2024 Tax Preference Review:

Precious metals and monetized bullion

24-05 FINAL REPORT | DECEMBER 2024

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Legislative Auditor's conclusion

Together, businesses and buyers saved $28.4 million in fiscal year 2023, an increase of 457% since 2017. The preferences' effect on the competitiveness of Washington businesses is unclear because it depends on the circumstances of the sale.

Key points

- The 1985 Legislature enacted two preferences for sales of precious metals and monetized bullion. One is a sales and use tax exemption and the other gives special B&O tax treatment.
- As JLARC concluded in 2012, precious metals and monetized bullion businesses continue to pay B&O tax on a smaller portion of their income than sellers of other types of investments.
- Beneficiary savings have increased. The amount reported by out-of-state businesses has grown to nearly 40%.
- The sales and use tax exemption treats sales of precious metals and monetized bullion like other investments. The preference's impact on the competitiveness of Washington businesses is unclear because it depends on the circumstances of the sale.
- The Legislative Auditor recommends adding a public policy objective and clarifying the tax treatment the Legislature hopes to achieve with these preferences.

Earlier JLARC reviews

JLARC staff previously reviewed the preferences in **2012**.

About this preference

Estimated savings: $55 million (2027-29 biennium)

Expiration date: None

Tax type: Sales and use; Business and occupation (B&O)

Applicable statute(s): **RCW 82.04.062**

Executive summary

The Legislature enacted two tax preferences for sales of precious metals and monetized bullion in 1985.

- Precious metals means gold, silver, and other metals that have been smelted or refined. The value of the metal is based on the content rather than form.
- Monetized bullion means coins or other money made from gold, silver, or other metals and used as currency.

Although the Legislature did not state a public policy objective, JLARC staff infer from testimony and other sources that the preferences aim to make Washington coin and bullion sellers more competitive with out-of-state businesses by treating precious metals and bullion sales like sales of other investments.

Total beneficiary savings and the share reported by out-of-state sellers have grown

Buyers and businesses that sell precious metals and monetized bullion benefit from the preferences.

- Businesses do not pay retailing or wholesaling B&O tax on their earnings when they sell their own inventory.
- Buyers do not pay sales and use tax on their purchases of these products.

Beneficiaries saved $110.7 million between fiscal years 2017 and 2023. In this time, annual savings grew from $5.1 million to $28.4 million. The increase in taxpayer savings may be due to multiple factors, including increases in prices and changes in the marketplace, such as a growth in online sales.

While Washington businesses report most of the savings from the preferences, the share of savings reported by out-of-state sellers has grown to nearly 40%.

Figure 1: Total savings and the share reported by out-of-state businesses has grown

Source: Department of Revenue confidential tax return data, fiscal years 2017-2023

Businesses selling precious metals and monetized bullion have a lower B&O tax burden than sellers of other investments

As JLARC's 2012 review concluded, the business and occupation (B&O) tax preference may not be contributing to the inferred objective of treating precious metals and monetized bullion sales like sales of other investments.

- Like sellers of precious metals, sellers of other investments (e.g., real estate, stocks) pay B&O taxes on their commission income. They all pay the same B&O tax rate and may take a deduction for shared commissions.
- However, sellers of other types of investments pay B&O tax on additional sources of income. Sellers of precious metals and monetized bullion only pay tax on commissions earned when buying or selling on behalf of their customers.

Changes to marketplace fairness laws influence the preferences' effect on competitiveness for online sales

The preferences' inferred objective also includes keeping Washington's precious metals and monetized bullion sellers competitive with out-of-state sellers. The impact of the preferences on competitiveness is unclear for several reasons:

- The sales and use tax preference continues to provide similar tax treatment compared to other states. The extent to which this improves competitiveness for Washington businesses depends on the circumstances of the sale:
    - For in-person sales, it improves competitiveness because Washington sellers do not collect sales tax from buyers. Without the tax exemption, Washington sellers might lose sales if buyers choose to purchase from out-of-state businesses.
    - For online sales, it may no longer improve competitiveness due to marketplace fairness laws enacted after JLARC's last review in 2012. Today, both Washington and out-of-state sellers must charge sales tax based on where an item is delivered. Without the tax exemption, Washington buyers would be required to pay the tax regardless of where the seller is located.
- The B&O tax preference lowers the cost of doing business in Washington. However, because this preference benefits both Washington businesses and out-of-state businesses that sell to Washington residents, it has a neutral impact on competitiveness.

Legislative Auditor's recommendation

The Legislature should determine whether to continue the preferences for sales of precious metals and monetized bullion. If it continues the preferences, the Legislature should state its public policy objective and set performance metrics.

