

Stuart Relay

From: Daniel Diaz [REDACTED]
Sent: Friday, May 16, 2025 9:49 AM
To: House State Affairs
Cc: Rep. Andi Story; Rep. Sarah Vance; Rep. Ashley Carrick; Rep. Rebecca Himschoot; Rep. Kevin McCabe; Rep. Elexie Moore; Rep. Ky Holland; Angela Steph; Larry Hilton; Rhyno Coetsee; Robert Kientz; Citizens for Sound Money
Subject: Follow-Up: Response to Alaska Municipal League Testimony on May 15 (Nils Andreassen)

Follow Up Flag: Follow up
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Dear Members of the State Affairs Committee,

In addition to my earlier reply, I'd like to offer responses to the questions raised by Mr. Nils Andreassen of the Alaska Municipal League during his testimony. His comments reflect reasonable administrative concerns, and I believe the following clarifications will help support the continued development of sound money legislation in Alaska.

1. Definition of Legal Tender – Coins Recognized Under the Bill

Mr. Andreassen mentioned nickels, dimes, and quarters as legal tender coins. However, the bill refers specifically to “specie,” which is defined as gold and silver valued primarily based on metal content. This excludes most circulating U.S. coinage (which is base metal), and focuses instead on:

- U.S. gold and silver bullion coins (e.g., American Eagles, Buffaloes)
- Foreign bullion coins (e.g., Canadian Maple Leafs, South African Krugerrands)
- Bullion bars and rounds that meet metal content thresholds

Commemorative coins and non-circulating legal tender are only included if their market value is based primarily on gold or silver content—not face value, collectibility, or numismatic traits. This definition is intentionally structured to avoid statutory ambiguity, and further clarification—if ever deemed necessary—could be handled through standard administrative guidance or regulatory memo without requiring legislative amendment.

2. Are Local Governments Required to Accept Specie as Payment?

The bill does not mandate acceptance of specie by individuals or governments. It simply removes the sales tax penalty and recognizes specie as legal tender for contractual and valuation purposes.

Per statute, state and local governments would not be required to accept gold or silver in payment for taxes or services unless future legislation mandates it. This mirrors other states where legal tender laws exist but government acceptance is voluntary unless structured by policy.

3. Will the State Hire an Assayer or Create a New Department?

There is no need for a new agency or the hiring of assayers. The precious metals industry already relies on widely accepted standards of purity and certification (e.g., LBMA, COMEX good delivery standards). Private businesses handle authentication using XRF scanners, assay certificates, and market-based trust.

If the state ever chooses to transact in specie, it can require certified bullion or establish a contractual standard—just as it would for any other payment in-kind. There is no operational requirement to assay privately-held metal under this bill.

4. Price Determination: Spot Price vs. Premium

This bill does not compel the state to “set prices.” Retailers will continue to use market-based pricing as they do today. Spot pricing is publicly available across multiple platforms (e.g., LBMA, Kitco, COMEX, UPMA), and premiums are added according to product size and vendor policy.

The bill does not require the state to regulate or fix prices, only to exempt qualifying bullion from sales tax. There is no practical need for a state-chosen “official” spot platform.

5. Accounting for Specie – Asset or Currency?

Specie may be recorded as:

- A cash equivalent if held for liquidity
- An investment or asset if held long-term or reserved against liabilities

GASB and FASB already allow for flexible classification based on use case. Utah, Texas, and Wyoming have navigated this by treating bullion as financial assets subject to valuation schedules—no new standard-setting required.

6. Commemorative Coins

If the coin is sold or held primarily for collectibility or numismatic value, it is not covered by the sales tax exemption under the bill. The language “valued primarily based on metal content” disqualifies most commemoratives.

Only bullion coins whose market value derives from metal weight (not face value) would qualify. For example, a 1 oz American Gold Eagle carries a \$50 face value, but trades at around \$3,200—clearly its value is derived from its gold content, not its nominal denomination.

