



DUEY STROEBEL

STATE SENATOR • 20TH DISTRICT

Testimony on SB 33

January 31, 2024

Thank you Chairman Hutton and committee members for your consideration of Senate Bill 33, a bill I authored with Representative Sortwell for the purpose of exempting precious metal bullion from the sales and use tax. The exemption would apply to coins, bars, rounds or sheets containing at least 35 percent gold, silver, copper, platinum or palladium and that are marked with or minted on the basis of weight, purity and content. The bill explicitly excludes tangible personal property containing precious metal, such as jewelry, artwork, scrap metal or electronics.

As it currently stands, Wisconsin is one of only seven states that imposes a sales tax on precious metals.¹ All of our neighboring states have exempted purchases of precious metals from the sales tax, making Wisconsin even more of an outlier.

Unlike stocks, bonds, real estate or other common stores of value, gold and silver are explicitly identified as money in the U.S. Constitution.² Charging a sales tax on a form of money is fundamentally unfair, and has the effect of treating precious metal bullion as though it is merely a commodity. The concept of sound money dates back thousands of years, and individuals have long sought out precious metals as a stable store of value.³

In today's competitive marketplace, our sales tax on precious metals raises transaction costs and incentivizes Wisconsinites who are seeking to diversify their savings and protect their purchasing power to take their business elsewhere, sending money and jobs to other states.

As the Department of Revenue's fiscal estimate highlights, it is difficult to precisely estimate the potential effect of SB 33 on state revenues due to a variety of factors. The fiscal estimate on a comparable bill that was recently signed into law in Tennessee projected an annual reduction in state sales tax revenue of about \$360,000.⁴

There's no denying that tax exemptions have a tendency to distort our tax code and complicate future efforts toward broad-based tax reform. However, the taxation of sound money is putting Wisconsin at a competitive disadvantage with most other states and making it more cumbersome for Wisconsinites to build and protect their wealth. In closing, SB 33 would help to eliminate an unnecessary barrier to commerce and growth by exempting precious metal bullion purchases from the sales and use tax. Thank you again for your consideration.

References:

¹ Money Metals Exchange (2024). Sound Money Index: Gold & Silver Laws in 2024.

<https://www.moneymetals.com/resources/sound-money-index>

² U.S. Constitution, Article I, Section 10, Clause 1.

³ World Gold Council (n.d.). The History of Gold. https://www.nma.org/pdf/gold/gold_history.pdf

⁴ Tennessee General Assembly Fiscal Review Committee (2022). Fiscal Note: HB 1874 – SB 1857.

<https://www.capitol.tn.gov/Bills/112/Fiscal/HB1874.pdf>



SHAE SORTWELL

STATE REPRESENTATIVE • 2nd ASSEMBLY DISTRICT

Hearing Testimony
Senate Committee on Universities and Revenue
January 31, 2024
Senate Bill 33

Chairman Hutton and members of the Senate Committee on Universities and Revenue – thank you for giving me the opportunity to speak on Senate Bill 33, relating to sales and use tax exemptions for metal bullion.

Wisconsinites deserve as many options as possible to plan for their retirement. As believers in the free market and competition, it also makes sense to remove unnecessary barriers to commerce and private transactions and allow Wisconsinites to use alternative mediums of exchange if they so choose.

People throughout the world and throughout history have sought precious metals like gold and silver as a relatively stable source of value and asset diversification. Americans can save, especially for retirement, by purchasing precious metals to store physically and as part of self-directed IRAs.

Our bipartisan bill is simple: it removes the sales tax from the purchase of non-collectible precious metals that are purchased for their precious metal content.

In addition to giving individuals more options, this bill would also level the playing field for Wisconsin's precious metal sellers. Wisconsin is only one of seven states that still place a sales tax on precious metals. All of our Midwest neighbors – Iowa, Indiana, Minnesota, Michigan, and even Illinois – do not charge such a sales tax, making us an outlier in the region. Our state shouldn't drive business elsewhere when consumers would be just as happy buying right here from our own coin and metal shops in Wisconsin.

I want to thank the committee for your time and consideration. I am happy to answer any questions members of the committee may have.

Testimony of Clifford Mishler

IN SUPPORT OF

SB33

EXEMPTING SALES OF PRECIOUS METAL BULLION FROM SALES AND USE TAX IN WISCONSIN

Submitted before the Wisconsin Senate Universities and Revenue Committee

January 31, 2024

Chairman Hutton and members of the Committee:

I appear before you today in support of SB33, to establish a sales-and-use-tax exemption for the retail sales of precious metals bullion, including coins with a content of at least 35% of gold, silver, copper, platinum, or palladium, in Wisconsin.

My name is Clifford Mishler. I've resided in Wisconsin since 1963 . . . I presently live just outside nearby Waupaca . . . in retirement, I still maintain an active office in Iola.

Throughout a business career of 40 years at Krause Publications, I was engaged in interacting with and serving hobby communities, with a personal interest focus on the coin collecting community. The last 13 of those years were spent serving the company in the capacities of president and board chairman. At the time of my retirement the company was serving more than a million subscribers with one or more of our more than 70 consumer periodicals.

Among those periodicals was *Numismatic News*, established in Iola on October 13, 1952, by the late Chester L. Krause, to serve the interests of the coin collecting community nationwide. Iola is also the home of the Iola Old Car Show, the largest collector car event in the Midwest, an event fostered by Krause Publications with an annual draw of 130,000.

I am a past-president of the Numismatists of Wisconsin, an organization providing state-wide service to the coin collecting community. More recently I served ten years on the board of the American Numismatic Association, including two years as president. It is the world's largest organized coin collecting community, boasting a membership of approximately 30,000.

The American Numismatic Association most recently held its national conventions in Milwaukee in 1986 and 2007. These annual events typically attract around 10,000 visitors,

the vast majority of whom travel in from other states. The board nearly 20 years ago adopted a policy that dictates that it not consider convening in any state where tax is assessed on precious metal offerings. In seven (7) of the past thirteen (13) years it has convened in Chicago (Rosemont), where such sales are tax exempt, and will be meeting there again this upcoming August 6-10, 2024.

The Central States Numismatic Society, another major but smaller regional organization, has been meeting annually at Schaumburg in suburban Chicago since 2012. In the past that organization met frequently in Milwaukee, most recently in 2010 – prior to that 2004, 1999, 1998, 1995, 1990, 1984, 1977 and 1972 for example – but that organization has adopted a similar policy to that of the ANA, to not consider convening in states where sales tax is assessed on sales.

As an active participant and traveler in the coin collecting community for more than 70 years – since 1950 – I can assure you that the State of Wisconsin is missing the boat where this business is concerned. It is now surrounded by states that exempt these sales from sales tax assessment. When pondering transactions, individuals are ever increasingly taking that business out of Wisconsin. The resulting potential transactional profits thus accrue to businesses in Illinois, Minnesota, Michigan and Iowa, rather than businesses in the State of Wisconsin.



PARAGON NUMISMATICS, Inc.

1425 W. Mequon Road, Suite E Mequon, WI 53092

In Support of Wisconsin SB33: Exempts Sales of Precious Metal Bullion from Sales and Use Tax *Submitted before the Senate Universities and Revenue Committee, January 31, 2024*

Experience:

Type of Business: Inside a bank in high-net-worth Mequon, professional referrals only

A significant portion of my business remains within the state. However, the majority is wholesaled out of state due to a lack of local buyers reluctant or refusing to pay sales tax. Although there are plenty of collectors and bullion buyers, most opt to cross state lines to Illinois, Michigan, Minnesota, or Iowa.

