

GENERAL ASSEMBLY OF NORTH CAROLINA

Session 2017

Legislative Fiscal Note

BILL NUMBER: House Bill 434 (First Edition)
SHORT TITLE: Coins/Currency/Bullion Sales Tax Exemption.
SPONSOR(S): Representatives Bumgardner and Collins

FISCAL IMPACT					
(\$ in millions)					
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> No Estimate Available					
State Impact	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20	FY 2020-21
General Fund Revenues:	\$0.0 to \$0.0	(\$0.1) to (\$0.6)	(\$0.2) to (\$0.6)	(\$0.2) to (\$0.7)	(\$0.2) to (\$0.7)
General Fund Expenditures:	to	to	to	to	to
State Positions:	to	to	to	to	to
NET STATE IMPACT	\$0.0 to \$0.0	(\$0.1) to (\$0.6)	(\$0.2) to (\$0.6)	(\$0.2) to (\$0.7)	(\$0.2) to (\$0.7)
Local Impact					
Revenues:	\$0.0 to \$0.0	(\$0.1) to (\$0.3)	(\$0.1) to (\$0.3)	(\$0.1) to (\$0.3)	(\$0.1) to (\$0.3)
Expenditures:	to	to	to	to	to
NET LOCAL IMPACT	\$0.0 to \$0.0	(\$0.1) to (\$0.3)	(\$0.1) to (\$0.3)	(\$0.1) to (\$0.3)	(\$0.1) to (\$0.3)
PRINCIPAL DEPARTMENT(S) & PROGRAM(S) AFFECTED: Department of Revenue					
EFFECTIVE DATE: Assumed July 1, 2017.					
TECHNICAL CONSIDERATIONS: None					

BILL SUMMARY:

Under North Carolina tax law, sales of tangible personal property are subject to sales or use taxes unless the tangible personal property is specifically exempted from tax in statute. The bill amends G.S. 105-164.13 as of July 1, 2017, to exempt non-coin currency, investment metal bullion, and investment coins from the sales and use tax.

ASSUMPTIONS AND METHODOLOGY:

Creating a sales and use tax exemption for the sale of non-coin currency, investment metal bullion, and investment coins would reduce State General Fund tax revenue by an unknown amount ranging from \$150,000 to \$600,000 annually. The proposed legislation would also cause a corresponding reduction in local government sales tax revenue.

The North Carolina Department of Revenue does not collect data on the amount of sales tax revenue generated by specific categories of items sold in the State, so no definitive data exists on the fiscal impact of exempting these items. However, other data source can help approximate the exemption's potential fiscal impact:

- The Industry Council for Tangible Assets (ICTA), a membership association for the rare coins, paper money, and precious-metals bullion community.

Data provided by the ICTA via its *Rare Coins and Precious-Metals Bullion National Survey: 2015 Sales-Tax Collections* indicate that North Carolina has at least 117 professional numismatists. The survey also calculated that in states without a sales tax exemption, the annual sales of rare coins and precious metals bullion to in-state buyers averaged slightly over \$100,000 annually per numismatist. Adjusted for inflation, the foregone State tax revenue would be approximately \$600,000 in FY 2017-18, assuming a 4.75% NC sales and use tax rate

- The cost of a similar sales tax exemption in the state of South Carolina.

Under Code Section 12-36-2120(70), South Carolina exempts from sales tax “(a) gold, silver, or platinum bullion, or any combination of this bullion; (b) coins that are or have been legal tender in the United States or other jurisdiction; and (c) currency.” Data provided by the office of the South Carolina Comptroller General and the US Census Bureau allowed the cost of that exemption in South Carolina in FY 2012-13 (most recent data available) to be adjusted based on the population differences between North Carolina and South Carolina. Adjusted for inflation, the foregone State tax revenue would be approximately \$150,000 in FY 2017-18, assuming a 4.75% North Carolina sales and use tax rate.

Although the actual amount of State sales tax revenue that would be foregone under the bill is uncertain, the impact is likely to be at the lower end of the range. First, data provided by the ICTA suggest that retailers within the “jewelry, watch, precious stone, and precious metals” industry see an increase in both exempt and non-exempt sales in states where a sales tax exemption has been adopted. Additionally, some portion of North Carolina personal income not spent on sales tax for these types of purchases may be instead spent on other, taxable purchases of tangible personal property in the State.

SOURCES OF DATA: South Carolina Office of the Comptroller General; North Carolina Department of Revenue; Bureau of Labor Statistics.

TECHNICAL CONSIDERATIONS: None

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House Bill 434 (First Edition)



Fiscal Research Division

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