
Finance Committee

HB 2464

Brief Description: Concerning the excise taxation of bullion.

Sponsors: Representatives Simpson, Orcutt, Sullivan, Hurst, Dunn, Ericks and Kristiansen.

Brief Summary of Bill

- Exempts from business and occupation (B&O) manufacturing tax, activities relating to melting and reforming of precious metal bullion. Exempts from business and occupation (B&O) manufacturing tax, activities relating to melting and reforming of precious metal bullion.
- Revises the application of B&O service tax to commission income received for selling precious metal bullion and precious metals. Specifies that the tax only applies for income in excess of the market price of the bullion and allows deduction for delivery costs, including insurance.

Hearing Date: 2/1/08

Staff: Don Taylor (786-7388).

Background:

Until 1985, sales of precious metal bullion and monetized bullion were subject to retail sales tax and state B&O tax. Retailers collected state sales tax, plus applicable local sales taxes, from purchasers. Sellers were also subject to B&O tax on the gross receipts of such transactions; retailers paid under the retailing classification (0.471 percent rate) and wholesalers were taxed under wholesaling classification (0.484 percent).

In 1985, exemptions from retail sales tax and state B&O tax were adopted for retail and wholesale sales of precious metals and monetized bullion. Sellers who receive commission income upon transactions for customers remain taxable on their commission income, over and above the amounts paid to other dealers; the commissions are subject to the 1.5 percent service B&O tax rate. No deduction from the tax on commissions is allowed for the cost of salaries or

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commissions paid to persons employed by the seller. Also, under existing law, no deduction is allowed for costs of delivering products to purchasers.

Precious metal bullion is defined to mean precious metals that have been refined or smelted; the value of the bullion is attributable to the content of the product rather than its form. Examples of precious metal bullion specified in the statute include gold, silver, platinum, rhodium and palladium. Monetized bullion means coins and other metals used as a medium of exchange. The exemptions do not apply to precious metal or monetized bullion that is used to produce jewelry or artwork, for which the value does depend upon the form of the product.

The 1985 legislation addressed only retailing and wholesaling activities. Persons who manufactured such products remained subject to the B&O manufacturing rate (0.484 percent). According to the Department of Revenue, reforming the bullion into different shapes or sizes constitutes a manufacturing activity.

Summary of Bill:

Two major changes are made in the application of state B&O tax to activities relating to precious metals or monetized bullion:

1. Melting and reforming precious metal bullion is specifically exempted.
2. Amounts received by the seller above the market price of the bullion on the day it is sold are subject to the B&O service rate at 1.5 percent. This covers income from the sale in the form of markups, commissions, premiums, etc. Deduction from the income subject to the service tax is allowed for actual costs incurred by the seller in delivering the bullion to the buyer, including the cost of insurance.

In addition, the bill revises the definition of precious metal bullion for purposes of both the sales and B&O tax exemptions. It deletes rhodium and palladium from the list of specified metals and adds "rare earth metals." Also, it changes the term "platinum" to "platinum group metals."

The bill states that it is to be effective both prospectively and retroactively.

Appropriation: None.

Fiscal Note: Requested on January 15, 2008.

Effective Date: The bill takes effect 90 days after adjournment of session in which bill is passed.