



GOVERNOR'S OFFICE OF
BUDGET AND PROGRAM PLANNING

Fiscal Note 2025 Biennium

Bill information:	
HB0884 - Allow tax payments in gold, silver, and state produced gold media (Read, Joe)	
Status:	As Introduced

- | | | |
|---|---|--|
| <input type="checkbox"/> Significant Local Gov Impact | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts | <input type="checkbox"/> Dedicated Revenue Form Attached |

FISCAL SUMMARY

	<u>FY 2024</u> <u>Difference</u>	<u>FY 2025</u> <u>Difference</u>	<u>FY 2026</u> <u>Difference</u>	<u>FY 2027</u> <u>Difference</u>
Expenditures:				
General Fund	\$746,700	\$731,700	\$731,700	\$731,700
State Special Revenue	\$0	\$0	\$0	\$0
Revenue:				
General Fund	(\$1,291,100)	(\$1,340,500)	(\$1,400,600)	(\$1,479,300)
State Special Revenue	(\$119,200)	(\$122,100)	(\$123,300)	(\$125,200)
Net Impact-General Fund Balance:	<u>(\$2,037,800)</u>	<u>(\$2,072,200)</u>	<u>(\$2,132,300)</u>	<u>(\$2,211,000)</u>

Description of fiscal impact: HB 884 allows taxpayers to use or employ gold and silver coin or electronic gold currency (gold backed currency) as media of exchange with respect to the payment of any tax or fee administered by the Department of Revenue. The bill allows for the exchange rate of gold or gold backed currency to be determined by the market value of gold. The bill also creates a nonrefundable tax credit of 1% of the value of gold and silver coin or electronic gold currency used as a method of payment, up to \$10,000.

FISCAL ANALYSIS

Assumptions:

Department of Revenue (DOR)

1. The Department of Administration would be responsible for valuing gold and silver used to pay taxes. The DOR would administer the nonrefundable tax credit of the value of gold and silver used to pay taxes.
2. To estimate the fiscal impact of the tax credit, the HJ 2 revenue estimates of taxes and fees eligible for payment with gold or silver were summed. For taxes and fees with no HJ 2 estimate, a five-year average was used. The taxes and fees eligible to be paid in gold or silver are most taxes and fees administered and collected by the Department of Revenue, including personal and corporate income, natural resources, alcoholic beverage,

- cannabis, and miscellaneous categories such as tobacco and lodging. Property taxes are not eligible. Personal income taxes constitute more than two-thirds of total revenue eligible to be paid in gold and silver.
3. The forecasted revenue of each source was broken down by its distribution to the general fund or state special revenue accounts. For example, 100% of income taxes are distributed to the general fund, but the lodging sales tax is distributed 75% to the general fund and 25% to state special revenue accounts.
 4. Not all taxpayers are expected to pay in gold or silver, and some, such as coal producers, electrical energy producers, and other large-scale payers, will reach the tax credit cap of \$10,000 before meeting their total tax liability, so they would not receive a full 1% of their payment as a credit. \
 5. Payment systems have shifted from gold and silver to paper money to electronic transfers over time driven by convenience, certainty, and efficiency. Additionally, payments in gold, silver, and gold back currencies can currently be processed by 3rd party clearing houses. Given that the transactions costs are not significantly offset by the tax credit it is assumed that, on average, 5% of eligible revenue will be paid in gold or silver and will receive the full 1% tax credit. This assumes that any overestimate of tax credits for taxpayers that do not receive the full 1% credit will be offset by others, mainly income taxpayers, who receive the full 1% and whose participation in the credit is greater than 5%.
 6. The total eligible revenue allocated to the general fund and state special revenue accounts was multiplied by the utilization rate and then the 1% credit rate to estimate total tax credits for payments in gold or silver ,
 7. The following tables contain the total expected general fund and state special revenue, respectively, and the potential tax credit against each.

