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Minnesota Lawmakers Seek Full Sales Tax Exemption of Gold and Silver

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(St. Paul, Minnesota) – Legislators in the Land of 10,000 Lakes seek to fully exempt gold and silver coins from Minnesota's state sales tax, ending its controversial and discriminatory practice of taxing of one type of bullion but not another.

House Rep. B. Olson and Sen. Draheim introduced **HF 106** and **SF 373**, respectively. These two measures would include coins in Minnesota's current sales tax exemption, which curiously only exempts bars and rounds.

Under current law, Minnesota citizens are discouraged from insuring their savings in precious metals coins against the devaluation of the dollar because they are penalized with taxation for doing so. Passage of this measure would remove disincentives to holding gold and silver coins for this purpose. HF 106 is important for a few reasons:

- **Minnesota does not tax the purchase of other investments.** Minnesota does not tax the purchase of stocks, bonds, ETFs, currencies, gold and silver bullion, and other financial instruments. Gold and silver coins are held as forms of savings and investment. Taxing precious metals is unfair to certain savers and investors.
- **Studies have shown that taxing precious metals is an inefficient form of revenue collection.** The results of one study involving Michigan show that any sales tax proceeds a state

collects on precious metals are likely surpassed by the state revenue *lost* from conventions, businesses, and economic activity that are driven out of the state.

The harm is exacerbated when you consider that nearly all of Minnesota's neighbors (Iowa, Michigan, North Dakota, and South Dakota) have already stopped taxing gold and silver.

In total, 42 states have reduced or eliminated sales tax on the monetary metals.

- **Taxing gold and silver harms in-state businesses.** It's a competitive marketplace, so buyers will take their business to neighboring states (which have eliminated or reduced sales tax on precious metals), thereby undermining Minnesota jobs. Levying sales tax on precious metals harms in-state businesses who will lose business to out-of-state precious metals dealers. Investors can easily avoid paying \$134 in sales taxes, for example, on a \$1,950 purchase of a one-ounce, US Mint produced, gold American Eagle coin.
- **Levying sales taxes on precious metals is inappropriate.** Sales taxes are typically levied on final consumer goods. Computers, shirts, and shoes carry sales taxes because the consumer is "consuming" the good. Precious metals are inherently held for resale, not "consumption," making the application of sales taxes on precious metals inappropriate.
- **Taxing precious metals is harmful to citizens attempting to protect their assets.** Purchasers of precious metals aren't fat-cat investors. Most who buy precious metals do so in small increments as a way of saving money. Precious metals investors are purchasing precious metals as a way to preserve their wealth against the damages of inflation. Inflation harms the poorest among us, including pensioners, Minnesotans on fixed incomes, wage earners, savers, and more.

In 2023, bills to restore sound, constitutional money have been introduced in **Alaska, West Virginia, South Carolina, Missouri, Mississippi, Tennessee,** and more.

Currently Minnesota ranks 47th out of 50 in the **2023 Sound Money Index.**

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Why 42 States Have Removed Taxes from the Purchase of Gold and Silver

Taxing the exchange of dollars for the monetary metals is an atrocious policy for several reasons.

Saturday, February 5, 2022



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Last year was a good year for state-level sound money legislation across the United States. 2022 could be even better.

Building on the success enjoyed by sound money advocates in Arkansas and Ohio last year, more than a half dozen states are now considering legislation that rolls back discriminatory taxes and regulations on the sale, use, and purchase of gold and silver.

States Are Removing Sales Taxes on Gold & Silver

To date, 42 states have removed some or all taxes from the purchase of gold and silver. And there are new bills pending now in five of the eight remaining states, i.e. Tennessee, Mississippi, Kentucky, Hawaii, and New Jersey.

Taxing the exchange of Federal Reserve Notes for the monetary metals is an atrocious policy, for several reasons.

States generally don't tax the purchase of investments. States don't slap sales taxes on the purchase of stocks, bonds, ETFs, currencies, and other financial instruments. Gold and silver are held as forms of savings and investment. So taxing precious metals penalizes a single class of savers and investors.

Taxing precious metals actually reduces a state's tax revenues. A Michigan analysis revealed that the sales tax revenue extracted was actually exceeded by revenue lost from conventions, businesses, and economic activity driven out of the state.

And states with sales taxes on precious metals are at a competitive disadvantage to neighboring states that have ended the practice.

Taxing precious metals is harmful to citizens attempting to protect their assets. Purchasers of precious metals generally aren't fat cat investors. Most who buy precious metals do so in small increments as a way of saving money.

People purchase precious metals, in part, to preserve their wealth against the ravages of inflation. Inflation especially harms the poorest among us, including pensioners, senior citizens on fixed incomes, wage earners, and savers.

Levying taxes on precious metals is illogical and inappropriate.

Purchases of computers, shirts, and shoes are taxable to the final consumer. But precious metals are inherently held for resale, not "consumption," making the entire notion of taxing their purchase illogical from the start.

Here is a quick rundown of pending sales tax repeal bills...