The precise language expressed by those passing by is compelling: "Why would I possibly buy from you when I can drive forty-five minutes to Illinois to avoid sales tax?" To paraphrase an Illinois dealer: "Some weeks it's like a Badger Bus is bringing bullion buyers from Wisconsin." The bottom line is, it's not a level playing field when most buyers hop over the border to save on taxes. Can you blame them?

2022 Gross Sales: \$3,631,005

- In-State Retail: \$1,126,825 (31% in WI, 69% whole/out of state)

2023 Gross Sales: \$4,500,797

- In-State Retail: \$1,345,249 (29.8% in WI, 70.2% whole/out of state)

Incidence of people visiting the office/speaking on the phone about metals but declining transactions due to tax: 25% for small sales, 75% for medium sales, 80-90% for large, 95% for Whales

Definition of Sale: Small: under \$1K, Medium \$1K-25K, Large \$25K-\$100K, Whale over \$100K

People who decline local business due to tax share the same sentiment: "It's unfair/not appropriate that the State taxes money." Whether we agree with the popular perspective or not, I've found that your standard hard money precious metal buyer considers precious metals and coins as money...which they are indeed.

Current Profit Margin: I must keep my gross margin paper thin to have a chance at ANY retail bullion sales. So, I operate on a 1.5-2.5% markup for gold and 5% (at most) for silver. Impossibly thin margins reveal a humorous result: on an ounce of gold, I make \$30-\$50 while the Wisconsin Department of Revenue collects \$112.75. Without sales tax, I could increase my margin, make more money, and make being in business worthwhile. There's something wrong when the state makes a profit that's doubled to triple my own.

What Would Happen to My Business if Precious Metals and Coins Were Exempt:

1. Exponential increase in the number of retail sales.
2. An equally exponential increase in the incidence of large and whale sales.
3. A dramatic increase in referrals from financial planners and investment advisors, leading to an increase in new buyers in higher buying categories.

In summary, eliminating sales tax would level the playing field with surrounding states. Business would stay right here in Wisconsin, exponentially increasing the volume of my business, raising my margins, and enhancing my profitability.

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Support For Removing Sales Tax from Precious Metals

Under current law, Wisconsin citizens are inadvertently discouraged via tax policy from protecting the value of their savings from inflation by holding gold and silver. AB29 and SB33 eliminate this regressive tax that especially harms small-time savers.

Removing the sales tax on the purchase of gold and silver coins, bars, and rounds would benefit small-time savers and investors, who, unlike the wealthy, tend to have more limited options for investment. Assembly Bill 29 and Senate Bill 33 would help level the playing field, and provide another option for Wisconsin residents to save.

Because inflation diminishes the purchasing power of the currency, it robs purchasing power from savers, wage earners, and retirees on a fixed income. Holding some savings in gold and silver – the only money actually mentioned in the United States Constitution – is one way to protect one's purchasing power.

With housing and other real assets increasingly out of reach to Wisconsin citizens, precious metals are more accessible forms of tangible assets.

Taxing gold and silver purchases has become an unusual and outmoded practice in the U.S. In total, 43 states have now ended this practice. In the past two years alone, Alabama, Arkansas, Mississippi, Ohio, Tennessee, and Virginia all passed legislation to enact or extend sales tax exemptions on precious metals in their states.

AB 29 and SB 33 is good policy for several reasons:

- **Taxing precious metals is harmful to smalltime savers.** Purchasers of precious metals aren't usually fat-cat investors. Most who buy precious metals do so in small increments as a way of saving money. Precious metals investors are purchasing precious metals as a way to preserve their wealth against the damages of inflation. Inflation harms the poorest among us, including pensioners, Wisconsinites on fixed incomes, wage earners, savers, and more.
- **Levying sales taxes on precious metals makes no sense because they held for resale.** Sales taxes are typically levied on final consumer goods. Computers, shirts, and shoes carry sales taxes because the consumer is "consuming" the good. Precious metals are inherently held for resale, not "consumption," making the imposition of sales taxes on precious metals illogical from the start.
- **Studies have shown that taxing precious metals is an inefficient form of revenue collection.** The results of a Michigan study, for example, demonstrated that any sales tax proceeds a state collects on precious metals may be surpassed by the state revenue *lost* from conventions, businesses, and economic activity that are driven out of the state.
- **Taxing gold and silver harms in-state businesses.** It's a competitive marketplace, so buyers will take their business to neighboring states, thereby undermining Wisconsin jobs. Levying sales tax on precious metals harms in-state businesses who will lose business to out-of-state precious metals dealers. Investors can easily avoid paying \$100 in sales taxes, for example, on a \$2,000 purchase of a one-ounce gold bar.
- **Other types of savings or investment do not carry a sales tax.** Gold and silver are held as forms of savings and investment. Yet Wisconsin does not assess a sales tax on the purchase of stocks, bonds, ETFs, real estate, currencies, and other financial instruments. It's illogical and discriminatory to tax the purchase of investment gold and silver.

Testimony of the National Coin & Bullion Association Industry Issues Advisor Patrick A. Heller
IN SUPPORT OF
SB33: EXEMPTS SALES OF PRECIOUS METAL BULLION FROM SALES AND USE TAX
Submitted before the Wisconsin Senate Universities and Revenue Committee, January 23, 2024

Chairman Hutton and members of the Committee, I write in support of SB 33 to establish a sales-and-use-tax exemption for the retail sales of precious metals bullion, including coins with a content of at least 35% of gold, silver, copper, platinum, or palladium, in Wisconsin.

My name is Patrick A. Heller. After working as a CPA in Michigan, in 1981 I became the owner of Michigan's largest coin dealer, Liberty Coin Service, in Lansing. When Michigan enacted a comparable exemption in 1999, the House and Senate fiscal agencies and the Michigan Treasury used my calculation of forsaken tax collections in their analyses. I also conservatively forecasted the likely increase in Michigan tax collections if the exemption was enacted, and later documented that the actual increase in tax collections was nearly double what I had estimated. My analyses of both tax expenditures and documented increases in state Treasury tax collections were subsequently used to support successful efforts to adopt sales and use tax exemptions for precious-metals bullion and coins in Alabama, Arkansas, Indiana, Iowa, Kansas, Minnesota, Mississippi, Nebraska, North Carolina, Oklahoma, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia, West Virginia, and Wyoming. These same analyses were used to expand the tax exemptions in Texas and Louisiana (and to restore the exemption in Louisiana in 2017 after it was suspended in 2016).

I write to address three issues about which legislators around the country have expressed concern. First, I discuss weaknesses in the methodology used by state governments to calculate the tax expenditure of such exemptions that invariably result in a huge over-projection of lost sales and use tax collections such as has occurred with LRB Number 23-0818/1 for this Bill. Second, I discuss the question of whether enacting a sales tax exemption for money and not for other tangible property is fair. Third, I discuss why precious metals and coins merit a sales-and-use-tax exemption, while other assets sometimes purchased as investments (such as rare stamps, works of art, antiques, and the like) do not.

1. Methodological weaknesses in calculating the tax expenditure of a precious metal bullion sales tax exemption.

State treasuries and legislative fiscal agencies use a static analysis of the impact of tax-law changes. A static analysis asks, "If a sales tax exemption is enacted, how much in existing tax collections would be lost?"

However, if only the forsaken taxes are calculated, with no consideration of the change in behavior of Wisconsin residents after a tax change occurs, the overall impact on total tax collections will be inaccurate. Instead, a dynamic analysis is needed to reflect the impact of changes on other Wisconsin state government tax collections.

From my work with the agencies in Michigan, I learned that there is no approved methodology for state treasuries and fiscal agencies to do a dynamic analysis. I believe my findings of the coin-dealer industry's

changes in Michigan, once the exemption was adopted, will help this committee in approximating a dynamic analysis.

