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Taxing Investment Coin and Bullion Industry Will Increase Unemployment; Reduce Revenues

Small Business Leaders Testify Against Repealing Exemptions That Created an Industry; Rep. Hunter Indicates More Research Is Needed.

Small business owners representing the Washington Coin and Bullion Association testified before the House Finance Committee today in opposition to House Bill 2972, which would repeal Washington State's 25-year-old sales and B&O tax exemptions on the sale of investment coins and bullion.

"We understand the state faces a crisis regarding jobs and state revenues, but this bill will make the situation worse, not better," said Karen Feldman, owner of Tacoma Mall Blvd. Coin, Stamp, and Jewelry. "Without this exemption, investors will again buy out of state, which will cost the state jobs and tax revenues, and the B&O tax will eat into our already-small profit margin."

In 1984, the Washington State Department of Revenue estimated that over 90% of Washington State's bullion investments were made out of state in order to avoid paying sales tax. **There was virtually no bullion sales industry in Washington.** In response to the DOR study, in 1985, the Legislature exempted coin and bullion sales from the sales tax and the B&O tax.

"The intent of the 1985 legislation was to create a home-grown industry, and it worked," said John Drummey, owner of Seattle Coin Shop. "Today, there are over 100 small Washington businesses selling these investment products, employing over 300 people in family-wage jobs. All that will go away if we go backwards and repeal the exemption."

"Chairman Ross Hunter made clear to us that he understands the impact re-imposing these taxes will have, especially with the small profit margin in our business. It is clear to us that keeping jobs in Washington State is important to Chairman Hunter and he will be doing more research on our issue. We are very encouraged by the Chairman's response to our testimony today," said Drummey.

Today, twenty-nine states, including Washington, recognize bullion as an investment commodity, not a consumer good. Securities brokers do not collect sales tax, nor do they pay B&O tax on their gross sales. Rather, securities brokers and bullion dealers pay B&O taxes on their commissions. Removing these exemptions will make it impossible for Washington dealers to compete with dealers in states that don't collect these taxes. **During the hearing, information was presented indicating that when Florida re-imposed the sales tax on coins and bullion, 75% of the existing stores and businesses closed or left the state.**