- If the goal is to treat these sales like those of other investments, the Legislature should consider the different effects of the two preferences. (Part 2)
- If the goal is to keep Washington sellers competitive with out-of-state sellers, the Legislature should consider whether the preferences have the intended effect. (Part 4)

You can find additional information in the **Recommendations section**.

Commissioner's Recommendation

The commission does not endorse the Legislative Auditor's recommendation with comment.
The Citizen Commission for Performance Measurement of Tax Preferences recommends continuing the preferences and clarifying them to state public policy objectives. If the objective is to level the playing field with out-of-state competitors, the metric should be a measure of the industry's presence in the state. The Legislature should also consider whether the preferences are critical to the tax structure, given the industry's dependence on their availability.

Committee action to distribute report

On December 4, 2024 this report was approved for distribution by the Joint Legislative Audit and Review Committee. Action to distribute this report does not imply the Committee agrees or disagrees with Legislative Auditor recommendations.

Part 1.
Two preferences

In 1985, the Legislature created two tax preferences for sales of precious metals and monetized bullion.

1. **Precious metals:** Metals such as gold, silver, platinum, rhodium, and palladium that have been smelted or refined. Its value is based on the content rather than form.
2. **Monetized bullion:** Coins or other money made from gold, silver, or other metals and used as currency. Buyers and sellers cannot claim the preferences if the bullion will be made into jewelry or works of art.

The Legislature has not stated a public policy objective. In 2012, JLARC staff used testimony, related bills, and other sources to infer its purpose.

- **Inferred objective:** Make Washington coin and bullion sellers more competitive with out-of-state sellers by treating precious metals and bullion sales like sales of other investments.

One preference is a sales and use tax exemption for buyers

Before 1985, precious metals and monetized bullion were taxed like all other tangible personal property, and buyers paid sales tax on purchases made in Washington. Purchases made out-of-state and brought to Washington were subject to state use tax. The preference removed precious metals and monetized bullion from the statutory definitions of "sale at wholesale" and "sale at retail" (Appendix D). As a result, customers that buy qualifying precious metals and monetized bullion do not pay sales tax on the transaction amount.

As of June 2023, the combined state and local sales tax in Washington ranged from 7.5 to 10.6 percent. Based on these rates, buyers save between $75 and $106 dollars in sales tax for every $1,000 spent.

Figure 2: Hypothetical example of customer sales tax savings based on highest combined sales tax rate

Purchase price	State sales tax (6.5%)		Local sales tax (4.1%)		Total sales tax saved
$1,000	$65	+	$41	=	$106

Source: JLARC staff analysis

One preference creates special B&O tax treatment for sellers

Washington's B&O tax rate varies based on the classification of the business's activity. These classifications include:

- Retailing: 0.471%.
- Wholesaling: 0.484%.
- Service and other activities: 1.5% or 1.75% if the business's taxable income was over $1 million in the prior year.

Without the preference, sellers of precious metals and monetized bullion would pay the retailing or wholesaling rate. They would also pay the service and other activities B&O rate on amounts received as commissions when buying or selling on behalf of their customers.

With the preference, sellers pay the higher service and other activities B&O rate. However, they pay it only on commissions. They do not pay B&O tax on their earnings, including any profit, when they sell their own products.

Figure 3: Hypothetical example of seller B&O tax savings

		Purchase price	B&O tax: retailing	Estimated commission	B&O tax: service & other activities	Total tax liability
Selling retail on behalf of a customer	**Without preference**	$1,000	0.471%	$30	1.5%	$5.16
	With preference	$1,000	n/a	$30	1.5%	$0.45
Selling retail from their own inventory	**Without preference**	$1,000	0.471%	*n/a - no commission*		$4.71
	With preference	$1,000	n/a	*n/a - no commission*		$0

Note: Estimated commission based on industry sources noting that commissions are typically 2-3% of purchase price

Source: JLARC staff analysis

Since 2012, legislators have introduced multiple bills to repeal or change the preferences

Legislators have introduced 18 bills to either modify or repeal the precious metals and monetized bullion tax preferences.

- Four bills sought to add an expiration date.

- Ten bills would have ended one or both preferences. Several of these bills dealt with larger reform efforts (e.g., subjecting all tax preferences to renewal as part of the budget process).
- Other bills dealt with potential administrative changes.

None of these bills passed out of committee, and the preferences remain unchanged.

Part 2.
Other investments

The preferences' inferred objective includes treating precious metals and monetized bullion like sales of other investments such as real estate, stocks, and other securities.

Buyers of other investments receive comparable sales tax treatment

With the preference, buyers do not pay sales tax on purchases of precious metals and monetized bullion. Buyers of other investments also do not pay sales tax when buying real estate and stocks. These products are not considered tangible personal property and, therefore, are not included in the definitions of a "sale at retail."