- From the enactment of the exemption in 1999 to the end of 2011, I tracked a 67% increase of coin dealerships in Michigan. About half of this increase was from new businesses opening, and about half was from existing businesses expanding their operations to also become coin dealers.
- Coin-dealer employment levels more than doubled over this time frame, and total payrolls increased by an even greater amount. For my own company, from 1997 to 2011, total employment and contractors increased 243%, while total payroll increased more than 800%. Michigan Treasury research has determined that 38.5% of payrolls are spent on merchandise for which Michigan sales tax is collected. The increase in coin-dealer payrolls in Michigan generated additional sales tax collections that more than offset tax collections lost because of the exemption. I would also like to point out that this coin-dealer employment increase occurred while Michigan as a whole was suffering a decline in employment.
- Industry sales soared. According to Dun & Bradstreet information in 1995, my company accounted for about 15% of sales by coin dealers in Michigan. From 1997 to 2011, my company's out-of-state retail and wholesale sales and Michigan wholesale sales increased about 673%. Our Michigan retail sales during this time increased more than 2,500%. Yes, volume increased across the board, but there was a definite major volume increase specifically resulting from the new tax exemption. Before the exemption was enacted in Michigan, my company rarely saw in-state retail sales of precious-metals bullion or coins amounting to more than \$1,000. An analysis of my company's Michigan retail sales for the year 2011 showed that 94% of total sales volume was for transactions of \$5,000 or higher. (Special note: State treasuries and legislative fiscal agencies do not realize how price-sensitive customers are to have to pay sales and use taxes on precious-metals bullion and rare-coin investments. Therefore, they almost always assume that states that impose such taxes on these sales still have as much per capita in-state retail sales as do states that grant exemptions. There have been several one-time surveys done on coin dealer sales tax collections over the past 30 years of sales tax collections for the retail sales of precious-metals bullion and coins, almost no state treasuries collected more than \$500,000 per year).
- As coin dealers drew more customers for exempt merchandise, they also drew more customers for merchandise they handled that were still subject to sales tax. Major categories of such products handled by coin dealers were jewelry, antiques, sports cards, other collectibles, and hobby supplies. A national survey conducted in 2016 by the National Coin & Bullion Association (the trade name for the Industry Council for Tangible Assets or ICTA), the coin and precious metals dealer national trade association, found that in states with precious metal bullion and coin sales and use tax exemptions, dealer sales of merchandise still subject to sales tax increased so much that, on average, replace two-thirds of tax collections lost from the exemption.

- As the number of coin dealers increased and their volumes rose, business tax collections from these companies rose.
- For my own company, from 1997 to 2011, our total Michigan tax collections increased 216% despite the drop in sales taxes collected on our Michigan retail sales. Over the same period, our Lansing tax payments increased by more than 1,100% and our local advertising expenditures increased more than 480%!
- Further, the hospitality industry in Michigan increased tax collections as more coin shows were sponsored in the state, which encouraged more out-of-state dealers to spend money in Michigan.
- My research that indicated that the Michigan Treasury collected greater sales taxes after the exemption and greater amounts of other taxes was confirmed nationwide by the National Coin & Bullion Association 2016 national survey of actual 2015 sales, sales tax collections, and coin show attendance.

The fiscal note for SB33, LRB Number 23-0818/1, estimates that the state would experience a net loss of \$3.7 million and local governments would experience a net loss of \$298,000 if this bill were to become law. But the fiscal note did not have actual data on which to prepare their fiscal analysis. Such data could be obtained from the Department of Revenue or by using Dun & Bradstreet data.

The Industry Council for Tangible Assets, now operating under the trade name of the National Coin & Bullion Association, conducted a nationwide coin dealer survey in 2016, asking for 2015 annual information on total sales, out-of-state sales, in-state retail sales of precious metals bullion and investment coins, in-state wholesale sales, service sales, and in-state sales taxable sales of merchandise other than precious metals bullion and investment coins.

A total of 278 usable responses were received, which was estimated at about 2.5% of all coin dealers nationwide. Of this total, 76 were from dealers in states that did not have any sales and use tax exemption for precious metals bullion and/or coins. These 76 dealers in taxable states reported total sales tax collections of \$527,630, a mean of \$6,943 per dealer. The median amount of sales tax collected among these 76 dealers was \$315. By amounts of annual sales taxes collected, here was the breakdown:

Number of dealers	Range of annual sales taxes collected in 2015
40	\$0-499
1	\$500-999
7	\$1,000-1,999
7	\$2,000-2,999
6	\$3,000-4,999
7	\$5,000-7,999

3	\$8,000-13,999
1	\$25,000
1	\$28,600
1	\$43,992
1	\$80,000
1	\$225,000

Among all 278 dealers nationwide, only six of them reported total sales tax collections of \$50,000 or more.

The *2015 Numismatic Dealer Directory* listed 101 coin dealers in Wisconsin. Simply multiplying 101 times the mean and median sales tax collections in the survey would yield \$701,243 (101 x \$6,943) or \$31,815 (101 x \$315) in total Wisconsin sales tax collection in 2015. Both numbers are far smaller than contained in the fiscal note. As the Wisconsin state sales tax rate was 5% in 2015; below the national average, it is likely that Wisconsin sales tax collections were even lower than these amounts.

In 1994, the state of Michigan increased its sales tax rate from 4% to 6%. Our company's sales tax collections in the 12 months before the increase were almost exactly the same as our sales tax collections in the 12 months from the date of the rate increase. That happened because our sales of taxable merchandise fell by almost exactly one-third. Obviously, customers of coin dealers are extremely sensitive to the impact of having to pay sales tax, often on merchandise where the dealers profit margin is 1-5%.

Michigan adopted a precious metals bullion and investment coin sales and use tax exemption in 1999. Our sales taxable sales, almost all for precious metal bullion and coins, were only 12.8% of our total sales in 1997; by 2011 in-state sales tax exempt precious metals bullion and coin sales had climbed to 33.8% of total annual sales. This result roughly matched the data in the ICTA/NCBA 2016 dealer survey where coin dealers in states that had to charge sales tax had only 9.7% of total sales subject to sales tax while 22.8% of total sales in state with no sales tax or tax exemptions were in-state retail sales of precious metals bullion and investment coins.

Having to charge sales tax on the in-state retail sales of precious metals bullion and investment coins is especially significant to more affluent customers. When my company had to charge sales tax on such products, transactions of \$5,000 only accounted for about 1% of our in-state retail sales in 1997. By 2011, when our in-state retail sales had grown more than 2,500% from 1997 (while out-of-state and in-state wholesale sales only rose 500-600%), 94% of our in-state retail sales volume came from transactions of \$5,000 and larger.

Affluent people interested in owning precious metals bullion have a variety of options to make such purchases where no Wisconsin sales or use taxes would be due. Among them are:

- Precious metals commodity futures contracts
- Shares of precious metals exchange traded funds
- Shares of precious metals mining companies
- Purchases of physical precious metals and coins stored in Delaware vaults
- Purchase of certificates of physical precious metals stored in the vaults of the Perth Mint in Australia, Royal Mint in England, or the Royal Canadian Mint

Wisconsin residents have another alternative to acquire precious metals bullion and investment coins. They can drive to nearby Illinois, Iowa, Michigan, or Minnesota to make their purchases there and store them in safe deposit boxes in those states. We saw similar actions by Indiana residents before that state adopted its sales tax exemption on precious metals bullion and investment coins. Even though my company's store was seventy miles north of the Indiana border, we had many Indiana residents drive to our store to make purchases, then store them in the safe deposit boxes in one of the seven banks and credit unions around the shopping center where my company operated.

