

**TESTIMONY OF
MICHAEL J. ALLEN, ASSOCIATE COMMISSIONER FOR TAX POLICY
DEPARTMENT OF ADMINISTRATIVE AND FINANCIAL SERVICES**

Before the Joint Standing Committee on Taxation

Hearing Date: *Mar 28, 2023, 2:00 p.m.*

L.D. 1051 – *“An Act to Protect Maine People from Inflation by Exempting Gold and Silver Coins and Bullion from the State Sales and Use Tax”*

Senator Grohoski, Representative Perry, and members of the Taxation Committee – good afternoon, my name is Michael Allen, Associate Commissioner for Tax Policy in the Department of Administrative and Financial Services. I am here today at the request of the Administration to testify Against LD 1051, *“An Act To Protect Maine People from Inflation by Exempting Gold and Silver Coins and Bullion from the State Sales and Use Tax.”*

Similar bills have been introduced in five of the six most recent legislative sessions. When prior bills have been heard, testimony has suggested that the proposal is premised on the theory that sales of gold or silver coins and bullion are exchanges of currency and should be exempt as such, not taxed as a sale of tangible personal property.

While this proposal’s fiscal note is relatively small, it is one of many sales tax exemption bills introduced this session. In the aggregate, these exemptions would continue to erode an already narrow sales tax base.

If the committee chooses to move forward with this proposal, definitions for “gold and silver coins” and “bullion” should be added to the bill. As written, any amount of gold or silver content could qualify the coin or bullion for exemption. Alternatively, “gold coin” and “silver coin” could be defined in terms of grade,

purity level, or elemental content. For context, some states with coin or bullion exemptions limit application by transaction value, stating for example that “only sales of bullion worth more than \$1,000 are exempt.”

The Administration looks forward to working with the Committee on the bill; representatives from MRS will be here for the Work Session to provide additional information and respond in detail to the Committee’s questions.