

Senate Fiscal Agency  
P. O. Box 30036  
Lansing, Michigan 48909-7536

**SFA****BILL ANALYSIS**

Telephone: (517) 373-5383  
Fax: (517) 373-1986  
TDD: (517) 373-0543

Senate Bill 396 (as enrolled)  
Sponsor: Senator Bill Bullard, Jr.  
Committee: Finance

Date Completed: 5-10-99

### **RATIONALE**

The State imposes a sales tax on the sale of investment coins bought and sold by collectors, and precious metals in bulk form (bullion). Apparently, events in recent years have caused problems for Michigan dealers who purchase and market coins and bullion. Approximately 20 states, including Ohio and Illinois, now have tax exemptions for sales of coins and bullion. Further, in 1994 Michigan's sales tax was increased from 4% to 6%. Reportedly, the combination of the increased Michigan tax and the tax exemption in nearby, and other, states has placed great pressure on Michigan dealers. Industry representatives report that since 1994 approximately 5% to 10% of Michigan dealers have closed or moved to tax exempt states, and other dealers have experienced substantially reduced sales. Some people believe that, to help Michigan dealers compete with those in tax-exempt states, the tax on sales of coins and bullion should be removed.

### **CONTENT**

The bill would amend the General Sales Tax Act to exempt from the tax sales of investment coins and bullion. Under the bill, "investment coins" would be numismatic coins or other forms of money and legal tender manufactured of gold, silver, platinum, palladium, or other metal, and issued by the U.S. government or a foreign government, with a fair market value greater than the face value of the coins. "Bullion" would be gold, silver, or platinum in a bulk state, whose value depended on its content rather than its form, with a purity of not less than 900 parts per 1,000.

Proposed MCL 205.545

### **ARGUMENTS**

*(Please note: The arguments contained in this analysis originate from sources outside the Senate Fiscal Agency. The Senate Fiscal Agency neither supports nor opposes legislation.)*

#### **Supporting Argument**

Sales of expensive investment-type coins, and

substantial quantities of bullion for investment purposes, are highly sensitive to the imposition of taxes. Michigan's now 6% sales tax and the proximity of tax-exempt merchandise in nearby states have heightened this sensitivity and depressed the coin and bullion industry in Michigan. If a person wishes to make a large purchase of coins, or bullion, he or she would be well-advised to make the buy in Ohio or Illinois, rather than Michigan, and save 6% on the transaction. In fact, dealers in nearby states have taken full advantage of the disparity in tax rates through advertisements in industry publications, and Michigan print media, that specifically point out that the out-of-State dealers' sales are tax-exempt. By exempting sales in Michigan, the bill would level the playing field for Michigan dealers. This, in turn, would allow both Michigan dealers and investors, and dealers and investors from other states, to make sales or purchases in Michigan with the knowledge that they were not paying 6% more than they would in another state.

#### **Supporting Argument**

Since the sales tax increase in Michigan, the industry reports a reduction in the frequency of coin and bullion trade shows in this State, as well as the number of participating dealers at trade shows here, and overall attendance. Large trade shows bring substantial numbers of people to an area for two or three days at a time. Obviously, a reduction in the number of shows, and reduced participation at the shows that remain, can have a negative impact on the State's overall economy, reducing economic activity and tax revenue. If the State does not change its tax policy, the situation will only worsen as several national organizations that deal in coins and bullion have adopted guidelines to prohibit locating future shows in states that do not have a tax exemption. The bill would remove this problem entirely, and allow Michigan convention centers and dealers to compete for future trade shows.

Legislative Analyst: G. Towne

### **FISCAL IMPACT**

This bill would reduce sales tax revenue by an estimated \$200,000. Of this loss in revenue, 73% or \$147,000 would be lost to the School Aid Fund, 24% or \$48,000 would be lost to revenue sharing, and the remaining amount be lost to the General Fund.

Fiscal Analyst: J. Wortley

A9900\396a

This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.