



Legislative Fiscal Bureau

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TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Assembly Bill 29/Senate Bill 33: Sales Tax Exemption for Precious Metal Bullion

Assembly Bill 29 (AB 29) and Senate Bill 33 (SB 33) would provide a sales and use tax exemption for sales of precious metal bullion.

AB 29 was introduced on February 10, 2023, and was referred to the Assembly Committee on Ways and Means. That Committee held a public hearing on the bill on February 1, 2024, and recommended the bill for passage on February 13, 2024, by a vote of 8 to 4. AB 29 passed the Assembly on February 20, 2024, by a vote of 86 to 12, and was immediately messaged to the Senate.

SB 33 was introduced on February 3, 2023, and was referred to the Senate Committee on Universities and Revenue. That Committee held a public hearing on January 31, 2024, and recommended the bill for passage on February 5, 2024, by a vote of 5 to 3.

AB 29 and SB 33 are herein referred to as "the bill."

SUMMARY OF THE BILL

The bill would provide an exemption from the state sales and use tax for the sale and the use or other consumption of precious metal bullion. The bill would define precious metal bullion as coins, bars, rounds, or sheets that contain at least 35% gold, silver, copper, platinum, or palladium and that are marked with weight, purity, and content or that a government authority minted on the basis of weight, purity, and content. The bill specifies that the exemption would not apply to any other tangible personal property that contains, in whole or in part, precious metal bullion, such as jewelry, works of art, scrap metal, or electronics. The exemption would take effect on the day following publication of the bill.

FISCAL EFFECT

Under current law, the state sales and use tax applies to coins sold above their face value, and to tangible personal property, which includes precious metals. As such, sales of precious metal coins and bullion are generally subject to sales tax. The bill would provide a sales and use tax exemption for precious metal bullion. In its fiscal note, the Department of Revenue estimated that companies that likely sold precious metal bullion collected \$3.7 million in sales tax in 2021-22, and noted that the fiscal effect of the bill may differ each year to reflect significant fluctuations in precious metal prices.

Assuming the exemption under the bill would first apply to sales made on April 1, 2024, and the price of precious metal remains similar to 2021-22 levels, it is estimated that this exemption would reduce state sales tax revenues by \$900,000 in 2023-24 and \$3,700,000 in 2024-25. However, due to volatility in the market for precious metals, the actual fiscal effect could be higher or lower in any given year. For example, the United States Mint reports that its bullion coin sales revenue declined 1.4% in federal fiscal year 2022 and 12.8% in 2023, after increasing 209.3% in 2020 and 79.9% in 2021.

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