Sellers of other investments receive similar treatment for commission income

Businesses engaged in selling investment products—whether precious metals, stocks, or real estate—all pay the B&O tax on their earned commissions. The service and other activities rate applies to all these businesses. Sellers may take a deduction for shared commissions or fees paid to other brokers.

Sellers of other types of investments pay B&O tax on other income

Consistent with JLARC's 2012 findings, sellers of precious metals and monetized bullion do not pay B&O tax on income earned from sales of their own inventory. Neither real estate brokers nor stockbrokers have a similar exemption from the B&O tax. This may differ from the inferred objective of providing tax treatment like that of other businesses selling investments.

Figure 4: Sellers of other investments are not exempt from paying B&O tax on other income earned

	B&O paid on commission earned?	B&O paid on other income?	Other types of taxable income
Precious metals and monetized bullion	Yes	No	

	B&O paid on commission earned?	B&O paid on other income?	Other types of taxable income
Real estate	Yes	Yes	Income includes fees and other compensation
Stocks	Yes	Yes	Income includes earnings from interest, trading, and other sources

Source: JLARC staff analysis of Washington Administrative Code 458-20-248; 458-20-128; and 458-20-162

Part 3.
Beneficiary savings

The preferences' beneficiaries include buyers and sellers of precious metals and monetized bullion.

JLARC staff evaluated savings reported by the businesses from the last seven years based on available data. From fiscal year 2017 through 2023, beneficiaries saved a total of $110.7 million due to the preferences.

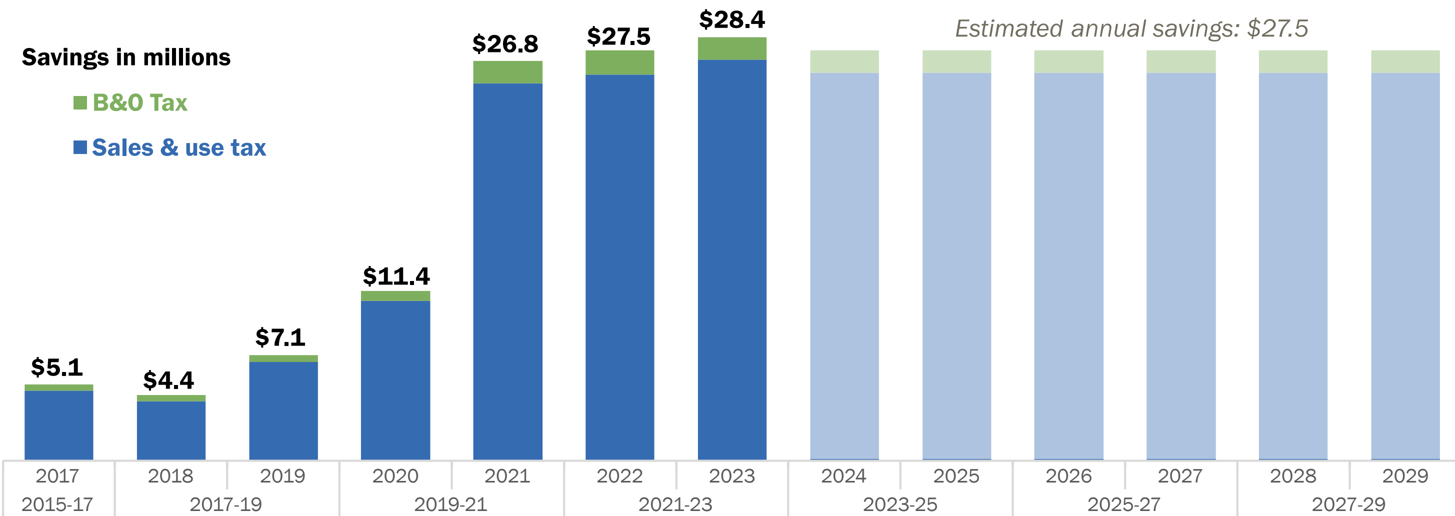
Beneficiary savings grew by $23 million from 2017 to 2023

Total beneficiary savings increased from $5.1 million in fiscal year 2017 to $28.4 million in fiscal year 2023. This is an increase of $23.3 million (457%).

- Savings from the sales and use tax preference increased from $4.7 million to $26.9 million (472%).
- Savings from the B&O tax preference increased from $400,000 to $1.5 million (275%).

JLARC staff estimated savings for fiscal years 2024 through 2029 using the average of the most recent three years (2021-23). The annual estimated savings is $27.5 million. The estimated total savings for the 2027-29 biennium is $55.0 million.