In the Bluegrass State, Rep. Kirk-McCormick introduced [House Bill 272](#) last week to cancel Kentucky sales taxes on gold, silver, platinum, and palladium coins and bars.

In neighboring Tennessee, Rep. Gant and Sen. Stevens are pursuing a similar measure. Their efforts are bolstered by a newly released study by the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) which encourages the Volunteer State to end the practice of taxing precious metals.

House Bill 514 and Senate Bill 870, [introduced](#) in 2021 by Rep. Gant and Sen. Stevens respectively, will be considered this spring.

Even as Kentucky and Tennessee legislators move forward, Mississippi may beat them to the punch in becoming the 43rd state to cancel sales taxes on the monetary metals.

So far, three such bills have been [introduced](#) in Mississippi: House Bill 426, House Bill 518, and House Bill 729, introduced by Rep. Ford, Rep. Hopkins, and Rep. Bomgar, respectively.

Hawaii is also poised to end state sales taxes on gold and silver. [House Bill 1184](#), introduced by Rep. Okimoto, sailed through two committees last year, passing unanimously out of one... and passing overwhelmingly out of the other. (The bill was put on hold due to fears that enacting tax cuts could jeopardize Biden's handouts to state legislatures last year.)

Meanwhile, legislators in New Jersey also hope to [eliminate sales taxes on precious metals](#). Last year's sound money tax exemption effort was led by Assemblyman Dancer and Sen. Doherty, and they are championing this cause in the Garden State again this session.

Alabama and Virginia are among the states already on the right side of the sales tax issue. However, both exemptions sunset this year.

Sound money allies have already mobilized, introducing measures to extend the life of those states' exemptions – specifically, [Senate Bill 13](#), sponsored by Sen. Melson in Alabama, and [House Bill 936](#), sponsored by Del. Batten in Virginia.

Let's hope they succeed, because re-imposing sales taxes on gold and silver has proven to be a debacle.

In recent years, the state of Ohio and Louisiana both experimented briefly with resuming taxation on precious metals purchases, only to reverse course after businesses, coin conventions, and state tax revenues exited the state.

Ending Income Taxes on Gold & Silver

In 2019, the Sound Money Defense League teamed up with sound money advocates in West Virginia to eliminate sales taxes on precious metals.

This year, Delegate Pritt has introduced House Bill 3135 to take things a step further by [eliminating capital gains taxation on sound money](#) and reaffirming gold and silver as money in the state.

A similar effort will be considered in Olympia, Washington.

Introduced last session by Rep. Chase, House Bill 1417 seeks to [remove all forms of taxation on the metals](#). Rep. Chase wants to ensure the Evergreen State remains near the top of the [Sound Money Index](#).

A capital gains tax on precious metals is often a tax on imaginary gains.

Under current law, a taxpayer who sells precious metals may end up with a capital “gain” in terms of Federal Reserve Notes. This capital “gain” is not necessarily a *real* gain, it’s often a *nominal* gain that results from the inflation created by the Federal Reserve and the attendant decline in the dollar’s purchasing power.

Yet this nominal gain is taxed at the federal level – and, because most states use federal adjusted gross income (AGI) as a starting point for income calculations, this nominal gain is taxed again by the state (in most cases).

Neutralizing punitive income tax treatment of the monetary metals would remove the last major disincentive that stands against the ownership and use of the monetary metals.

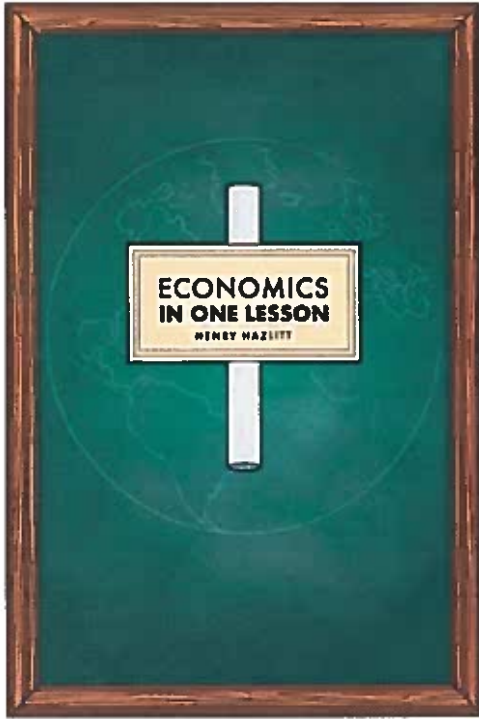
The Attack on Sound Money

Of course, individual states cannot bring soundness to America’s monetary system on their own. The root of the problem is the Federal Reserve, U.S. Treasury, and Congress who have fully embraced fiat money and abandoned monetary restraint.

With the Consumer Price Index running at its highest rate in 40 years, inflation is becoming the most pressing economic issue of our time.

While federal policymakers are exacerbating the problem, some states are thankfully stepping up to give their citizens some tools to protect themselves.

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Jp Cortez is Policy Director for the [Sound Money Defense League](#), a non-partisan, national public policy organization working to restore sound money at the state and federal level and which maintains America's [Sound Money Index](#).
