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B&O Tax on Investments is Unfair and Will Cost the State Jobs and Revenues

Investment Coin and Bullion Dealers Should Not Be Taxed Differently Than Other Investment Professionals

The proposed revenue package released by Governor Gregoire today includes the following:

Eliminate Outdated B&O Tax Exemption for Gold Bullion

Wholesalers and retailers of gold bullion should pay B&O tax on their sales like other retailers now do. Eliminating this outdated 1985 exemption would save the state \$210,000 this biennium

This proposal is based on a false assumption, will generate virtually no revenue, and will cost the state jobs and revenues. Coin and bullion dealers already pay B&O tax:

- 1. Those who sell investment coins and bullion are not, “like other retailers.”** State law recognizes investment metal and bullion as a commodity, not a consumer good, and taxes it accordingly. Like securities brokers, coin and bullion dealers do not collect sales tax, nor do they pay B&O tax on their gross sales. **As the *Seattle Times* recently said, “These are investments; the IRS Code allows them in Individual Retirement Accounts.”**
- 2. Unlike a retailer, investment coin and bullion dealers have virtually no ability to mark up their product.** 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. A new tax will wipe out the already small profit margin dealers make.
- 3. This proposal will cost the state more than it will generate.** The Governor estimates imposing this tax will only generate \$200,000 to the State. In reality it will cause stores to close and will likely destroy the state’s precious metals recycling/refining industry. Unemployment will go up, revenues will go down.
- 4. Those in the precious metal industry already pay the B&O tax.** Recyclers/refiners pay the B&O tax on recycling/refining services and manufactured equipment; coin and bullion dealers pay the B&O on their commissions, just as stock brokers do.