Figure 5: Total beneficiary savings for the two preferences increased 457% from 2017 through 2023



Source: JLARC staff analysis of DOR confidential tax return data, fiscal years 2017-2023

Savings detail

Biennium	Fiscal Year	Sales and Use Tax	B&O Tax	Total
2015-17	2017	$4,700,000	$400,000	$5,100,000
2017-19	2018	$4,000,000	$400,000	$4,400,000
	2019	$6,600,000	$500,000	$7,100,000
2019-21	2020	$10,700,000	$700,000	$11,400,000
	2021	$25,300,000	$1,500,000	$26,800,000
2021-23	2022	$25,900,000	$1,600,000	$27,500,000
	2023	$26,900,000	$1,500,000	$28,400,000
2023-25	*2024*	*$26,000,000*	*$1,500,000*	*$27,500,000*
	2025	*$26,000,000*	*$1,500,000*	*$27,500,000*
2025-27	*2026*	*$26,000,000*	*$1,500,000*	*$27,500,000*
	2027	*$26,000,000*	*$1,500,000*	*$27,500,000*
2027-29	*2028*	*$26,000,000*	*$1,500,000*	*$27,500,000*
	2029	*$26,000,000*	*$1,500,000*	*$27,500,000*

Note: All values rounded to the nearest hundred thousand; shaded rows are estimates

No single factor explains the increase in savings

While the exact reasons for the increase in beneficiary savings are unclear, JLARC staff analysis found possible contributing factors including prices and market changes.

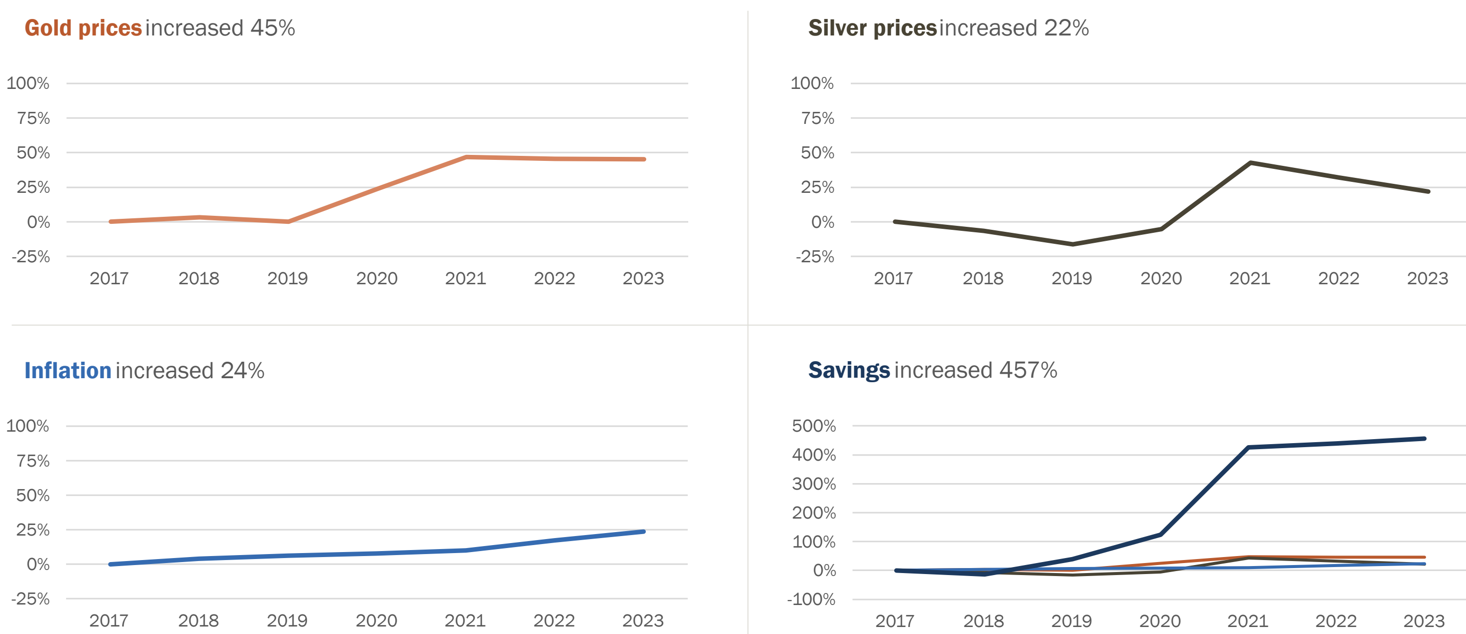
Prices for precious metals have increased

The purchase price of precious metals is based on the spot price plus seller markup.

- Spot price captures the current price per ounce for each precious metal. The price is set by international markets and changes throughout the day. Spot prices are publicly available.
- The seller's markup covers costs such as labor, delivery, insurance, and other fees. Industry sources note that while it is usually around 2 to 3%, there is no standard for what the markup should be.

