
Finance Committee

HB 1297

Brief Description: Concerning the excise taxation of bullion and rare earth metals.

Sponsors: Representatives Simpson, Orcutt, Sullivan, Warnick and McCune.

Brief Summary of Bill

- Exempts from business and occupation (B&O) manufacturing tax, activities relating to melting and reforming of precious metal bullion.
- Specifies that B&O tax only applies to income in excess of the market price of precious metal bullion, monetized bullion, or rare earth metals and allows deduction for delivery costs, including insurance.

Hearing Date: 1/30/09

Staff: Joseph Archuleta (786-7192)

Background:

Prior to 1985, sales of precious metal bullion and monetized bullion were subject to retail sales tax and state B&O tax. Retailers collected state sales tax, plus applicable local sales taxes, from purchasers while sellers were subject to B&O tax on the gross receipts of such transactions. However, in 1985, exemptions from the retail sales tax and the B&O tax were adopted for retail and wholesale sales of precious metals and monetized bullion. Precious metal bullion is defined to mean precious metals that have been refined or smelted; the value of the bullion is attributable to the content of the product rather than its form. Examples of metal bullion specified in the statute include gold, silver, platinum, rhodium, and palladium. Monetized bullion means coins and other metals used as a medium of exchange. The 1985 legislation addressed only retailing and wholesaling activities.

Sales of precious metal bullion and monetized bullion are exempt from the retailing and wholesaling classifications of the B&O tax, and instead they are treated for tax purposes the

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same as other investment products. The B&O tax does apply to the commissions on the sale of the product and not the value of the product being sold. The commission income is subject to the 1.5 percent service B&O tax rate. No deduction from the tax on commissions is allowed for the cost of salaries or commissions paid to persons employed by the seller and no deduction is allowed for costs of delivering products to purchasers. Additionally, the reforming of precious metal bullion into smaller units is subject to the manufacturing classification of the B&O tax (.484%).

Summary of Bill:

The B&O tax exempts melting and reforming of precious metal bullion from the manufacturing B&O tax and revises the definition of precious metal bullion for purposes of both the sales and B&O tax exemptions. It deletes rhodium and palladium from the list of specified metals and adds and defines "rare earth metals" in the statute. Also, it changes the term "platinum" to "platinum group metals."

In addition, the sale of precious metal bullion, monetized bullion and rare earth metals is taxed on amounts over and above market price (subject to the B&O service rate at 1.5 percent). Deduction from the income subject to the service tax is allowed for actual costs incurred by the seller in delivering the bullion to the buyer, including the cost of insurance.

The bill applies both retroactively and prospectively

Appropriation: None.

Fiscal Note: Requested on 1/20/2009.

Effective Date: The bill takes effect 90 days after adjournment of the session in which the bill is passed.