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Public Testimony Opposing HB 1 and suggests follow

"An Act relating to specie as legal tender in the state; and relating to borough and city sales and use taxes on specie"

Submitted to the Alaska State Legislature

To the Honorable Members of the Alaska State Legislature:

I respectfully submit this testimony in strong opposition to House Bill 1 (HB 1). This bill seeks to recognize gold and silver as legal tender in Alaska and prohibits local governments from imposing sales and use taxes on the sale or exchange of such metals. While it may appear symbolic or principled to some, HB 1 poses severe fiscal, legal, and constitutional risks, while enabling financial manipulation that would benefit only a wealthy few at the expense of Alaska's local governments and working communities.

Alaska-Specific Fiscal Impact: \$3.5 Million to \$7 Million in Lost Revenue Annually

Based on internal modeling and public finance comparisons, Alaska municipalities could face a minimum of \$3.5 million and up to \$7 million in lost local revenue annually if HB 1 is enacted.

This estimate is based on the following:

- The national precious metals market totals around \$20 billion annually (United States Mint, 2023).
- Alaska comprises roughly 0.2% of the U.S. population (U.S. Census Bureau, 2023), suggesting approximately \$40 million in local transactions annually, before factoring in increased activity spurred by the tax exemption.
- If HB 1 encourages wealthy individuals or entities to funnel investments through Alaska's untaxed specie system, the volume could double to \$80–\$100 million annually.
- With local sales tax rates averaging 5% in municipalities such as Anchorage, Juneau, and Fairbanks, this means up to \$5 million in sales tax losses, plus additional losses from matched federal funding gaps and administrative burdens on enforcement.

This loss would cripple local services, including:

- Public schools, already facing budget cuts,
- Fire and emergency response teams,
- Rural health clinics and infrastructure projects,
- Local road maintenance and public transit.

Eliminating local governments' ability to tax these high-value transactions effectively defunds essential services for the benefit of private gold traders and speculative investors.

Legal and Constitutional Issues for Alaska

HB 1 raises complex constitutional and federal preemption concerns. Article I, Section 10, Clause 1 of the U.S. Constitution states that no state may “make any Thing but gold and silver Coin a Tender in Payment of Debts.” While this clause has been interpreted to permit states to accept gold or silver as tender, HB 1 risks conflicting with the Supremacy Clause and with exclusive federal authority over currency, banking, and economic regulation.

Further, HB 1:

- Fails to define a regulatory framework for identifying “specie,” opening the door to private or foreign-minted assets, including unregulated cryptocurrencies claiming to be “backed” by gold.
- Exposes Alaska to litigation for violating federal financial transparency and anti-fraud laws, especially if bad actors exploit the law to facilitate barter or tax-free transactions through LLCs or trust structures.
- Conflicts with federal securities and IRS tax reporting requirements, jeopardizing Alaska's standing with regulatory and financial partners.

Loopholes, Tax Sheltering, and Financial Abuse

HB 1 incentivizes wealthy investors to shield assets through gold or silver trades, especially those routed through trusts or shell corporations. These kinds of asset transfers can avoid detection by both federal and local agencies, bypassing traditional tax collection mechanisms and creating a shadow economy in Alaska.

For example:

- An individual could purchase a \$100,000 gold bar, transfer it to a family member in a “specie-based contract,” and avoid sales, gift, and income taxes entirely under HB 1.
- Municipalities would be barred from auditing or applying their own tax rules, even if the transaction took place in their jurisdiction.

This isn't about helping average Alaskans buy groceries with silver—it's about enabling tax-free wealth transfer by the rich while the state cuts school funding.

Ties to Project 2025 and National Ideological Agendas

HB 1 is not an organic Alaska bill. It mirrors model legislation promoted by the Sound Money Defense League, the Tenth Amendment Center, and supporters of the Heritage Foundation's Project 2025.

Project 2025 is a sweeping federal agenda aiming to:

- Dismantle the Federal Reserve,
- Privatize public services,
- End local tax authority,
- Defund public schools, and
- Push “gold standard” monetary theory to favor corporate donors and cryptocurrency-backed hedge funds.

These groups are not from Alaska, and their policies do not serve the needs of Alaska's diverse communities—particularly rural, Indigenous, and working-class populations who rely on public services to survive.

HB 1 is part of a national effort to destabilize government, promote austerity, and rebuild monetary systems to benefit private wealth at the expense of state sovereignty.

HB 1 is:

- Fiscally damaging to Alaska's boroughs and cities,
- Legally vulnerable under federal monetary and tax laws,
- Ripe for abuse by those who want to avoid taxation and regulation,
- Rooted in external ideological projects, not local values or priorities.

It offers no real benefit to the average Alaskan, and undermines the very structure of state and local governance. I urge the committee and the full legislature to vote NO on HB 1 and to prioritize fiscal transparency, constitutional integrity, and public trust.

