# Ohio Legislative Service Commission

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# Fiscal Note & Local Impact Statement

**Bill**: S.B. 172 of the 131st G.A. **Date**: December 9, 2015

**Status**: As Reported by Senate Ways & Means **Sponsor**: Sen. Jordan

**Local Impact Statement Procedure Required**: Yes

**Contents**: To exempt sales of investment bullion and coins from the sales and use tax

## State Fiscal Highlights

| STATE FUND | FY 2016 | FY 2017 | FUTURE YEARS |
|---|---|---|---|
| **General Revenue Fund** | | | |
| Revenues | Potential loss | Loss of up to $5.5 million | Loss of up to $5.5 million |
| Expenditures | - 0 - | - 0 - | - 0 - |

Note: The state fiscal year is July 1 through June 30. For example, FY 2016 is July 1, 2015 – June 30, 2016.

- The bill reduces the sales and use tax base, and thus decreases sales tax revenue. The actual revenue loss would be dependent on prices and purchases of investment metal bullion and coins.
- State sales tax receipts are deposited in the GRF which would bear the majority of the revenue loss. Any reduction to GRF tax receipts would also reduce the amount distributed to the Local Government Fund (LGF) and Public Library Fund (PLF) as these local funds receive distributions from GRF tax receipts.

## Local Fiscal Highlights

| LOCAL GOVERNMENT | FY 2016 | FY 2017 | FUTURE YEARS |
|---|---|---|---|
| **Counties, municipalities, townships, and public libraries (LGF and PLF)** | | | |
| Revenues | Loss of up to $0.2 million | Loss of up to $0.2 million | Loss of up to $0.2 million |
| Expenditures | - 0 - | - 0 - | - 0 - |
| **Counties and Transit Authorities** | | | |
| Revenues | Loss of up to $1.4 million from reduced local sales taxes | Loss of up to $1.4 million from reduced local sales taxes | Loss of up to $1.4 million from reduced local sales taxes |
| Expenditures | - 0 - | - 0 - | - 0 - |

Note: For most local governments, the fiscal year is the calendar year. The school district fiscal year is July 1 through June 30.

- The bill reduces revenue from local county permissive and transit authority sales taxes. Those taxes share the same base as the state sales and use tax.

- Receipts from the state sales tax are deposited in the GRF. A share of GRF tax revenues is distributed under permanent law to the LGF and PLF. Thus, any reduction to GRF tax receipts would also reduce the amount distributed to the LGF and PLF.

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## Detailed Fiscal Analysis

S.B. 172 exempts sales of investment metal bullion and investment coins from the sales and use tax. Those sales were made exempt by H.B. 111 of the 118th General Assembly on July 1, 1989. Subsequently, H.B. 66 of the 126th General Assembly reinstated the sales and use tax on these items on July 1, 2005. Thus, S.B. 172 would return the taxation of investment metal bullion and coins to Ohio law prior to H.B. 66.

Using data from the Economic Census, nationwide sales of coins, medals, and other numismatic items at jewelry stores, art stores, used merchandise stores, and miscellaneous store retailers were about $3.36 billion in 2012.[1, 2] Assuming Ohio sales at between 3% and 4% of nationwide sales, taxable sales in Ohio may have been between $101 million and $135 million that year. Like most commodities, the prices of precious metal bullion and coins depend on supply and demand of each metal, monetary conditions, inflation levels, or the expectation of future inflation and, as a result, prices could be very volatile. The taxable base (and consequently tax receipts) for sales of investment metal bullion and coins will rise and fall with those conditions. Prices of various metals, particularly gold and silver, have varied over the years.[3] Price data from various sources suggest most prices have fallen since 2012, and, based on most recent prices, annual Ohio taxable sales may be between $74 million and $99 million. Associated tax revenue from the state sales and use tax on those sales would be between $4.3 million and $5.7 million. Accordingly, the yearly revenue loss from the bill may be within the same range, based on recent precious metal prices.

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[1] The U.S. Census Bureau has not yet released detailed state data on retail sales of coins and numismatic items for the 2012 Economic Census. The U.S. Census estimated sales of numismatic items in Ohio were about 3.4% of nationwide sales in 2007. To the extent the sales shares attributable to Ohio in the latest survey would differ markedly from that of the 2007 Economic Census, it is possible that the fiscal impact of the bill would be different than the estimates in this Fiscal Note. An official at the Census Bureau stated that state level product line data are scheduled to be released starting in January 2016.

[2] The Professional Numismatists Guild estimated the annual U.S. coin business at $5 billion in 2014, excluding bullion items or modern coin sold directly by the United States Mint. http://www.coinworld.com/news/u-s-coin-market-near-5-billion-dollars-in-2014.html.

[3] For example, gold prices tripled between 2005 and 2012, but then have decreased about 25% since that year. Silver prices tripled between 2006 and 2011, and have fallen almost 50% from that peak.

Receipts from the state sales and use tax are deposited into the GRF. Under permanent law, a portion of GRF tax receipts is subsequently transferred to the Local Government Fund (LGF) and the Public Library Fund (PLF). For the current biennium, the LGF and the PLF are receiving 1.66% and 1.70% of GRF tax revenue, respectively. Thus, the potential revenue loss to those local funds would total about $0.2 million.

Local county permissive and transit authority sales taxes share the same tax base as the state sales tax, and are approximately 24.5% of state sales tax revenues. Thus, the annual revenue loss to local governments from permissive and transit authority sales and use taxes would be between $1.0 million and $1.4 million.

Any price increase from current levels in the precious metal markets would likely increase revenue losses to the state and local governments. Alternatively, any price declines would reduce estimated revenue losses. Also, an unknown share of sales of investment bullion and investment coins occur through remote sales (catalogs, telephone, and Internet sales), and that share may be growing. A portion of those remote purchases likely escape sales and use taxes already. For such sales, the bill would not result in a revenue loss. For this reason, it is possible the Fiscal Note may overstate the potential revenue loss from the bill.

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