7. Foreign Coins

Foreign coins are already recognized by U.S. law as legitimate tender if issued by a sovereign mint and sold as bullion. The bill's focus is on metal content, not national origin.

Thus, Canadian Maples, Britannias, and Philharmonics qualify—but obscure or numismatic-only foreign issues would not, unless their value is dictated by weight and purity.

8. Non-Circulating Coins and World Catalog Entries

The 10,000+ non-circulating coins listed in catalogs such as Krause are not inherently exempt. The bill doesn't create a broad exemption for "all coins," only for those meeting the specie definition. Coins such as 20 Franc gold pieces—while over 100 years old—are so abundant that they routinely trade at \$5–\$10 premiums, lower than most modern bullion. These would qualify for exemption because their market value is still tied to gold content.

9. Impact on IRS Code Section 408(m)(3)(B)(iv)

Federal law generally categorizes bullion as a "collectible" subject to a 28% capital gains tax. **However, IRC §408(m)(3)(B)(iv)** provides an exception: coins "issued under the laws of any State" are **not** considered collectibles. While this provision is situated within the section of the tax code governing IRAs, its definitional impact extends more broadly. Alaska's legal recognition of specie could support treatment of such coins outside of the 28% collectible category not only within IRAs, but potentially in general capital gains contexts as well, subject to IRS interpretation.

10. Counterfeiting Oversight

Anti-counterfeiting is already enforced under federal law (18 U.S.C. §§ 485–489). Additionally, verification methods are already widely accessible:

- Digital apps like "Precious Coin Tester" using ping acoustics (Free)
- Millimeter rulers, gram scales, and magnet tests (less than \$10–\$15)
- Acid test kits (available for under \$20)
- Professional XRF and ultrasonic scanners (\$1,000–\$2,700)

No new state agency is required to enforce authenticity standards. The industry has robust safeguards already in place.

11. Federal Capital Gains and Currency Denomination

Federal law distinguishes between fiat and specie dollars. Under 31 U.S.C. §5103 and §5112, both types are recognized. A person may own or transact in gold or silver dollars, and the use of such coins is consistent with federal currency definitions. The bill does not exempt Alaskans from federal gains taxes—they remain liable under federal law.

12. Why Remove State Sales Tax if Federal Tax Remains?

Removing sales tax addresses a state-level distortion, just as Alaska exempts groceries or medicine from taxation even though federal obligations may still apply. The purpose of this bill is not to interfere with federal law, but to correct a local policy that penalizes constitutional money.

Final Thought

Mr. Andreassen's questions were important, and I appreciate the Municipal League's participation. None of the concerns raised require new agencies, tax departments, or enforcement tools. Alaska can join the 45+ states that have successfully passed and implemented similar sales tax exemptions laws, and 10 states that have chosen to make specie legal tender. If the committee would like model language, data, or agency correspondence from those jurisdictions, I am happy to provide it.

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Stuart Relay

From: Daniel Diaz [REDACTED]
Sent: Friday, May 16, 2025 9:34 AM
To: House State Affairs
Cc: Rep. Andi Story; Rep. Sarah Vance; Rep. Ashley Carrick; Rep. Rebecca Himschoot; Rep. Kevin McCabe; Rep. Elexie Moore; Rep. Ky Holland; Angela Steph; Larry Hilton; Rhyno Coetsee; Robert Kientz; Citizens for Sound Money
Subject: Follow-Up on Committee Questions from May 15 Hearing — Precious Metals Sales Tax Exemption

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Dear Members of the State Affairs Committee,

Thank you for the opportunity to participate in the May 15th hearing regarding the legal tender status and sales tax exemption for gold and silver. I'm writing to respond to several of the questions raised during the session, particularly on fiscal impact, pricing structure, and language clarification.

