FISCAL IMPACT REPORT

		LAST UPDATED	
SPONSOR	Ezzell	**ORIGINAL DATE**	02/21/25
SHORT TITLE	Gold & Silver Bullion Sale Gross Receipts	**BILL NUMBER**	Senate Bill 382
		ANALYST	Graeser

REVENUE*
(dollars in thousands)

Type	FY25	FY26	FY27	FY28	FY29	Recurring or Nonrecurring	Fund Affected
GRT Exemption	$0	Up to ($1,020.0)	Up to ($1,060.0)	Up to ($1,100.0)	Up to ($1,140.0)	Recurring	General Fund
	$0	Up to ($870.0)	Up to ($900.0)	Up to ($930.0)	Up to ($960.0)	Recurring	Local Governments

Parentheses ( ) indicate revenue decreases.

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT*
(dollars in thousands)

Agency/Program	FY25	FY26	FY27	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
TRD	$14.6			$14.6		

Parentheses ( ) indicate expenditure decreases.

Sources of Information

New Mexico Taxation and Revenue Department's RP80
LFC Files

Agency Analysis Received From
State Investment Council (SIC)
Taxation and Revenue Department (TRD)

SUMMARY

Synopsis of Senate Bill 382

Senate Bill 382 (SB382) provides a gross receipts tax deduction for receipts from the sale of gold or silver coins and gold or silver bullion, including bars, ingots, and rounds but excluding jewelry, works of art, or novelty or commemorative pieces. Deductions are required to be reported separately, and the deduction must be included in the annual Taxation and Revenue Department (TRD) tax expenditure report.

The effective date of this bill is July 1, 2025.

FISCAL IMPLICATIONS

This bill creates a tax expenditure with a cost that is difficult to determine but likely significant. LFC has serious concerns about the substantial risk to state revenues from tax expenditures and the increase in revenue volatility from erosion of the revenue base. The committee recommends the bill adhere to the LFC tax expenditure policy principles for vetting, targeting, and reporting or action be postponed until the implications can be more fully studied.

The TRD tax data system codes include sales of gold and silver bullion and coins. However, the codes also include jewelry and precious stones, as well. The following is an extract of the RP80 for the 24-month period January 2023 through December 2024.

	Count	Gross Receipts	Txbl Gross Rcpts	Gross Tax	Deductions Ratio	Tax Rate
42394 - Jewelry, Watch, Precious Stone, and Precious Metal Merchant Wholesalers	162	$5,906,195	$4,596,751	$375,721	22.2%	8.174%
423940 - Jewelry, Watch, Precious Stone, and Precious Metal Merchant Wholesalers	12,200	$124,227,035	$43,208,426	$3,282,405	65.2%	7.597%

Although the data mixes eligible with noneligible transactions, the fiscal impact is set at the maximum potential of this exemption. TRD reports the fiscal impact of this deduction as "unknown but negative."

SIGNIFICANT ISSUES

The sale of stocks, bonds and securities are exempt from the gross receipts tax in the same section of statute that exempts interest and dividends.

> **7-9-25. Exemption; gross receipts tax; dividends and interest.**
> Exempted from the gross receipts tax are the receipts received as interest on money loaned or deposited, receipts received as dividends or interest from stocks, bonds or securities or receipts from the sale of stocks, bonds or securities.
> **History:** 1953 Comp., § 72-16A-12.13, enacted by Laws 1969, ch. 144, § 18.

Gold and silver bullion are primarily purchased as a long-term investment, primarily intended to inflation-proof an individual's personal investment portfolio. For this reason, there is some reason to treat the purchase of these investment instruments as an investment similar to buying stocks or bonds. Gold coins can be equated with gold or silver bullion as primarily an investment instrument. However, silver coins are frequently purchased by hobby coin collectors.