To collect \$3.7 million in sales taxes on the retail sales of precious metal bullion, Wisconsin would need to have somewhere between 533 to more than 11,000 coin dealerships. Obviously, this isn't possible, which can be verified using Dun & Bradstreet data to search for such Wisconsin businesses.

With the experience in Michigan and confirmed in other states that have adopted precious metals bullion and investment coins sales and use tax exemptions, state treasuries can expect a net increase in tax collections because of

- Greater sales of other merchandise sold by coin dealers still subject to sales tax such as jewelry, antiques, other collectibles, and hobby supplies. The 2016 dealer survey found that higher such sales in exempt states generated higher sales tax collections to replace about two-thirds of the tax expenditure of the exemption.
- Higher sales tax collections resulting from greater payrolls in the Wisconsin coin dealer industry. The Michigan Treasury study in the 1990s calculated that 38.5% of payrolls were spent on merchandise on which Michigan sales tax was collected. The increase in Michigan's coin dealer employment replaced more than 100% of the tax expenditure of the exemption.
- The increase in the number of coin dealer businesses also generates additional Wisconsin tax collections. From 1999 when Michigan's sales tax exemption took effect to 2011, the number of

businesses rose about two-thirds, of which about half were new businesses and half were existing businesses that expanded their product line.

- States with sales and use tax exemptions on precious metals bullion and investment coins also have a greater number of coin shows and larger attendance at such shows, resulting in greater sales by lodging establishments, restaurants, gasoline stations, and general retailers.

2. Is it fair to exempt money but no other tangible property?

Precious metal bullion, including coins made of at least 35% gold, silver, copper, platinum, or palladium, have a major distinction from other tangible assets that are subject to sales and use tax. Sales and use taxes are consumption taxes on assets that are consumed or used. In contrast, coins and precious metal bullion are not consumed. Often, they are acquired as investments to be sold. Others are acquired for the enjoyment of a hobby but are still preserved carefully with an eye toward future sale. They are not worn, used, or otherwise consumed.

The Internal Revenue Service and Wisconsin Department of Revenue confirm that precious metal bullion and coins are capital assets that are not consumed. The IRS anticipates that these assets will be sold and that the owners will report and pay income taxes on their profits from the sales. In fact, the IRS has a Form 1099-B, which is used by coin dealers to report to the IRS some precious metals bullion and coin purchases from the public.

3. Why it is appropriate to “draw the line” with a coin and precious metal bullion exemption?

- It parallels the intent of Federal legislation that permits Individual Retirement Accounts to own many of these products but no other tangible personal property.
- It parallels legislation in over thirty-five states, none of which extend exemptions to stamps, art, antiques, diamonds, and so forth.
- It parallels the scope of investment advice given by many prudent investment advisors, who recommend only these forms of tangible personal property.
- The state of Utah exempts gold and silver gains and losses from Utah income taxes; the state of Arizona now exempts gains and losses from US gold, silver, and platinum coins from that state's income taxes.
- Coins and currency are or have been “legal tender” in their land of issue, a status not shared by other tangible personal property.
- The U.S. Constitution specifically grants the Federal government the authority to coin money, but no explicit powers to manufacture any other tangible personal property.

- The United States Mint manufactures commemorative coins and proof versions of circulating coinage. It sells them at prices well above precious metal or face value. The United States Bureau of Engraving & Printing manufactures commemorative versions of circulating currency that it sells at prices above face value. The U.S. government has no other programs to manufacture and sell art, antiques, gems, and so forth.
- Investment brokerage firms have often established investment funds for the sole purpose of acquiring coins. To my knowledge, no comparable investment funds have ever been created for investments in other tangible personal property.
- Investment brokerage firms have established exchange-traded funds for trading gold, silver, platinum, and palladium. I am not aware of exchange-traded funds established to invest in stamps, art, antiques, gems, or other collectible tangible personal property.
- Directly underneath the masthead of The Wall Street Journal are listed key financial indicators, including the price of gold. No information appears there for stamps, art, antiques, gems, or other collectible tangible personal property.

OTHER QUESTIONS AND CONCERNS

Why would Wisconsin coin dealers experience such growth after an exemption was established?

- Affluent investors have almost no financial benefit from enactment of this exemption since they already can afford to 1) purchase in bulk quantities out of state and have their purchases stored at specialized depositories in Delaware, 2) purchase shares of gold, silver, platinum, or palladium exchange traded funds, 3) purchase gold, silver, platinum, or palladium commodity or options contracts such as on the New York COMEX, or 4) purchase certificates of precious metals bars stored in the vaults of the Perth Mint in Perth, Australia, Royal Mint in the suburbs of London, England, or the Royal Canadian Mint in Ottawa, Canada—all of which are exempt from payment of Wisconsin sales and use taxes. However, our experience is that many such purchasers would prefer to deal face-to-face when making sizeable transactions. In the circumstances of Liberty Coin Service, retail sales of \$5,000 or more only accounted for about 1% of our in-state retail coins and precious metals bullion sales in 1997 but rose to account for 94% of our in-state retail coins and precious metals bullion sales in 2011 (where our total in-state retail coins and precious metals bullion sales in 2011 rose 2,500% from 1997).
- Because of thin profit margins on bullion products, the sales tax is a major impediment to potential buyers. In 1994, Michigan raised the sales tax rate from 4% to 6%. My company's in-state retail sales for the 12 months following the increase fell by almost exactly one-third from the 12 months before the rate increase. Therefore, our sales tax collections did not increase.

Who would benefit from the exemption?

Wisconsin residents can easily purchase precious-metals bullion and coins from sellers in 41 states on the mainland plus Alaska, and then arrange for out-of-state storage. Generally, the more affluent use such arrangements.

There are several constituencies that would benefit from enacting SB33 in Wisconsin. Among the beneficiaries would be:

- Wisconsin state government, with increased tax collections
- Existing Wisconsin businesses, with higher profits
- Future owners and employees of new business that will be made possible
- Wisconsin workers, with more jobs and higher pay
- Wisconsin smaller-scale investors, who can deal locally without the burden of sales and use taxes, which affluent investors can easily achieve by purchasing commodities, shares of exchange traded funds, certificates of bullion stored outside of the US, or arranging for storage in Delaware.
- Wisconsin consumers, who are better protected by dealing with local businesses than with strangers
- Wisconsin senior citizens, who will have more resources to avoid scam artists
- Affluent Wisconsin citizens, while not really benefiting financially, will be more willing to conduct business with local Wisconsin businesses.

All these benefits and more were realized in Michigan with no net cost to the state Treasury or Michigan taxpayers.

In Michigan, a high percentage of sales tax collections is explicitly allocated to education funding. For this reason, the Michigan Education Association automatically opposes sales tax exemptions. However, the MEA did not oppose this exemption and was rewarded when total sales tax collections increased.

Thank you for the opportunity to submit this written testimony. Should you have any questions, you are welcome to call me at 800-933-4720 or email me at path@libertycoinservice.com. Thank you for your consideration.

Sincerely,



Patrick A. Heller
Industry Issues Advisor, National Coin & Bullion Association (2020–)
Member of the Board of Directors, National Coin & Bullion Association (2002–2021)
Treasurer, National Coin & Bullion Association (2002–2019)
Liberty Coin Service, Communications Officer and Owner Emeritus (2015-present), and Owner (1981–2014)

**Testimony of the National Coin & Bullion Association
IN SUPPORT OF
SB33: EXEMPTS SALES OF PRECIOUS METAL BULLION
FROM SALES AND USE TAX
Wisconsin Senate Universities and Revenue Committee, January 23, 2024**

Chairman Hutton and members of the committee,

Thank you for allowing me to submit written testimony on SB 33. I'm David Crenshaw, the executive director of the National Coin & Bullion Association, representing businesses in coins, paper money, and precious-metals bullion. We've been advocating for legislative and regulatory affairs for over 40 years at both state and federal levels.

