

BILL SUMMARY
2nd Session of the 54th Legislature

Bill No.:	SB 862
Version:	ENGR
Request Number:	NA
Author:	Rep. Banz
Date:	4/1/2014
Impact:	Tax Commission:
	Sales Tax:
	FY-15 Decrease of \$193,000
	FY-16 Decrease of \$344,232
	Income Tax:
	FY-15 Decrease of \$0
	FY-16 Decrease of \$580,000

Research Analysis

Engrossed SB862 exempts from state taxable income any amount of net capital gains which results from the sale or exchange of gold or silver for another form of legal currency. The exemption would take effect beginning January 1, 2015.

The measure also removes the requirement that gold, silver, platinum, palladium or other precious metal items be stored within a recognized depository facility in order to be exempt from state sales tax.

Prepared By: Quyen Do

Fiscal Analysis

Sales Tax:

Based on Tax Commission remittance records an estimated \$309,523 is attributable to sales of gold, silver, palladium and other bullion (FY-13). Estimates for FY-15 approach \$330,992.

With a November 1, 2014 effective date, FY-15 sales tax collections are estimated to decrease by \$193,079 and, adjusted for growth, FY-16 collections would be reduced by \$344,232.

Income Tax

Utah enacted a similar capital gains incentive and, based on their estimate, 0.5 percent of all reported capital gains would occur from sales or exchanges of gold or silver. Analyzing Oklahoma capital gains data from 2005 through 2010 an average of \$4.55 billion in net gains was realized. Assuming the 0.5 percent value, the Oklahoma estimated amount nears \$22,750,000 from gold or silver. Reducing the amount by the exclusion in 68 O.S., Section 2358(F), approximately \$11,040,000 in gains are realized.

The current top marginal income tax rate of 5.25 percent is applied under the expectation that most of the gains would be taxed in the highest bracket, resulting in a potential net decrease in collections of \$580,000.

Table 1 below shows the FY impact for both sales and income tax.

Table 1 – FY Estimates		
Component	FY15	FY16
Sales Tax	-\$193,000	-\$344,000
Income Tax	\$0	-\$580,000
Total	-\$193,000	-\$930,000

Prepared By: Mark Tygret

Other Considerations

None.