Taxes Eligible for HB 884 Payment by Fund and Tax Credits				
General Fund	FY 2024	FY 2025	FY 2026	FY 2027
Eligible Taxes - General Fund	\$2,582,262,443	\$2,681,078,806	\$2,801,246,673	\$2,958,655,503
5% Utilization	\$129,113,122	\$134,053,940	\$140,062,334	\$147,932,775
1% Tax credit- GF	\$1,291,100	\$1,340,500	\$1,400,600	\$1,479,300
State Special Revenue	FY 2024	FY 2025	FY 2026	FY 2027
Eligible taxes - SSR	\$238,474,760	\$244,154,768	\$246,682,593	\$250,353,597
5% Utilization	\$11,923,738	\$12,207,738	\$12,334,130	\$12,517,680
1% tax credit - SSR	\$119,200	\$122,100	\$123,300	\$125,200

8. Administrative costs for the Department are expected to be minimal and will be absorbed by the DOR.
- Department of Administration**
9. This fiscal note does not include costs associated with the authorization or creation of a state composite media of exchange for “Treasure State Bucks” or “Montana Oro y Plata”, since Section 1 part 2 is not required.
 10. It is assumed that DOR and DOA would need to contract with a provider to value and/or exchange any gold or silver coins or other qualifying non-US-dollars payments which would require paying fees for each transaction. The current state banking contract costs on average \$60,000 per month (\$720,000 annually), and it is assumed that the fees required for this provider would be similar and would not reduce the costs associated with the existing banking contract, since foreign currencies are not currently accepted under this contract.
 11. It is assumed that the treasurer’s office would need to have facilities with greater security to receive and store any currencies, gold coins, or silver coins until the coins can be moved to a provider and credited to the State’s account. The cost of this security is estimated at a one-time cost of approximately \$15,000 to construct and/or remodel an area in which gold and silver coins could be stored.
 12. The treasurer’s office currently has a contractor who delivers cash to the bank for security purposes. Adding an additional stop to drop gold, silver, or other foreign currencies to an additional provider is approximately \$45 per day or \$11,700 annually.

<u>Fiscal Impact:</u>	<u>FY 2024 Difference</u>	<u>FY 2025 Difference</u>	<u>FY 2026 Difference</u>	<u>FY 2027 Difference</u>
FTE	0.00	0.00	0.00	0.00
<u>Expenditures:</u>				
Personal Services	\$0	\$0	\$0	\$0
Operating Expenses - DOA	\$746,700	\$731,700	\$731,700	\$731,700
TOTAL Expenditures	\$746,700	\$731,700	\$731,700	\$731,700
<u>Funding of Expenditures:</u>				
General Fund (01)	\$746,700	\$731,700	\$731,700	\$731,700
State Special Revenue (02)	\$0	\$0	\$0	\$0
TOTAL Funding of Exp.	\$746,700	\$731,700	\$731,700	\$731,700
<u>Revenues:</u>				
General Fund (01)	(\$1,291,100)	(\$1,340,500)	(\$1,400,600)	(\$1,479,300)
State Special Revenue (02)	(\$119,200)	(\$122,100)	(\$123,300)	(\$125,200)
TOTAL Revenues	(\$1,410,300)	(\$1,462,600)	(\$1,523,900)	(\$1,604,500)

Net Impact to Fund Balance (Revenue minus Funding of Expenditures):

General Fund (01)	(\$2,037,800)	(\$2,072,200)	(\$2,132,300)	(\$2,211,000)
State Special Revenue (02)	(\$119,200)	(\$122,100)	(\$123,300)	(\$125,200)

Long-Term Impacts:

1. The proposed bill can have a significant fiscal impact on the state government. Accepting gold back currency as a form of tax payment will require changes to the state’s accounting and tax payment systems, which is difficult to estimate at this time.

Technical Notes:

1. To ensure consistency in handling, valuing, and exchanging gold and silver coins or electronic gold currency, rules would need to be established for implementation, which is not addressed in the bill.
2. There is assumed to be a difference between the value of the currency when it is accepted versus when it can be redeemed by the contractor. The value of gold can vary widely in the short-term, which could lead to changes in the value payments collected by the state and potentially increase the administrative burden of reconciling accounts.

NOT SIGNED BY SPONSOR
 Sponsor's Initials _____ Date _____


 Budget Director's Initials _____

3-28-23
 Date