4 on the Local and Consent Calendar.