

- SUBJECT:** Creating a property tax exemption for certain precious metals
- COMMITTEE:** Ways and Means — committee substitute recommended
- VOTE:** 10 ayes — Burrows, Guillen, Bohac, Cole, Murphy, Noble, E. Rodriguez, Sanford, Shaheen, Wray
- 0 nays
- 1 absent — Martinez Fischer
- WITNESSES:** For — Tom Glass, Right to Use Cash; (*Registered, but did not testify:* Jake Posey, Dillon Gage Metals; David White, Texas Precious Metals)
- Against — None
- On — (*Registered, but did not testify:* Tom Smelker, Comptroller of Public Accounts)
- BACKGROUND:** Tax Code sec. 11.14 provides an exemption from property taxation for tangible personal property that is not held or used for the production of income. However, taxing units are authorized to tax such tangible personal property.
- DIGEST:** CSHB 2859 would create a property tax exemption for persons owning precious metals held in precious metal depositories in this state, regardless of whether the precious metals were held or used for the production of income.
- Precious metals would mean a metal, including gold, silver, platinum, palladium, and rhodium, that bore a high value-to-weight ratio relative to common industrial metals and customarily was formed into bullion or specie.
- A precious metal depository would be defined as a depository that was primarily engaged in the business of providing precious metal storage to

the general public and that maintained sufficient insurance to cover precious metals deposited in the depository.

The exemption would be available immediately upon qualification, and persons could claim the exemption without applying for it. Taxing units would be prohibited from taxing precious metals regardless of whether the metals were held or used in the production of income.

The bill would take effect January 1, 2020, but only if the constitutional amendment allowing the Legislature to exempt precious metals held in precious metal depositories in the state from property taxation was approved by voters. If that amendment was not approved by voters, the bill would have no effect.

**SUPPORTERS
SAY:**

CSHB 2859 would give accountholders and investors certainty that precious metals held in a depository in this state would be exempt from property tax. This would enable Texas to compete for their business with other states, which do not tax precious metals. The state already exempts certain precious metals from sales and use tax, and the bill merely extends this treatment to property tax.

**OPPONENTS
SAY:**

CSHB 2859 could be perceived as allowing the government to pick winners and losers in the economy by using the tax system to encourage people to purchase and hold precious metals in depositories in the state.

NOTES:

According to the Legislative Budget Board, the bill could cause taxable property values to be reduced and could cause related costs to the Foundation School Fund to be increased through the operation of the school finance formulas.

CSHB 2859 is the enabling legislation for HJR 95 by Capriglione, which would amend the Texas Constitution to allow the Legislature to exempt precious metals held in a precious metal depository in this state from property taxation. HJR 95 is on the Constitutional Amendments Calendar for second reading consideration today.