

Ending Tax Avoidance for Precious Metal Dealers

Senate Bill 5658

As the Legislature confronts the need to fully fund public services, our elected public officials should be looking at the “Swiss cheese” nature of Washington’s tax code and focusing on past tax exemptions. One such giveaway excuses precious metal dealers from paying sales or B&O taxes.¹ This includes sales of any precious metal which has been coined, smelted or refined, including gold, silver, platinum, rhodium, and palladium.

The effect of this exemption is that the purchaser of gold coins pays no sales tax, and the dealer pays no B&O tax on this sale. The Joint Legislative Audit & Review Committee (JLARC) forecast in 2012 that the citizens of Washington would lose about **\$42 million from this loophole in the 2013-2015 biennium alone.**² A more recent estimate from the Department of Revenue’s 2016 Tax Exemption Study estimates losses of **\$15.6 million in fiscal year 2019.**³ In all, 50 dealers benefit from this tax loophole. Using the lower estimate, this translates to an **average windfall of \$312,660 for each of these dealers.**

This loophole was spearheaded in 1985 by a state senator from Seattle⁴ who was active in investment banking and coin dealing.⁵ Legislators wrapped it into an omnibus bill without stating a public policy objective.⁶ There are no reporting or accountability standards required of businesses using this preference.⁷ It can be inferred that this was simply a favor for dealers in precious metals, as they testified in support of this loophole.⁸

What could this \$15 million exemption fund?

- ***\$15 million could fund wage increments, increasing compensation for over 3,000 early childhood teachers and caregivers in our state.***
- ***\$15 million could fund premium reductions in the Health Benefits Exchange for 15,000 participants.***
- ***\$15 million could fund 1,500 slots in the state’s early childhood education assistance program (ECEAP), OR***
- ***\$15 million could continue to be a windfall for 50 precious metal dealers in our state.***

Senate Bill 5658,⁹ sponsored by Senators Hunt, Nguyen, Hasegawa, and Saldaña, will eliminate this tax preference for precious metals, enabling enhanced investments in public services for the people of our state. It is a small step in the direction of tax equity and full funding of public services.

¹ Revised Code of Washington, RCW 82.04.062 apps.leg.wa.gov/rcw/default.aspx?cite=82.04.062

² JLARC Report 13-1: 2012 Tax Preference Performance Reviews leg.wa.gov/jlarc/AuditAndStudyReports/Documents/13-1.pdf p. 159. For extended discussion, see p. 159-169.

³ Department of Revenue’s 2016 Tax Exemption Study

dor.wa.gov/sites/default/files/legacy/Docs/reports/2016/Tax_Exemption_Study_2016/20_Retail_Sales_and_Use_Tax.pdf p. 26;

dor.wa.gov/sites/default/files/legacy/Docs/reports/2016/Tax_Exemption_Study_2016/02_B&O_Tax_Section.pdf p. 9

⁴ See search.leg.wa.gov/search.aspx#document SENATE BILL NO. 3315, 1985

⁵ See Ray Moore, An Oral History, Interviewed by Sharon Boswell, Washington State Oral History Program, Office of the Secretary of State, Ralph Munro, Secretary of State app.leg.wa.gov/oralhistory/moore.pdf PDF p. 40-42

⁶ search.leg.wa.gov/search.aspx#document SENATE BILL NO. 4228, 1985

⁷ JLARC Report 13-1: 2012 Tax Preference Performance Reviews, op cit., p. 164, 167

⁸ JLARC Report 13-1: 2012 Tax Preference Performance Reviews, op cit., p. 165

⁹ app.leg.wa.gov/bills/summary?BillNumber=5658&Initiative=false&Year=2019