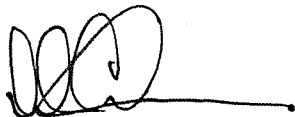
The sales-tax exemption on precious metal bullion will enhance revenue for the State of Wisconsin in multiple ways. It will stimulate the growth of coin businesses and industry jobs, leading to increased sales-tax revenues as industry members spend on taxable merchandise. This surge in in-state retail sales will also boost sales taxes on related non-exempt items, such as supplies.

Moreover, it's worth noting that this exemption has proven beneficial in 42 states with existing exemptions, and Kentucky has a similar bill awaiting action this session that seeks to eliminate sales tax on coins and bullion. Notably, the hospitality industry has flourished by hosting various coin shows, such as the American Numismatic Association's World's Fair of Money.

Wisconsin, as the 21st most populous state, stands to gain from this exemption, aligning with the majority of populous states that have recognized the importance of such exemptions. Nineteen out of the 20 most populous states have already implemented coins, paper money, and precious-metals bullion exemptions.

The sales tax exemption aims to level the playing field for small-business owners. Wisconsin businesses will no longer lose customers to neighboring states with exemptions like Illinois, Iowa, Michigan, and Minnesota. Residents will also enjoy the security of doing business locally, avoiding the expense, inconvenience, and potential risks of out-of-state purchases.

I urge you to support this crucial exemption, benefiting the state's revenue, local businesses, and investors. For further information or to discuss this matter, feel free to contact me at (678) 430-3252. Thank you for the opportunity to submit this written testimony.



Rare Coins And Precious Metals Industry National Survey: 2015 Sales Tax Collections

Executive Summary

Coin dealers generate sales tax collections in four different ways: 1) in-state retail sales of rare coins and precious metals, 2) in-state retail sales of other merchandise on which sales tax is collected, 3) coin dealership staff who spend part of their income on merchandise subject to sales tax, and 4) hospitality industry sales to attendees at coin trade shows of merchandise on which sales tax is collected.

On the basis of this survey, ICTA conservatively concludes that, contrary to what might be expected, **when a state government enacts a rare coin and precious metals bullion sales tax exemptions it is almost certain to experience a net increase in total sales tax collections.**

Further, because of higher business activity and industry employment, states with such sales tax exemptions also experience higher individual income tax and business tax collections.

<u>2015 Revenue Sources Per Coin Dealer</u>	<u>Taxable States</u>	<u>Exempt States</u>	<u>Difference</u>
In-state			
Retail sales of rare coins and precious metals	\$ 104,188	\$1,068,612	+926%
Retail sales of other merchandise	\$ 29,269	\$ 98,659	+237%
Services	\$ 2,390	\$ 15,088	+531%
Wholesale sales	\$ 252,189	\$ 651,584	+158%
Total in-state sales	\$ 388,036	\$1,833,943	+372%
Out-of-state			
Retail sales	\$ 214,639	\$1,857,931	+766%
Wholesale sales	\$ 472,029	\$ 984,780	+109%
Total out-of-state sales	\$ 686,668	\$2,842,711	+314%
Total sales	\$1,074,704	\$4,676,654	+335%

<u>2015 Sales Taxes Collected Per Coin Dealer</u>			
Sales of sales taxable rare coins and precious metals	\$ 5,423	\$ 0	-100%
Sales of sales taxable merchandise-other	\$ 1,520	\$ 5,213	+243%
Total sales taxes collected	\$ 6,943	\$ 5,213	-25%

<u>Average Number Of 2015 Coin Trade Shows Where Coin Dealers Hosted Booths</u>			
In-state	2.9	5.7	+97%
Out-of-state in states with no coin/bullion exemption	1.3	0.5	-62%
Out-of-state in states with coin/bullion exemptions	5.3	4.6	-13%
Total	9.5	10.8	+14%

Existing taxable sales in taxable states-merchandise other than coins/bullion **21.9%**

Total sales in taxable states not affected by enacting a coin/bullion sales tax exemption **90.3%**

Percentage of forsaken sales tax collections from coin/bullion exemption replaced by increased sales of other merchandise still subject to sales tax [(\$5,213-\$1,520)/\$5,423] **68.1%**

Percentage of forsaken sales tax collections from coin/bullion exemption replaced by increased sales taxable purchases that result from higher industry personal incomes (estimated) **50-200%**

Percentage of forsaken sales tax collections from coin/bullion exemption replaced by increased sales taxable purchases that result increased hospitality industry sales (estimated) **10-200%**

The full survey report is available to government officials upon request to ICTA.

Hyatt Coin & Gun Shop

Tel. 704-394-0387

3332 Wilkinson Blvd.
Charlotte, NC 28208

Fax: 704-399-3388

November 5, 2018

David Crenshaw, Chief Operating Officer
Industry Council for Tangible Assets
PO Box 237
Dacula, GA 21403

Dear Mr. Crenshaw:

I write in response to your request asking how my business, Hyatt Coin and Gun Shop, Inc., has been impacted by North Carolina's adoption of a rare coins, precious metals, and currency sales and use tax exemption that became effective on July 25, 2017.

We have observed several developments. Among them are:

- Significant growth in purchases by existing in-state retail customers, both in frequency and in size of transaction.
- Significant expansion in the number of new in-state retail customers, which expansion is accelerating as more residents learn about the exemption.
- Significant growth of in-state retail sales of other merchandise we handle where such sales are still subject to North Carolina sales tax.
- To handle the surge in sales we have added five full-time and two part-time staff since enactment of this exemption became apparent. We are planning to soon hire one more full-time employee as our sales continue growing.
- Significant increase in our local advertising expenditures.
- Because of the growth of our in-state retail sales, we are liquidating less inventory to in-state and out-of-state wholesalers.

With the increase in sales tax collections on other merchandise we handle that is subject to the tax, the imputed increase in sales tax (and individual income tax) collections from the additional payroll, and the higher business activity from our expanded advertising, I project that the North Carolina Treasury is, barely 15 months after adoption of this sales and use tax exemption, already collecting more total taxes because of this company than it did before the exemption.

If you have questions or we can be of further assistance, please call me at (704) 394-0387 or email me at mitch@hyattcoins.com.

Sincerely,



Mitchell Hyatt
Hyatt Coin & Gun Shop, Inc
3332 Wilkinson Blvd
Charlotte, NC 28208

THE GOLD CENTER

3000 WEST ILES • SPRINGFIELD, ILLINOIS 62704 • PHONE (217) 793-8000

THE GOLD CENTER, INC.



SPRINGFIELD
Rare Coin Galleries, Inc.

ILLINOIS

Armored Transport, Inc.



ILLINOIS

Depository Corporation

May 10, 1996

Patrick A. Heller
Liberty Coin Service
300 Frandor Avenue
Lansing, MI 48912

Dear Mr. Heller:

You have asked me to detail the change in The Gold Center Inc.'s state and local tax collections since the state of Illinois passed the coin and bullion sales tax exemption in 1985.


