

## OPPOSE SB 6713/HB 2972

### **DON'T DESTROY WASHINGTON'S INVESTMENT COIN AND BULLION INDUSTRY**

The Governor announced plans to repeal Washington State's bullion sales tax exemption. Repeal will destroy Washington's Coin and Bullion dealer's ability to compete with sellers from other tax exempt states such as Oregon and Idaho. Instead of raising revenue, repealing the exemption will sound the death knell of an industry and reduce revenue, not increase it. The Governor was right when she said, "The key to the recovery is jobs." The job loss sure to accompany a repeal of the exemption moves Washington away from recovery, not towards it.

#### **BACKGROUND**

**Precious metal bullion is an investment.** The IRS recognizes Bullion as part of an IRA portfolio. Investor behavior is very sensitive to percentage shifts in cost. For this reason, the profit margin on Metal and Bullion sales averages just 1-2% above the spot price. An increase in business costs seriously compromises investment value. Before enacting the exemption Washington deprived investors of roughly the first 8% of gain on investment. Prudent investors took their business elsewhere.

In 1985 the Legislature recognized this problem, enacting RCW 82.04.062 to tax investment bullion the same as other investment products such as stocks, i.e. exempting sale proceeds other than commissions. By removing Washington bullion dealer's competitive disadvantage, the Legislature stimulated the exponential growth of a home-state industry, generating taxes on non-investment sales far outweighing the original exemption and bringing out-of-state money into Washington.

#### **RETAIN THE COIN AND BULLION INDUSTRY'S CONTRIBUTION TO WASHINGTON'S ECONOMY**

The current economy has increased the attractiveness of precious metal investment, thus increasing jobs and commission tax revenue from Washington's bullion industry.

- **Exemption is Critical for Survival of Metal and Bullion Industry.** Without this exemption, Washington State's Metal and Bullion industry cannot compete with sellers from tax exempt states. In 1984, prior to the exemption, an estimated 90% of Washington bullion investments were made out of state to avoid tax. Internet sales would drive that number even higher today. Coin and bullion dealers and processors would have to move or perish.
- **Loss of Jobs.** Repeal of the exemption will force the industry and its jobs from the State. The Metal and Bullion industry includes over 100 small Washington businesses with an annual payroll of approximately \$10,000,000 employing over 300 Washingtonians in family wage jobs.
- **Loss of Tax Revenue.** The industry's collapse would reduce current revenues. These include loss of taxes on non-exempt lines of business such as medallions, stamps, commemoratives, and jewelry. Also gone would be lost personal property taxes, leasehold improvements, sales tax and use tax on equipment purchases. The current fiscal note for this biennium is \$1.7 million for retail sales tax, and \$205,000 for B&O tax (Department of Revenue).
- **Investment Bullion Should be Taxed Like Other Investments.** RCW 82.04.062 recognizes investment metal and bullion as a commodity and taxes it accordingly. Security brokers do not collect sales tax, nor do they pay B&O tax on their gross sales. Rather, security brokers, like Metal and Bullion dealers, are subject to B&O on the commissions. Taxing investment bullion as if it were a consumer-good will end the bullion investment industry in Washington.

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#### **WASHINGTON COIN AND BULLION ASSOCIATION**

*January 20, 2010*