

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: SB389**

**Bill Subtitle: TO CREATE AN EXEMPTION FROM THE SALES AND USE TAX FOR COINS, CURRENCY, AND BULLION.**

---

### Basic Change :

**Sponsor: Sen. M. Johnson**

SB389 would exempt the sale of coins, currency, and bullion from state and local sales and use tax. The bill defines "bullion" to mean a bar, ingot, or coin manufactured in whole or in part of gold, silver, platinum, or palladium. "Coins or currency" are defined to be in whole or in part manufactured of gold, silver, other metal, or paper. Eligible for the exemption are coins, currency, and bullion that are used only as a medium of exchange, security, or commodity by a state, the United States Government, or a foreign nation and are sold based on the intrinsic value of the precious metal or collectible item rather than its form or representative value as a medium of exchange.

The act bill would become effective on the first day of the calendar quarter following the effective date of the Act (October 1, 2019).

### Revenue Impact :

#### **FY2020**

##### **-\$383,333 Total Loss to State Revenues**

(8 months reduced tax collections)

-\$257,158 --- State General Revenue (4.5%)  
-\$ 50,003 --- Educational Adequacy (.875% tax)  
-\$ 28,573 --- Property Tax Relief Trust Fund (.5%)  
-\$ 7,143 --- Conservation Tax (.125%)  
-\$ 28,573 --- Highway Fund (.5%)  
-\$ 0 --- Educational Excellence Trust Fund  
-\$ 0 --- Educational Adequacy (GR transfer)  
-\$ 8,050 --- State Central Services  
-\$ 3,833 --- Constitutional Officers  
Loss to Cities and Counties: -\$128,000

#### **FY2021**

##### **-\$575,000 Total Loss to State Revenues**

-\$342,806 --- State General Revenue (4.5%)  
-\$ 74,352 --- Educational Adequacy (.875% tax)  
-\$ 42,487 --- Property Tax Relief Trust Fund (.5%)  
-\$ 10,622 --- Conservation Tax (.125%)  
-\$ 42,487 --- Highway Fund (.5%)  
-\$ 36,362 --- Educational Excellence Trust Fund  
-\$ 3,214 --- Educational Adequacy (GR transfer)  
-\$ 11,970 --- State Central Services  
-\$ 5,700 --- Constitutional Officers  
Loss to Cities and Counties: -\$190,000

# Department of Finance and Administration

## Legislative Impact Statement

**Bill: SB389**

**Bill Subtitle: TO CREATE AN EXEMPTION FROM THE SALES AND USE TAX FOR COINS, CURRENCY, AND BULLION.**

---

[ Estimate based on data from Indiana with similar legislation, information supplied by the Industry Council for Tangible Assets, tax remittances by Arkansas numismatic dealers, and U.S. Economic Census data for Retail sales of precious metals, coins, medals and other numismatic items factored to Arkansas based on population.]

### **Taxpayer Impact :**

Sellers of collectible coins, currency, and bullion would no longer collect state and local sales and use taxes on sales of the products.

### **Resources Required :**

None.

### **Time Required :**

Adequate time is provided for implementation.

### **Procedural Changes :**

Updates to the sales tax rules will need to be promulgated.

### **Other Comments :**

The bill provides that for an "ingot" or "bar" to be exempt from tax, the bar or ingot must be made from, at least in part, from gold, silver, platinum or palladium "and used solely" as a medium of exchange, security, or commodity "by" a state government, the United States Government, or a foreign nation. It is not known if any state government, the United States Government, or a foreign nation uses bars or ingots only for these required purposes.

### **Legal Analysis :**

Sales and use taxes are levied upon the gross proceeds or gross receipts derived from all sales to any person of tangible personal property, but SB389 would exempt from tax the sale of coins, currency, and bullion as long the coin, currency, or bullion are at least partly manufactured of gold, silver, platinum, or palladium; used solely as a medium of exchange, security, or commodity by any state, the United States Government, or a foreign nation; and sold based on the intrinsic value of the "bar, ingot, or coin" as a precious metal or collectible item rather than its form or representative value as a medium of exchange. The bill as written is not clear whether the exemption would apply to the sale of coins, currency, or bullion that were at one time used as a medium of exchange but have been discontinued. Specifically, it is not clear from the bill whether the words in Line 27 of Page 1 that state, "used solely as a medium of exchange" mean "is currently used as" or "has been used as."