Here is the breakdown on the average annual state and local tax collections before and after the Illinois exemption:

	Before Exemption	After Exemption	% Change
Sales taxes collected	\$3,000	\$40,000	1,333%
State income taxes withheld/payroll	\$1,250	\$ 6,250	500%
TOTAL STATE TAX COLLECTIONS	\$4,250	\$46,250	1,088%
Local property taxes paid	NONE	\$15,000	1500%
TOTAL STATE/LOCAL TAXES PAID	\$4,250	\$61,260	1,441%

The increase in tax collections was a direct result of the business growth experienced after passage of the sales tax exemption. Our sales of merchandise that is still subject to sales tax has grown over ten times. The Gold Center, Inc. grew so much that we built a new million dollar building and our employment grew from one to twenty employees.

Please call me if you need further information.

Sincerely,


James R. Hausman, President
The Gold Center, Inc.

STEVEN M. BIEDA
ASSISTANT DEMOCRATIC LEADER
9TH DISTRICT
P.O. BOX 30036
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PHONE: (517) 373-8360
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sensbieda@senate.michigan.gov



THE SENATE
STATE OF MICHIGAN

FINANCE, MINORITY VICE-CHAIR
INSURANCE, MINORITY VICE-CHAIR
JUDICIARY, MINORITY VICE-CHAIR
ECONOMIC DEVELOPMENT AND
INTERNATIONAL INVESTMENT
CAPITOL COMMITTEE
LEGISLATIVE COUNCIL
MICHIGAN COMMISSION ON
UNIFORM STATE LAWS

December 20, 2018

Mr. David Crenshaw
Chief Operating Officer
Industry Council for Tangible Assets
P.O. Box 273
Dacula, GA 21403

Dear Mr. Crenshaw:

I write to detail my involvement with the state of Michigan's 1999 enactment of a sales and use tax exemption for rare coins and precious metals, and my observations on its subsequent impact to the state's industry. I have been a long-time coin collector, attorney, and the designer of the reverse side of the U.S. Mint's 1992 Olympic Half Dollar Commemorative.

When the sales/use tax exemption was before the Michigan Legislature in 1999, I was serving as a Senior Policy Analyst, focusing on taxes, for the Democratic Caucus in the Michigan House of Representatives. In my official capacity, I did not take a position on the bill, but did describe the potential business development prospects which could replace the tax collections lost if the exemption became law.

Subsequent to enactment of this exemption, I was elected to the Michigan Legislature, serving in the House of Representatives from 2003 to 2009, and was elected to the State Senate in 2010. I am currently about to leave office on January 1, 2019, due to term limits. In the House, I served on the Tax Policy Committee, first as minority Vice Chair, and in my last term, prior to being term-limited in the House, as Chairman of the Committee. In the Senate, I served as Assistant Minority Leader and on the committees for Economic Development and International Investment, Energy and Technology, Finance, Insurance, and Judiciary, being the minority vice chair of the last three listed.

I have personally witnessed the expansion of trade show activity in the coin and precious metals industry in Michigan since the exemption took effect. The Central States Numismatic Society, which requires any state organization that would host its conventions be in a state with such a sales tax exemption, held its Fall Convention in Michigan not long after the exemption became law. A significant proportion of the increase in trade show activity resulted from non-Michigan dealers traveling to Michigan to host booths and patronize Michigan's hospitality industry.

When Michigan coin dealer Patrick A. Heller prepared an analysis in early 2012, it showed a significant increase in Michigan in the number of coin dealerships, in coin industry employment, in sales by the coin industry, and in trade show activity since the sales and use tax exemption became law. After

Mr. David Crenshaw
Page 2
December 20, 2018

reviewing his analysis, I found his conclusion that the Michigan Treasury experienced a net increase in tax collections and that the increased replacement taxes more than offset the lost tax collections were correct and coincided with my personal observations from visiting Michigan coin dealers and trade shows. As one example, I visited Heller's business before and after it moved to a new more prominent retail location in 2013 which had more than four times the space and many more employees.

Should you have further questions about the above points, you are welcome to contact me at sbieda76@gmail.com or call me at (586) 206-5500 (texting first please). Thank you for your attention.

Sincerely,

A handwritten signature in black ink that reads "Steve Bieda". The signature is written in a cursive style with a large, sweeping initial "S".

Steve Bieda
State Senator
9th District

Liberty Coin Service

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Lansing, Michigan 48912

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Email path@libertycoinservice.com

March 14, 2012

Diane Piret, Legislative Affairs Director
Industry Council for Tangible Assets
PO Box 1365
Severna Park, MD 21146

Dear Ms Piret:

At your request, I document the impact of Michigan's sales and use tax exemption on the retail sale of precious metals bullion and rare coins that took effect on July 7, 1999 in terms of this company's change in state and local income, sales, and other taxes.

To do this, I have compared our Michigan single business and Michigan business tax, sales tax, and withheld income tax collections, and the City of Lansing corporate income and withheld income tax collections for the calendar years 1997 and 2011. I have used the year 1997 as the pre-exemption baseline since the markets of 1998 and 1999 were atypical as a result of Y2K concerns of possible technological calamities on January 1, 2000.

Here is the breakdown of the components making up these numbers.

<i>Category</i>	<i>1997</i>	<i>2011</i>	<i>Change</i>
Total Michigan retail sales	806,770.16	21,697,310.36	+20,890,540.20 +2,589%
Michigan wholesale sales	1,014,534.31	6,370,136.60	+5,355,602.29 +528%
Total Michigan sales	1,821,304.47	28,067,446.96	+26,246,142.49 +1,441%
Out of state sales	4,482,906.89	36,122,826.57	+31,639,919.68 +706%
Total company sales	6,304,211.36	64,190,273.53	+57,886,062.17 +918%
Number of employees/contractors at December 31	7	24	+17 +243%
Total payroll and contractors	251,051.91	2,279,793.00	+2,028,741.09 +809%

Michigan tax impact

1. Sales taxes collected on company sales*	47,130.78	3,298.79	-43,831.99 -93%
2. Sales tax paid on increased payroll spent on taxable items (payroll x 38.5% x 6%)**	5,799.30	52,663.22	+46,863.92 +808%
3. Michigan income tax withheld	9,900.41	91,684.12	81,783.71 +826%
4. Single business tax (1997) and estimated Michigan Business Tax (2011)	2,880.00	60,000.00	57,120.00 +2,160%
Total Michigan Tax Collections	65,710.49	207,646.13	+141,935.64 +216%
City of Lansing tax impact			
5. Lansing corporate income tax	0.00	2,100.00	+2,100.00
6. Lansing income tax withheld	1,594.10	17,500.91	+15,906.81 +998%
Total Lansing Tax Collections	1,594.10	19,600.91	18,006.81 +1,130%
Total Michigan and Lansing Tax Collections	67,304.59	227,247.04	+159,942.45 +238%
Other miscellaneous information			
Advertising expenditures in Michigan	27,964.00	162,616.83	+134,652.83 +482%

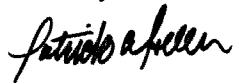
* Unlike most coin dealers who typically do substantial business in merchandise not affected by the sales tax exemption (such as jewelry, antiques, sports memorabilia, and the like), this company is almost exclusively focused on the sales of rare coins and precious metals bullion. Although we do not have a breakdown of 1997 sales of merchandise that was of merchandise not affected by the sales tax exemption (collector currency, hobby supplies, jewelry), I am confident that these sales have at least doubled. In 1997, our showroom averaged about 90 visitors per weekday. In 2011, our showroom averaged more than 250 visitors during each weekday.

** This computation uses the Michigan Treasury published research that 38.5% of Michigan payrolls are spent on items subject to Michigan sales tax.

Actual copies of this company's 1997 and 2011 Michigan Annual Returns for Sales, Use, and Withholding Taxes, the Michigan Single Business Tax returns, Michigan Business Tax returns, Lansing corporate income tax returns, and the Lansing withholding tax annual returns are available upon request.