Gold and silver are the most commonly purchased metals. Spot prices for gold and silver have increased 45% and 22%, respectively, since 2017. While this outpaced inflation, which grew 24%, it does not explain the entire 457% increase in beneficiary savings. More detail about spot prices is in **Appendix C**.

Figure 6: Prices of gold and silver increased between 2017 and 2023



Source: JLARC staff analysis of gold and silver spot prices published by **http://www.macrotrends.net**

While online sales have likely increased, not all Washington businesses sell online

Industry sources report that the marketplace for precious metals and monetized bullion has changed since 1985. They said that businesses sell more of their own products and fewer items on commission. When a business sells from its inventory, it does not pay B&O tax and the buyer does not pay sales tax. Although detailed data is unavailable to measure the effect, in theory, this would contribute to increased savings from the preferences.

Industry sources also note that online sales have grown over the past decade. For example:

- Between 2014 and 2015, one prominent national online retailer that specializes in customer-to-customer transactions and retail sales reported a 60% increase in the trading volume of precious metals.
- In 2020, another prominent national online seller reported net sales of $1.49 billion with year-over-year increases in total users (30%), orders processed (80%), ounces of silver sold (120%) and ounces of gold sold (170%).

The sources also told JLARC staff that online sales increased because COVID-related restrictions meant in-person events such as coin shows could not take place.

Not all precious metals and monetized bullion sellers in Washington offer online sales.

The preferences' beneficiaries include buyers and sellers

- Buyers benefit directly from the sales tax exemption. Sellers may benefit indirectly if the preference results in additional purchases.
- Sellers of precious metals and monetized bullion benefit from the B&O tax preference.

In Washington, buyers pay sales tax based on their location or where the item is delivered. This means all buyer beneficiaries are either in Washington at the time of the purchase or had the precious metals delivered here.

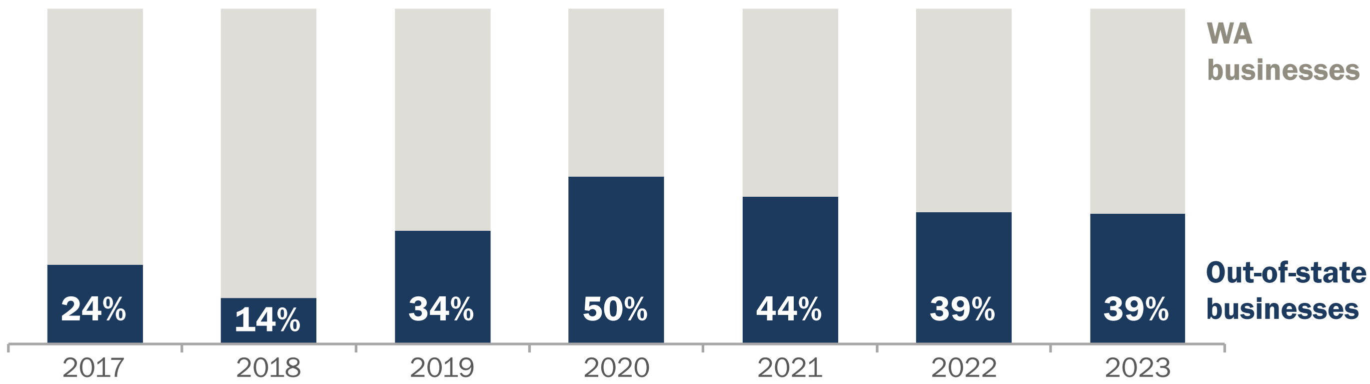
Share of savings reported by out-of-state businesses has grown

Businesses report both sales tax and B&O tax savings to Washington's Department of Revenue (DOR). From fiscal year 2017 through 2023, businesses in Washington reported savings of $67.1 million. Those located outside of Washington reported $43.5 million.

Businesses in Washington reported over half of the total savings in most years. However, the share of savings reported by businesses outside of Washington has grown. In fiscal year 2017, out-of-state businesses reported $1.2 million in savings, which was 24% of the total. In fiscal year 2023, they reported $11.0 million, or 39% of the total. Over the past four years, they have averaged 43% of total savings.

The factors that account for the increase in out-of-state savings are unclear. Likely candidates may include an increase in online sellers and traditional brick-and-mortar businesses adding online purchasing options.

