Testimony of National Coin & Bullion Association Opposing the Repeal of New York Precious Metal Bullion and Coins Statute 1115(a)(27) of the Tax Law 2025 Joint Legislative Budget Public Hearing February 27, 2025

Thank you for allowing me to submit testimony regarding the State Fiscal Year 2025–26 Executive Budget Proposal. As the executive director of the National Coin & Bullion Association, I represent our New York-based and national members, and our New York–based members strongly oppose the repeal of the sales- and use-tax exemption on coins and precious-metal bullion in New York, as laid out in New York Precious Metal Bullion and Coins Statute 1115(a)(27) of the Tax Law. Repealing this exemption would harm New York's economy, discourage investment, and put local businesses at a competitive disadvantage. We urge you to maintain this exemption and recognize the significant benefits it provides to New York's economy, small businesses, and investors.

New York's current sales-tax exemption for coins and precious-metal bullion aligns with policies in the great majority of states across the nation—which have enacted similar legislation—ensuring that it remains competitive in attracting business and investment. Currently, 46 states offer complete or partial sales-tax exemptions on the in-state retail sales of coins and precious-metals bullion. Only four states (Hawaii, Maine, New Mexico, and Vermont) and the District of Columbia provide no sales-tax exemption for such transactions; Maine has legislation in progress. With nearly all neighboring states maintaining a sales-tax exemption, repealing New York's would only drive business out of state, hurting local businesses and ultimately reducing tax revenue rather than increasing it.

A repeal of this exemption would have significant negative economic consequences. Historical data from other states that have revoked similar exemptions illustrate the detrimental impact. When Florida repealed its exemption in 1992, the state lost approximately $60 million annually in taxable revenue from its hospitality industry due to the decline in coin shows. This led to the quick reinstatement of the exemption. Similarly, Ohio's repeal resulted in numerous business closures and event cancellations, prompting the state to restore their exemption. These examples underscore the economic necessity of maintaining New York's current policy.

The report issued by the chairman of the Senate Standing Committee on Budget and Revenue claims that the cumulative tax expenditure of the sales-tax exemption for precious-metals bullion and coins since September 1, 1989, totaled $601 million. The methodology behind the calculation was not disclosed, but this figure—averaging about $17.2 million annually—appears to be grossly overestimated. Because of the highly competitive national commodities market, the average buy/sell spread in the precious-metals market for our New York-based members is a mere 2.25%; imposing sales tax would make transactions uneconomical for both purchasers and dealers. Instead, repealing this exemption would cause sales to disappear entirely, resulting in substantially less revenue than projected. Such a disparity between the reported and realistic figures underscores the need for a more thorough and transparent fiscal analysis before considering the repeal of this exemption.

The static fiscal analysis used to justify repealing the exemption also does not account for the broader dynamic economic benefits that the exemption provides. Case studies from states like Michigan illustrate that maintaining a sales-tax exemption on precious metals can drive substantial economic growth. Following Michigan's 1999 exemption, one local business, Liberty Coin Service, experienced a 2,589% increase in in-state retail sales, a 589% increase in wholesale sales, and a 706% increase in out-of-state sales from 1997 to 2011. Employment within the business grew by 243%, and payrolls and contractor payments rose by 809%.

Despite an initial decrease in direct sales-tax collections from precious metals, overall state and local tax revenues increased by 238% due to the economic activity and job creation spurred by the exemption.

Gold and silver have long been recognized as forms of money rather than consumable goods. The U.S. Constitution, Article 1, Section 10, explicitly states, “No state shall . . . make any Thing but gold and silver Coin a Tender in Payment of Debts,” reinforcing the monetary role of these metals. Imposing a sales tax on precious metals—investment assets rather than consumables—contradicts their classification under federal law, which permits Individual Retirement Accounts to hold many of these products but no other tangible personal property. Some states, including Utah and Arizona, have even eliminated state income tax on the gains from certain precious metal transactions. Furthermore, investment brokerage firms have established exchange-traded funds specifically for gold, silver, platinum, and palladium, but not for other tangible personal property such as art, antiques, or gems (which, unlike precious-metals bullion and many coins, are not allowed assets in Individual Retirement Accounts). *The Wall Street Journal* prominently features precious metal prices among key financial indicators, a recognition not given to other collectible assets. Precious metals hold a distinct financial role, further justifying their exemption from sales tax.

If New York repeals this exemption, it risks losing businesses and investors to neighboring states that all have more favorable tax policies. The negative economic impact on local businesses, investment activity, and job creation would outweigh any short-term revenue gains from adding a sales tax on these assets. Given the evidence from other states of the economic benefits of maintaining this exemption, our New York-based members strongly urge the committee to oppose its repeal.

Thank you for your time and consideration.

Sincerely,

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