Thank you for your request. The current rare coins and precious metals sales and use tax exemption represents a win-win-win situation for Michigan's economy--businesses, employees, investors and collectors, and the State Treasury.

Sincerely,



Patrick A. Heller, CPA
President
Liberty Coin Service



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Patrick A. Heller
Industry Issues Advisor



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March 21, 2012

Diane Piret, Legislative Affairs Director
Industry Council for Tangible Assets
PO Box 1365
Severna Park, MD 21146

Dear Ms Piret:

At your request, I have tried to quantify the impact of Michigan's sales and use tax exemption on the retail sale of precious metals bullion and rare coins that took effect on July 7, 1999 in terms of current Michigan Treasury tax collections.

I am a coin dealer who formerly was in public practice as a CPA. When this exemption was under consideration by the Michigan legislature, neither the Michigan Department of Treasury nor the legislative fiscal agencies were able to quantify the amount of tax collections attributable to the retail sale of precious metals bullion and rare coins because dealers in such items typically sell a high volume of other goods. Through the use of industry surveys, Dun & Bradstreet data, and reference to my own company's tax collections, I was able to calculate the approximate amount of sales tax collections that would have been lost if this exemption were enacted. After reviewing my methodology, the Michigan Treasury and analysts for both the House and Senate fiscal agencies accepted my research and reported tax implications in line with my calculation.

I have used this same information to estimate the change from 1999 to 2011 for Michigan tax collections

The following information is conservatively figured so that any variance would result in higher net Treasury collections.

Since the Michigan sales and use tax exemption took effect on July 7, 1999:

Increase in number of coin businesses in Michigan: 150

Increase in number of jobs in Michigan: 600

Net Increase in annual Michigan Treasury tax collections: \$1,735,250 or more

Here is the breakdown of the components making up these numbers, followed by an explanation of the methodology used to derive this information.

<i>Category</i>	<i>1999</i>	<i>2011</i>
Number of coin dealers (note: all analyses exclude internet only "dealers") (See addendum 2.2)	210	360
Number of employees (See addendum 2.3)	450	1,050
Annual wholesale and retail sales by coin dealers (See addendum 2.4)	\$54 million	\$370 million

Michigan tax impact from enacting exemption	Net annual change from 1999
1. Forsaken sales taxes on rare coins and precious metals bullion sales (See addendum 2.1)	(\$500,000)
2. Increased sales taxes from greater sales of merchandise sold by coin dealers that is not exempt from sales tax (See addendum 2.5)	\$711,000
3. Increased sales taxes from increased hospitality industry revenues from increase in coin shows in Michigan (See addendum 2.6)	\$300,000
4. Additional sales taxes from increased coin industry employment (See addendum 2.7)	\$415,800
Total Increase In Sales Tax Collections	\$926,800
5. Increased Single Business/Michigan Business tax collections from coin industry (See addendum 2.8)	\$221,200
6. Increased Single Business/Michigan Business tax collections from additional volume by financial institutions, hotels, restaurants, etc. (See addendum 2.9)	\$0+
Total Increase in Single Business/Michigan Business Tax Collections	\$221,200+
7. Increased individual income taxes from increased coin industry employment (See addendum 2.10)	\$587,250
8. Increased income taxes from increased employment by financial institutions, hotels, restaurants, etc.	\$0+
Total Increase In Individual Income Tax Collections	\$587,250+
Net Increased Annual Total Tax Collections	\$1,735,250+

As you can see, on a conservative basis Michigan sales tax collections have increased because of this exemption! Other Michigan Treasury tax collections have also increased. These figures do not include figures for increases in local income tax and property tax collections.

This analysis is derived from actual data, which generally matches what has occurred in the other 28 states that have enacted similar exemptions or have no sales tax at all.

The documentation for expected increased sales and other replacement taxes was compelling enough that even the Michigan Education Association did not oppose enactment of this sales tax exemption in 1999, which was significant because 72% of all sales and use taxes collected are dedicated to the state Education budget!

Here is a quick summary of how different “interests” benefited by the enactment of the precious metals bullion and rare coin sales and use tax exemption:

- Michigan’s economy--made Michigan competitive with Illinois, California, New York, Texas, Florida, Pennsylvania, Missouri, and over 20 other states; Michigan’s economy was stimulated.
- Michigan coin dealers--there have been completely new businesses started and a number of existing companies have added to the product lines by becoming coin dealers. Sales by Michigan dealers have soared and employment has increased.
- Michigan job seekers--increased opportunities with the addition of at least 600 new jobs so far and the trend appears likely to continue in the future.

- Public education--a net increase in formula funding because of the higher sales tax collections.
- Overall Michigan Treasury collections--a net increase of far more than \$1 million annually.
- The average Michigan investor and collector--they are no longer be penalized for being Michigan residents and for wanting to invest their money with Michigan businesses. They are no longer forced to transact their business with non-Michigan businesses and store their merchandise out of state to avoid Michigan sales tax.
- Affluent Michigan investors and collectors—they have not derived much economic benefit from the exemption as they already transacted their business in tax-exempt states with relative ease. However, they now enjoy the convenience of dealing with companies in Michigan.
- Michigan hotels, restaurants, airlines, ground transportation services, and the like--increased volume from out-of-state dealers and visitors attending coin shows and more Michigan coin dealers taking booths at Michigan coin shows rather than setting up booths at states with sales tax exemptions.
- Michigan banks, credit unions, and other financial institutions--increased volume from providing precious metals IRAs to Michigan investors and more safe deposit box rentals.
- Other Michigan Businesses—since 1999, our company has quintupled the amount we spend on advertising in Michigan as well as increasing our purchases of machinery and furniture and supplies from Michigan businesses. The analysis does not include any benefit to the Michigan Treasury caused by this increased volume by other Michigan businesses.

Thank you for your request. The current rare coins and precious metals sales and use tax exemption represents a win-win-win situation for Michigan's economy--businesses, employees, investors and collectors, and the State Treasury.

Sincerely,



Patrick A. Heller, CPA
President
Liberty Coin Service

Addendum #1 Sources of data for generating the analyses in the table includes:

1. Dun and Bradstreet reports.
2. Published research from the Michigan Department of Treasury.
3. Industry Council for Tangible Assets (ICTA) surveys on the long-term effects on coin industry sales tax collections.
4. Florida ICTA (with the assistance of the Orange County Convention and Visitors Bureau) March 1997 survey of job losses and convention closings in Florida after that state eliminated its sales tax exemption on rare coins and precious metals bullion in 1991.
5. Detailed analysis of Liberty Coin Service's sales and employment activities. According to Dun and Bradstreet, my company accounted for approximately 15% of sales of the Michigan industry in 1999 and about 10% in 2011.

Addendum #2 Methodology for deriving the numbers in the table:

1. Sales tax collections on rare coins and precious metals bullion—derived from a 1996 survey of Michigan coin dealers and other surveys in Ohio and Kentucky. Extrapolations from the analyses in the other two states fall right in line. As this company is highly concentrated on selling rare coins and precious metals bullion, instead of the industry norm of only 50% of total sales coming from rare coins and precious metals bullion, this company formerly accounted for 20-25% of all sales taxes collected on such sales in Michigan (this company collected just under \$47,500 in sales tax on all sales in 1997). Note: most precious metals bullion and rare coin sales are conducted on a wholesale basis, which would were never subject to sales tax and would remain exempt even if the exemption were revoked. For the 2012 fiscal year, the Michigan Treasury reported that this sales tax exemption resulted in lost sales tax collections of \$5,220,000 (see *Executive Budget Appendix on Tax*

Credits, Deductions, and Exemptions Fiscal Year 2012 available at http://www.michigan.gov/documents/treasury/ExecBudgAppenTaxCreditsDedExempts_FY_2012_366688_7.pdf on page 15). This analysis was far more than the \$400,000 amount that the Michigan Treasury calculated for fiscal 2009. I have previously sent you my analysis of calendar year 2011 forsaken sales tax collections where I did two calculations using empirical data showing that lost sales and use tax collections were in the range of \$300,000 to \$500,000. To be conservative, I have used the higher figure in the analysis.