Figure 7: Share of savings reported by out-of-state businesses grew from 23% in 2017 to 39% in 2023



Notes: Business location is based on DOR's in-state indicator variable

Source: JLARC staff analysis of DOR confidential tax return data, fiscal years 2017-2023

Savings detail by location

Business location	2017	2018	2019	2020	2021	2022	2023
WA	$3.9 M	$3.8 M	$4.7 M	$5.7 M	$15.0 M	$16.6 M	$17.4 M
Out-of-state	$1.2 M	$0.6 M	$2.4 M	$5.7 M	$11.8 M	$10.8 M	$11.0 M

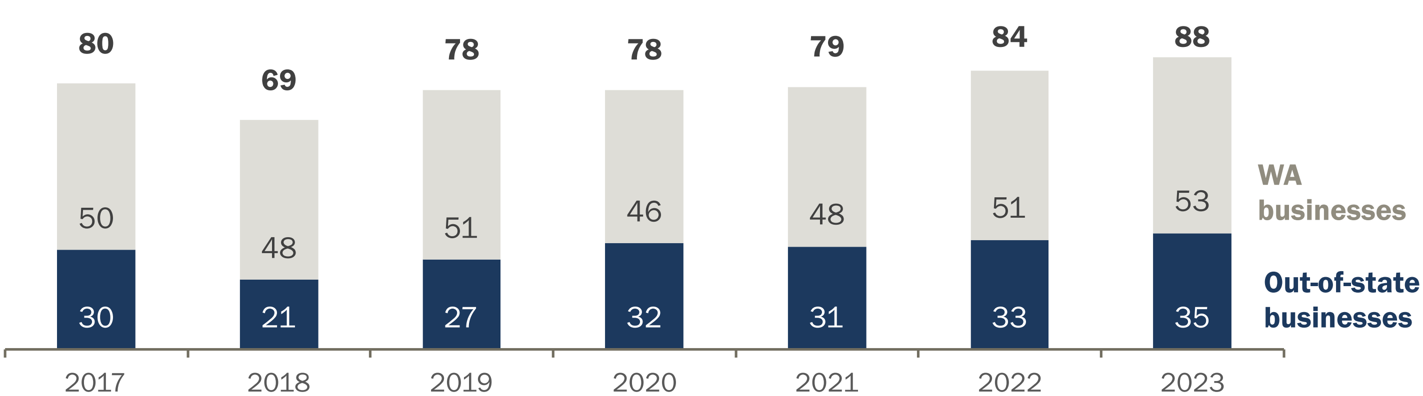
Note: Figures may not add up to the totals shown in Figure 5 due to rounding

Source: JLARC staff analysis of DOR confidential tax return data, fiscal years 2017-2023

The number of businesses reporting the exemptions has increased

Between fiscal years 2017 and 2023, the number of businesses reporting exemptions on the tax returns grew by 10%.

Figure 8: Number of businesses claiming the preferences has grown



Source: JLARC staff analysis of DOR confidential tax return data, fiscal years 2017-2023

The number of businesses that sell precious metals and monetized bullion in Washington is unknown.

- The types of businesses that claimed the exemption vary widely. They include jewelers and retailers selling collectors' items, as well as precious metal sellers. Beneficiary businesses were classified under 39 North American Industrial Classification System (NAICS) codes.
- DOR has data about the number of businesses that claimed the preferences. However, due to the structure of the tax return, the data is insufficient to tell if there are more businesses that could have claimed the preferences. Beneficiaries are not subject to additional reporting or accountability standards like beneficiaries of many other preferences.
- Industry groups reported different counts. JLARC staff were not able to independently verify the accuracy of the estimates.

Race and ethnicity characteristics for beneficiaries is not available

JLARC staff tried different strategies to determine the race and ethnicity characteristics of the preferences' beneficiaries.

- Multiple stakeholders said that they do not collect race and ethnicity data for employees or customers. One industry group said this type of information is not collected on a broad scale.
- An industry-level analysis was not possible because beneficiary businesses are spread across multiple NAICS codes.
- Statute does not require businesses that claim these preferences to file the DOR's Annual Tax Performance Report, which includes optional race and ethnicity questions.

Part 4. Competitiveness

The preferences' inferred objective also includes keeping Washington's precious metals and monetized bullion sellers competitive with out-of-state sellers. The impact of the preferences on competitiveness is unclear.

- The sales and use tax preference provides tax treatment similar to many other states. The extent to which this is an advantage for Washington businesses depends on the circumstances of the sale.
- The B&O tax preference benefits both Washington businesses and out-of-state businesses that sell to Washington residents, resulting in a neutral impact on competitiveness.

Washington and 27 other states provide full sales tax exemptions. Ten other states provide full exemptions if the sale meets certain requirements.

JLARC's 2012 review of these preferences noted that 25 states offered some form of sales and use tax exemptions for sales of precious metals and monetized bullion. In the intervening years, more states enacted comparable sales and use tax treatment.