TRD documents collateral implications:

> TRD presumes the bill intends to provide a GRT deduction on the receipts from the sale of collectible coins and bullion, which would not be taxable if they were considered legal tender. TRD notes that receipts from sales of gold and silver to jewelers may be deducted, subject to certain limitations, under existing law (Section 7-9-74 NMSA 1978), and that this new deduction overlaps with that limited existing deduction.
>
> While tax incentives can support specific industries or promote desired social and economic behaviors, the growing number of such incentives complicate the tax code.

> Introducing more tax incentives has two main consequences: (1) It creates special treatment and exceptions within the code, leading to increased tax expenditures and a narrower tax base, which negatively impacts the general fund; and (2) It imposes a heavier compliance burden on both taxpayers and TRD. Increasing complexity and exceptions in the tax code is generally not in line with sound tax policy.

This bill narrows the gross receipts tax (GRT) base. Many New Mexico tax reform efforts over the last few years have focused on broadening the GRT base and lowering the rates. Narrowing the base leads to continually rising GRT rates, increasing volatility in the state's largest general fund revenue source. Higher rates compound tax pyramid issues and force consumers and businesses to pay higher taxes on all other purchases without an exemption, deduction, or credit.

PERFORMANCE IMPLICATIONS

The LFC tax policy of accountability is met with the bill's requirement to report annually to an interim legislative committee regarding the data compiled from the reports from taxpayers taking the deduction and other information to determine whether the deduction is meeting its purpose.

ADMINISTRATIVE IMPLICATIONS

TRD will need to update forms, instructions, and publications. Implementing this bill will have a low impact on TRD's Information Technology Division (ITD), approximately 220 hours or just over one month and $14,661 of staff workload costs.

TECHNICAL ISSUES

TRD suggests the definition of "gold or silver bullion" under subsection D, page 2, clarify if conditions (1) through (4) must all be met, and therefore an "and" should be added to the end of lines, 6, 9, and 13. Or if the opposite is true and only one of the conditions must be met, and therefore an "or" added to the end of lines, 6, 9, and 13.

OTHER SUBSTANTIVE ISSUES

In assessing all tax legislation, LFC staff considers whether the proposal is aligned with committee-adopted tax policy principles. Those five principles:

- **Adequacy**: Revenue should be adequate to fund needed government services.
- **Efficiency**: Tax base should be as broad as possible and avoid excess reliance on one tax.
- **Equity**: Different taxpayers should be treated fairly.
- **Simplicity**: Collection should be simple and easily understood.
- **Accountability**: Preferences should be easy to monitor and evaluate.

In addition, staff reviews whether the bill meets principles specific to tax expenditures. Those policies and how this bill addresses those issues:

Tax Expenditure Policy Principle	Met?	Comments
Vetted: The proposed new or expanded tax expenditure was vetted through interim legislative committees, such as LFC and the Revenue Stabilization and Tax Policy Committee, to review fiscal, legal, and	X	

general policy parameters.		
Targeted: The tax expenditure has a clearly stated purpose, long-term goals, and measurable annual targets designed to mark progress toward the goals. Clearly stated purpose Long-term goals Measurable targets	 **X** **X** **X**	No purpose stated or implied.
Transparent: The tax expenditure requires at least annual reporting by the recipients, the Taxation and Revenue Department, and other relevant agencies	✓	
Accountable: The required reporting allows for analysis by members of the public to determine progress toward annual targets and determination of effectiveness and efficiency. The tax expenditure is set to expire unless legislative action is taken to review the tax expenditure and extend the expiration date. Public analysis Expiration date	 **X** **X**	
Effective: The tax expenditure fulfills the stated purpose. If the tax expenditure is designed to alter behavior – for example, economic development incentives intended to increase economic growth – there are indicators the recipients would not have performed the desired actions "but for" the existence of the tax expenditure. Fulfills stated purpose Passes "but for" test	 **X** **X**	No purpose or rationale offered.
Efficient: The tax expenditure is the most cost-effective way to achieve the desired results.	**X**	
Key: ✓ Met ✗ Not Met ? Unclear		

LG/sgs/hg