

## Municipal Impact Statement

Issue: Preemption of Taxation of Gold and Silver Specie as Currency

Impact: Current municipal sales tax applies to buying/selling of gold and silver specie.

- Online sales reflect \$5.5 million in annual sales for 25% of Alaska's population. It could be extrapolated that these sales are much more prevalent based on population and potential physical sales.
  - Sales tax value is approximately \$65,000 a year, approximately.
- Unable to distinguish difference between bullion and specie in that data, nor divulge confidential taxpayer information. Additional research would be needed to assess the full impact, but it does not appear to be insignificant.
- Some sales tax codes already exempt gold and silver, indicating this may be left to local decision-making.
- Sales tax doesn't apply to most of the state, thereby focusing the exemption on a small subsection.

Principle (adopted by AML members):

- Support State policies that maintain local revenue authorities.
- Preserve local government tax base and overall capacity

Policy (adopted by AML members):

- Oppose State preemption of local rates and exemptions

Position: If the State chooses to include gold and silver specie as legal tender or currency, including to establish a regulatory framework for accepting specie as tender within financial institutions, preemption may be unnecessary.

- Gold and silver specie when used as legal tender would not be taxable, just as current forms of legal tender are not taxable.
- Specie that is bought according to market value but not exchanged as currency would be taxable, as it would not be considered legal tender under those circumstances.
  - Specie is just defined as coin or bullion, which could be sold in a variety of markets without being used as legal tender.
- Any further consideration of preemption should be opposed as there is no clear public benefit to buying and selling of specie as a good other than currency.
- It could be that the intent of the preemption is to avoid the federal capital gains tax, which doesn't occur at the local level.
  - Under the capital gain tax, tax is assessed when you sell or exchange property (including gold). The tax is on the difference between your purchase price and sales price. When you exchange property, the sales price is the value of what is received.
  - Anyone using gold as tender under this bill would still be subject to the federal capital gain tax. A person who knowingly doesn't keep track of the difference between their purchase price and sales price (value of what is received) each time the gold is exchanged could be guilty of tax evasion.

Proposed legislation: Remove references to preemption of municipal sales tax and leave to State to determine public benefit of gold and silver specie as currency, and ensure that legal tender is part of the definition.