2. Increased number of coin dealers in Michigan—during the effort resulting in the original exemption, my company aggressively sought to identify all Michigan dealers. We had a list of 210 in mid-1999. This list has not been kept up aggressively, but has since grown to 360. We are aware that different Yellow Pages listings have coin dealers who are not on our list, but we have not gone to the effort to track them all down. Of the new coin dealers, it seems that approximately half are completely new companies and the other half are pre-existing companies that expanded into rare coins and precious metals bullion.
3. Increased employment in the coin industry—my company has grown from 6 to 24 employees and contractors since the exemption took effect. Another dealer near Kalamazoo has grown from 6 to 16 employees. Several smaller dealers have added staff. We calculated the employment increase as follows: increased employment at existing coin dealers at 1.5 full-time equivalent (FTE) jobs per business ($210 \times 1.5 = 315$), 1.5 FTE jobs from existing companies expanding into coins and bullion ($75 \times 1.5 = 113$), 3.0 FTE jobs from completely new companies ($75 \times 3.0 = 225$). This totals 653 new employees, but it is rounded down to 600 to be conservative. Anecdotally, I suspect there are more than 800 new jobs in Michigan, but have used the lower number to be extra conservative.
4. Increased coin industry sales—my company's sales have grown 918% since 1997, the last year of normal operations (i.e. not affected by Y2K demand). Using only a 300% figure for existing businesses, coupled with a greater number of businesses, results in approximately a 585% increase in total industry sales. *The nature of my company's sales has also changed. In the late 1990s, our Michigan retail sales only accounted for 7% of total company volume. Last year, our Michigan retail sales made up over 33% of total volume! While our Out of State Sales increased by 706% from 1997 to 2011, our Michigan Retail Sales increased 2,589%, and our Michigan wholesale sales increased 528%. While the coin industry in general has prospered in the past 12 years, it is evident that the exemption has resulted in much stronger growth in Michigan sales than for sales out of state.*
5. Increased sales taxes from increased sales of merchandise not exempted—surveys in Ohio and Kentucky both found that approximately 50% of sales by coin dealerships are of merchandise not affected by the coin and bullion tax exemptions. The main forms of taxable merchandise sold by coin dealers are jewelry, antiques, sports cards, hobby supplies, and other collectibles. In the March 1998 ICTA survey of Ohio coin dealers, it was found that Ohio coin dealers collected 80% more sales tax in 1997 than they did in 1989 (the year that Ohio adopted its coin and bullion exemption). My own company's experience is that Michigan retail sales of exempt merchandise rose about 2,600% from 1997 to 2011 and Michigan retail sales of merchandise still subject to Michigan sales tax rose more than 150%. To be conservative, the increased sales tax collections assume that only 15% of the industry sales increase of \$316 million since 1999 has been for merchandise that is subject to sales tax. To be conservative, we then cut that figure by 75% to account for wholesale activity ($\$316 \text{ million} \times 15\% = \$47.4 \text{ million} \times 25\% = \$11.85 \text{ million} \times 6\% = \$711,000$).
6. Increased sales taxes from hotels, restaurants, etc. from increased coin show attendance—A survey by Florida ICTA and the Orange County (Florida) Convention and Visitors Bureau, conservatively estimated that the state of Florida had lost \$60 million in annual taxable sales by the hospitality industry and other merchants after the Florida exemption was revoked in 1991. Michigan also was losing national and regional coin shows as organizations adopted policies of awarding future shows only in states with rare coins and precious metals bullion tax exemptions. Also, Michigan coin dealers were traveling out of state to take booths at coin shows in exempt states. Since Michigan adopted its exemption in 1999 it has hosted two Central States Numismatic Society (CSNS) Fall Conventions. These conventions easily bring a \$5 million in taxable sales by the hospitality and other industries by themselves (\$300,000 in sales taxes). When Detroit again hosts the annual American Numismatic Association (ANA) convention, that would contribute \$12-15 million to the local economy. Another major benefit is that more Michigan dealers are attending coin shows in-state and more non-Michigan dealers and collectors are coming to shows in Michigan than before—plus there are more coin shows in Michigan! These total annual tax collections have been conservatively figured.

7. Additional sales taxes from increased industry employment—Michigan Department of Treasury research found that taxable sales in Michigan equal 38.5% of payroll increases. Using a conservative jobs increase and a conservative compensation level yields a conservative increase in sales tax collections (600 jobs x \$30,000 x 38.5% x 6% = \$415,800).
8. Increased Single Business and Michigan Business Tax collections from the coin industry—this company's effective Single Business Tax rate used to be roughly 0.1% to 0.12% of sales. Under the Michigan Business Tax, the effective rate is about 0.0935% of sales. To be conservative, we have used the sales increase of \$316 million multiplied by only 0.07% (\$316 million x .0007 = \$221,200).
9. Increased Single Business Tax, Michigan Business Tax, and Individual Income Tax collections from other industries—with the hospitality and other industries enjoying higher sales volume because of increase Michigan coin show attendance, both of these tax collections would increase. However, to be extra conservative in this analysis, I have assumed no tax benefits from these categories.
10. Increased Individual Income Taxes from the coin industry—the payroll increase is figured conservatively at 600 jobs times \$30,000 times 4.35% effective tax rate, then decreasing that by 25% (600 x \$30,000 x .0435 x .75 = \$587,250).

Addendum #3 Indicators of the negative consequences of the loss of the rare coin and precious metals bullion sales tax exemption

On May 1, 1994, the Michigan sales tax rate increased from 4% to 6%. I documented that total Michigan Treasury sales and use tax collections from the coin industry decreased even though the tax rate increased by 50%. Several businesses closed or moved to exempt states, attendance at coin shows declined, and Michigan jobs were lost.

As mentioned above, when Florida temporarily revoked its rare coin and precious metals bullion sales and use tax exemption, sales and other tax collections by coin dealers and the hospitality industry plummeted. The losses were so large that Florida reinstated the exemption in 1999.

Ohio revoked its rare coin and precious metals bullion sales and use tax exemption on July 1, 2005. The weekly newspaper *Coin World* documented that within six months at least 100 coin dealerships in Ohio had either closed or reduced staffing levels and that major coin shows had been cancelled.

Senator Hutton and Committee on Universities and Revenue

Thank you for the opportunity to give testimony in favor of SB 33. I was planning to be at the hearing in person but was unable to attend because of circumstances beyond my control.

23 Republicans introduced SB 33 on February 3, 2013, to create a sales and use tax exemption for precious metal bullion which I agree would be a great move for the state of Wisconsin. I believe this would be a great step to help the people of our state which are facing overwhelming inflation and financial risks. This would be a move to let the Federal Reserve know that Wisconsin believes that gold and silver are real money as referenced in the constitution.

All surrounding states to Wisconsin have removed sales tax on gold and silver and I believe there are some 42 states in total that have done likewise. It is also my understanding that several of the remaining states are in the process of removing the tax as well.

I would like to encourage you and your committee to vote to remove the sales tax on precious metal bullion.

Thank you for the opportunity to present this testimony to you and the committee.

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