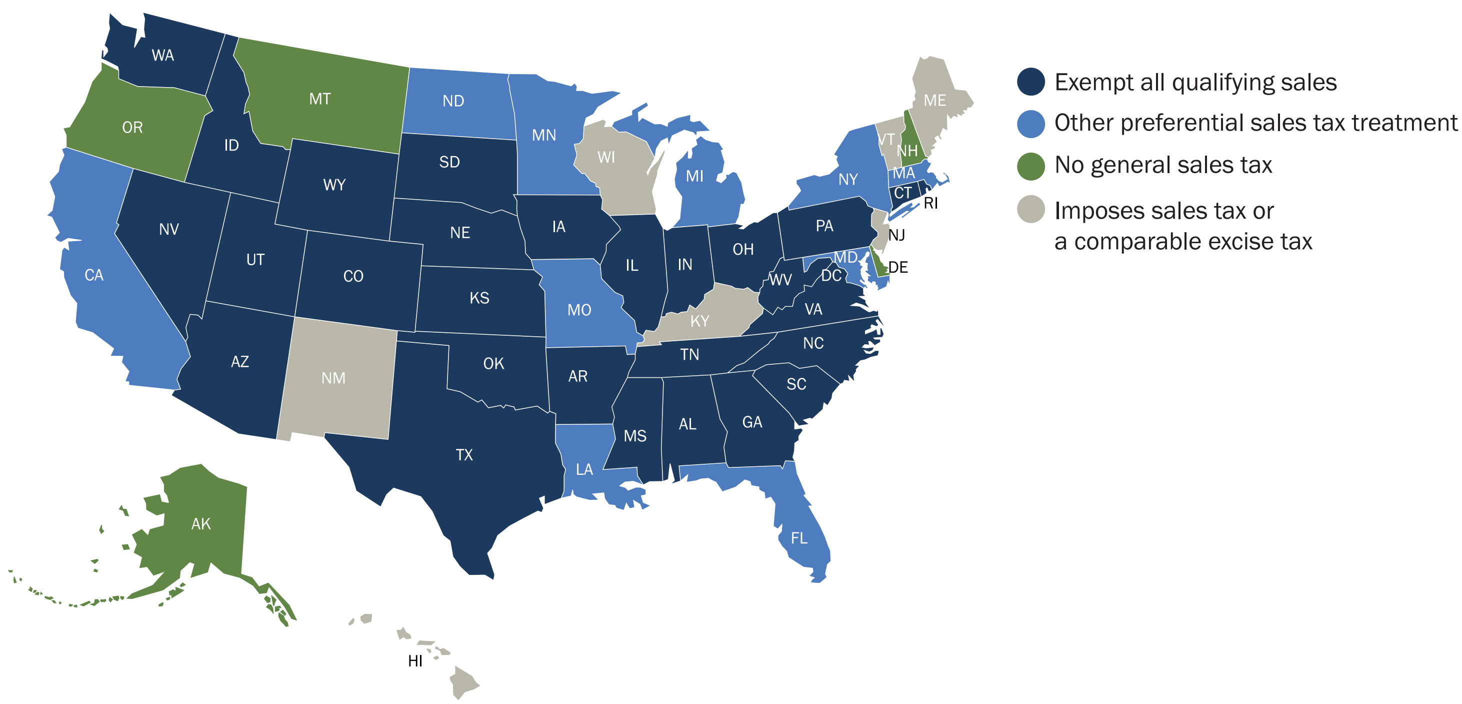
As of January 2024, Washington and 37 other states offer some form of preferential sales tax treatment for purchases of precious metals and monetized bullion. Another five states do not levy a general sales tax.

- Washington and 27 other states exempt all qualifying sales.
- Six states require sales of precious metals to exceed a certain dollar threshold before their exemption applies. For example, California exempts only transactions that are $2,000 or more.
- Four states require precious metals to meet certain purity or fineness standards. This is a measure of the precious metal in proportion to the total weight, which may include impurities or other metals. Michigan, for example, requires exempt sales of gold, silver, or platinum bullion to have a purity of 900 parts per 1,000 or more.

Seven states collect sales tax or impose a comparable excise tax on sales of precious metals and monetized bullion.

Appendix B offers more information about how each state taxes precious metals and monetized bullion.

Figure 9: Washington and 37 other states offer some form of preferential sales tax treatment for precious metals and monetized bullion



Source: JLARC staff analysis of other states' regulations and statutes

Sales and use tax preference's impact on competitiveness is determined by the circumstances of the sale

In 1985, proponents testified that the tax preferences would help Washington businesses that were losing sales to competitors in neighboring states. Some of these states, such as Oregon, did not levy a sales tax and others, like Idaho, offered a tax preference. Buyers who bought items in these states were responsible for paying use tax in Washington, but compliance is unknown.

The sales and use tax preference benefits buyers by exempting all qualifying purchases from sales tax. The preference's impact on Washington sellers' competitiveness depends on the circumstances of the sale.

For in-person sales, the preference improves the competitiveness of Washington businesses

Sellers do not collect sales tax from buyers who purchase items in person, regardless of where the buyer is from. This reduces the total cost and likely reduces the incentive for the buyer to look for an out-of-state seller.