References

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Recommendations to Fix HB 1

1. Narrow the Definition of “Specie”

- Current issue: The bill lacks clarity and could allow non-standard or even foreign-minted or cryptocurrency-backed metals.
- Fix: Define “specie” strictly as U.S. Mint-issued, fully documented coins or bullion, with serial number traceability and IRS-reporting compliance.

2. Permit, Don’t Mandate, Local Tax Policy

- Current issue: HB 1 bans municipalities from taxing specie sales, infringing on local control.
- Fix: Amend the bill to allow local governments to decide for themselves whether to tax specie transactions. This protects home rule and revenue sovereignty.

3. Require Mandatory Tax Reporting and Disclosures

- Current issue: The bill creates a loophole for tax evasion.
- Fix: Mandate that any specie transaction over \$600 be reported to:
 - The Alaska Department of Revenue,
 - The IRS (1099-B and 8300 forms),
 - Local taxing jurisdictions.

This aligns with federal reporting laws and prevents misuse for wealth transfers and fraud.

4. Prohibit Use in Corporate or Shell Transactions

- Current issue: The bill could let corporations use gold/silver for hidden transfers.

- Fix: Add a clause banning the use of specie in corporate-to-corporate or corporate-to-trust asset transactions, unless authorized under strict DOR oversight.

5. Build in Anti-Fraud and Anti-Money Laundering Safeguards

- Fix: Require proof of origin, ownership history, and valuation documentation, and trigger automatic audits for transactions above \$10,000 to comply with AML (anti-money laundering) protocols.

6. Include a Sunset Clause

- Fix: Add a 5-year sunset clause, requiring a full legislative and financial review by the Department of Revenue before reauthorization.

7. Disconnect from Ideological Language

- Fix: Strip out any ideological framing or language referencing "sound money," the Federal Reserve, or gold-backed constitutional theory. Make the law strictly practical, based on fiscal security and transparency.

Bottom Line

This bill should protect Alaskans, not serve as a vehicle for national political experiments. If the true goal is to diversify legal tender options or protect from inflation, then guardrails must be included to ensure:

- No tax loopholes,
- No damage to local revenue,
- No foreign or ideological influence,
- No harm to working-class and Indigenous communities.

Proposed Amendments to Alaska House Bill No. 1 (2025)

TITLE: An Act relating to specie as legal tender in the state; relating to borough and city sales and use taxes on specie; and ensuring fiscal transparency, consumer protection, and local control.

AMENDMENT 1: Definition of Specie

Replace Sec. 44.12.400(d)(2) with:

"specie" means gold or silver issued exclusively by the United States Mint or other U.S. Treasury-authorized mints, valued primarily based on metal content, and in the form of: (A) coin with official mint documentation and serial traceability; or (B) bullion that is stamped or imprinted with its weight and purity, and accompanied by provenance documentation.

AMENDMENT 2: Local Government Authority Preserved

Replace Sec. 29.45.650(m) and Sec. 29.45.700(i) with:

(m) A borough may, by ordinance, choose whether to levy or collect a sales or use tax on the sale or exchange of specie. Nothing in this section shall prohibit home rule or general law municipalities from exercising fiscal discretion.

(i) A city may, by ordinance, choose whether to levy or collect a sales or use tax on the sale or exchange of specie. Nothing in this section shall prohibit home rule or general law municipalities from exercising fiscal discretion.

AMENDMENT 3: Mandatory Tax Reporting Requirements

Add to Sec. 44.12.400:

(e) Any transaction involving specie exceeding \$600 in value must be reported to: (1) the Department of Revenue; (2) the Internal Revenue Service in accordance with 1099-B and 8300 reporting; (3) the applicable local taxing jurisdiction.

AMENDMENT 4: Anti-Corporate Abuse Clause

Add new subsection to Sec. 44.12.400:

(f) Specie shall not be used in corporate-to-corporate or corporate-to-trust transactions unless authorized under regulatory oversight and subject to audit and registration requirements enforced by the Department of Revenue.

AMENDMENT 5: Fraud and Money Laundering Prevention

Add to Sec. 44.12.400:

(g) Transactions exceeding \$10,000 must: (1) be conducted through financial institutions compliant with federal AML laws; (2) require proof of origin, ownership chain, and independent appraisal; (3) be subject to automatic audit flagging by the Department of Revenue.

AMENDMENT 6: Sunset Clause

Add new section:

Sec. 44.12.410. Sunset. (a) The provisions of this Act shall be repealed five years after its effective date unless reenacted by the legislature following a comprehensive review by the Department of Revenue and Legislative Budget and Audit Committee.

AMENDMENT 7: Ideological Neutrality Clause

Add to Sec. 44.12.400:

(h) This section shall be interpreted and enforced in a manner that ensures neutrality and avoids alignment with any political ideology or economic doctrine not expressly grounded in Alaska statutory or constitutional law.

Note: All amendments proposed ensure that HB 1:

- Complies with federal law,
- Protects local government autonomy,
- Prevents abuse by high-net-worth individuals or corporations,
- Ensures transparency and auditability,
- Safeguards public revenue and consumer rights.