

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 721
STATE OF NEW JERSEY
221st LEGISLATURE

DATED: MARCH 1, 2024

SUMMARY

Synopsis: Exempts sales of investment metal bullion and investment coins from sales and use tax.

Type of Impact: Annual State revenue loss.

Agencies Affected: Department of the Treasury.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Revenue Loss	Between \$5.9 million and \$7.9 million

- The Office of Legislative Services (OLS) estimates that the sales and use tax exemption of investment metal bullion and investment coins established under the bill would result in a reduction in State revenues between \$5.9 million and \$7.9 million annually.
- The OLS notes that State-specific data concerning the sales of investment metal bullion and investment coins does not appear to be publicly available. For this reason, the OLS assumes that the level of sales of metal bullion in the State is proportionally the same as New Jersey's share of the United States' total amount of personal income.
- The OLS notes that the sales tax exemption may encourage consumers to shift some of their metal bullion and coin purchases that they would have made in other states to be made in New Jersey. The OLS cannot predict the magnitude of this potential change in consumer behavior and its impact on State revenues.

BILL DESCRIPTION

This bill provides an exemption from the sales and use tax for the sale of investment metal bullion and investment coins. As defined in the bill, "investment metal bullion" means any elementary precious metal that has been put through a process of smelting or refining, including, but not limited to, gold, silver, platinum, and palladium, and that is in such state or condition that its value depends upon its contents and not its form. However, the exemption would not apply to the sale of precious metals that have been assembled, fabricated, manufactured, or processed in

one or more specific and customary industrial, professional, aesthetic, or artistic uses. The bill also defines “investment coin” as any numismatic coin manufactured of gold, silver, platinum, palladium, or any other metal, including non-precious metals, and having a fair market value of not less than \$1,000. However, the exemption would not apply to the sale of jewelry or works of art made of coins, nor would it apply to the sale of commemorative medallions.

The bill is intended to treat investment metal bullion and investment coins similar to other investment instruments, such as stocks, which are not subject to the sales and use tax.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS expects the sales and use tax exemption of investment metal bullion and investment coins established by the bill to reduce State revenues by between \$5.9 million and \$7.9 million annually. While there is publicly available data concerning sales of metal bullion coins nationwide through information from the United States Mint, State-level data appears to be limited. For this reason, the OLS assumes that the level of metal bullion and coin sales in the State is proportionally the same as New Jersey’s share of the United States’ total amount of personal income, which is 3.3 percent according to information from the federal Bureau of Economic Analysis for 2022.

Specifically, the OLS calculates its estimate based on identifying the level of nationwide sales of gold, silver, platinum, and palladium bullion coins in the period from 2019 to 2023. The OLS could not identify publicly available data on sales of investment metal bullion. According to the United States Mint’s 2023 Annual Report, the total coin sales for each year over this time period were: \$3.3 billion in 2023; \$3.7 billion in 2022; \$3.8 billion in 2021; \$2.1 billion in 2020; and \$682.7 million in 2019. The average amount of sales during this timeframe is approximately \$2.7 billion. In order to estimate New Jersey’s sales of metal bullion, the OLS applied 3.3 percent to the \$2.7 billion nationwide average amount of metal bullion sales figure. Doing so results in \$89.8 million in estimated annual metal bullion sales in the State. Lastly, the OLS estimates, using a 6.625 percent sales tax rate against the estimated amount of metal bullion sales in the State, that the current amount of annual sales tax revenue that the State collects from metal bullion sales is approximately \$5.9 million. Therefore, State sales tax revenue losses resulting from the bill are estimated to be \$5.9 million.

Given that the data from the United States Mint indicates significantly higher levels of bullion coin sales in the time period from 2021 to 2023, the OLS conducted a similar calculation as described above but for the three-year average amount of sales from 2021 to 2023. The nationwide average amount of sales during that time period is \$3.6 billion. Assuming that 3.3 percent of those sales occurred in New Jersey, the OLS estimates annual sales of metal bullion in the State at \$118.9 million. Applying the 6.625 State sales tax rate to this figure results in \$7.9 million in current sales tax revenue, which would be reduced from overall State revenues as a result of the bill.

The OLS notes that the sales tax exemption may encourage consumers to shift some of their metal bullion and coin purchases that they would have made in other states to be made in New Jersey. The OLS cannot predict the magnitude of this potential change in consumer behavior and its impact on State revenues.

Section: Revenue, Finance, and Appropriations

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).