1. Estimated Tax Revenue Loss for Alaska

States that have exempted precious metals from sales tax have reported the following:

State	Est. Annual Tax Loss	2025 Population	Per Capita Loss
Florida	\$2.5 million	23.4 million	~\$0.11
Iowa	\$400,000	3.21 million	~\$0.12
Missouri	\$800,000	6.28 million	~\$0.13

Conclusion: Based on per capita comparisons, Alaska's potential tax loss would range between **\$80,000 and \$95,000 per year**, a negligible impact when weighed against the economic and monetary benefits.

2. Pricing Premiums on Bullion Products

All precious metals products include a **premium over spot** due to minting, refining, distribution, and inventory costs. These premiums are not speculative — they are fundamental to the way bullion markets function.

Gold Premiums (Over Spot)

Product	Typical Premium
400 oz Bar	0.5% – 1.0%
100 oz Bar	1.0% – 2.0%
1 Kilo (32.15 oz) Bar	1.1% – 2.7%

Product	Typical Premium
1 oz Coin (e.g. Eagle)	3.0% – 5.0%
1/2 oz Coin	5.0% – 8.0%
1/4 oz Coin	13.5% – 64%
1/10 oz Coin	20% – 30%
1 Gram Bar	40% – 64%
Grain of Gold (~0.065g)	80% – 110%
Goldback/Aurum	90% – 100%

Silver Premiums (Over Spot)

Product	Typical Premium
1,000 oz Bar	1.0% – 2.0%
100 oz Bar	2.0% – 8.0%
1 Kilo (32.15 oz) Bar	4.8% – 15.4%
1 oz Coin (e.g. ASE)	15% – 30%
Fractionals (1/2, 1/4 oz)	30% – 60%
1 Gram Silver	20% – 40%

Key Insight: Even the smallest bullion products — such as grains or Goldbacks — carry high premiums due to fixed manufacturing costs. Taxing only the “metal content” forces merchants to calculate tax on the variable premium, which is administratively unworkable and legally unclear.

3. Legislative Language Concerns (Amendment #1)

The original definition of “specie” as *“gold or silver valued primarily based on its metal content”* is clear and sufficient. It aligns with how other states have approached exemption laws.

However, the recent **amendment** that introduces the phrase:

“...value of the gold or silver contained within specie during the...”

...creates legal and operational challenges:

- **Administrative Burden:** Retailers would need to calculate spot price, subtract it from the total price, and apply sales tax only to the difference — all while spot prices fluctuate intraday.
- **Non-Uniform Application:** This would create confusion among merchants and consumers, opening the door to inconsistent tax reporting and enforcement.
- **Conflict with Intent:** This undermines the bill’s purpose by reintroducing tax complexity to a form of money — bullion — that should be exempt as a whole.

4. Capping Exemptions Undermines the Goal

Over **90% of U.S. states** have now eliminated sales tax on monetary metals — **most with no caps or thresholds**. Caps introduce unnecessary auditing complexity and limit the exemption to only small-scale investors, contradicting the recognition of bullion as sound money.

Alaska should align with the national trend by enacting a clear, uncapped exemption.

Closing Remarks

I recognize that Amendment #1 has already been adopted into the bill. However, I encourage the Committee to keep the implications of this language in mind as the bill continues through the legislative process this session — and especially if it advances to the Senate or returns next year for further refinement.

The phrase “*value of the gold or silver contained within specie...*” introduces substantial ambiguity and administrative burden, which could make the exemption difficult to implement effectively. It risks shifting compliance costs onto merchants and opening interpretive gaps for enforcement — ultimately weakening the intended benefit of the legislation.

As members of the House State Affairs Committee — many of whom will continue serving under Alaska’s two-year terms — I respectfully ask that you consider revisiting this language in future committee work, whether through clarifying amendments or follow-on legislation. A well-defined, administrable exemption is crucial to honoring the principle that gold and silver are money, not merchandise.

Please let me know if I can provide further supporting analysis or comparisons from other states' exemption models.

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