Absent the preference, Washington businesses would likely be less competitive. Sellers would be required to collect sales tax, which may incent buyers to purchase products from businesses in states that have a tax exemption. Washington residents would be legally required to pay use tax when purchasing from an out-of-state seller, but the frequency of compliance and reporting is unknown. To the extent that buyers travel to Washington from other states to purchase precious metals and monetized bullion, Washington businesses could lose sales without the tax exemption.

For online sales, the preference may no longer offer an advantage to Washington businesses

Marketplace fairness laws enacted since JLARC's 2012 review influence the preference's effect on competitiveness.

- In June 2018, the U.S. Supreme Court ruled that states can require businesses without physical presence in a state to collect and remit sales tax based on where items are delivered (*South Dakota v. Wayfair, often referred to as the Wayfair decision*). Buyers now pay sales tax, if applicable, regardless of the seller's location.
- In October 2018, Washington's DOR started requiring most online sellers to collect and remit sales tax on taxable sales. Before this rule change, some online sellers did not collect sales tax.

The Wayfair decision generally made brick and mortar stores more competitive with online retailers. However, an increase in online sales and the fact that out-of-state businesses also benefit from the preference means precious metals and monetized bullion businesses in Washington may not have a competitive advantage.

Today, the preference has the following effect for online purchases:

- If the item is delivered in Washington, the buyer does not pay sales tax. This benefits the buyer, but it does not offer an advantage to Washington sellers because the preference is also available to out-of-state sellers.

- If the item is delivered outside Washington, the preference has no effect. The seller and buyer must follow the sales and use tax laws of the other state.

Absent the preference, DOR expects that marketplace fairness laws would have the following effect:

- If the item were delivered in Washington, an out-of-state seller would be required to collect and remit sales tax. This would result in equivalent treatment of sales made by out-of-state sellers and Washington businesses.
- For items delivered outside Washington, the seller and buyer would be required to follow the sales and use tax laws of that state. Tax treatment under this scenario would be no different than tax treatment with the preference in place.

Washington's B&O tax treatment is more generous than Oregon's gross receipts tax preference

JLARC's 2012 review of these preferences noted that no other state appeared to offer tax treatment like the preferential B&O tax treatment provided to Washington sellers. Since then, Oregon enacted a corporate activity tax (CAT) and exempted some earnings for sellers of precious metals and monetized bullion, beginning in 2024.

- In general, businesses pay the CAT based on taxable commercial activity of more than $1 million.
- When selling precious metals from their own stock, sellers pay the CAT only on the profit. The cost of the precious metals is exempt.

In contrast, Washington sellers do not pay tax on income earned from the profit. They pay B&O tax only on amounts earned as commissions when buying or selling on behalf of a customer.

B&O preference helps reduce the cost of doing business but does not advantage Washington businesses

The B&O tax preference reduces sellers' tax liability, thereby lowering the cost of doing business in Washington. Both Washington and out-of-state businesses selling to Washington customers benefit from the preference. As a result, the impact of the B&O preference on Washington's competitiveness is neutral.

Recommendation

The Legislature should determine whether to continue the preferences for sales of precious metals and monetized bullion. If it continues the preferences, the Legislature should state its public policy objective and set performance metrics.

- If the goal is to treat these sales like those of other investments, the Legislature should consider the different effects of the two preferences. The B&O tax preference does not result in equivalent treatment. The sales and use tax preference does treat these sales similarly.
- If the goal is to keep Washington sellers competitive with out-of-state sellers, the Legislature should consider whether the preferences have the intended effect.

  The B&O tax preference has a neutral impact on competitiveness because both Washington and out-of-state businesses may claim it.

  The sales and use tax preference's impact depends on the circumstances of the sale. For in-person sales it improves competitiveness. For online sales, the preference does not offer a competitive advantage to Washington businesses.

When JLARC staff reviewed the preferences in 2012, the Legislative Auditor recommended that the Legislature review and clarify the preferences as they may not be achieving the inferred objective. This review affirms that recommendation.

Legislation Required: Yes.

Fiscal Impact: Depends on legislative action.

Implementation Date: Depends on legislative action.

Commissioners' Recommendation

The commission does not endorse the Legislative Auditor's recommendation with comment.
The Citizen Commission for Performance Measurement of Tax Preferences recommends continuing the preferences and clarifying them to state public policy objectives. If the objective is to level the playing field with out-of-state competitors, the metric should be a measure of the industry's presence in the state. The Legislature should also consider whether the preferences are critical to the tax structure, given the industry's dependence on their availability.

Agency Response

The Office of Financial Management (OFM) and the Department of Revenue (DOR) were given an opportunity to comment on this report. They responded that they do not have any comments. See **attached letter (PDF)**.

Current Recommendation Status

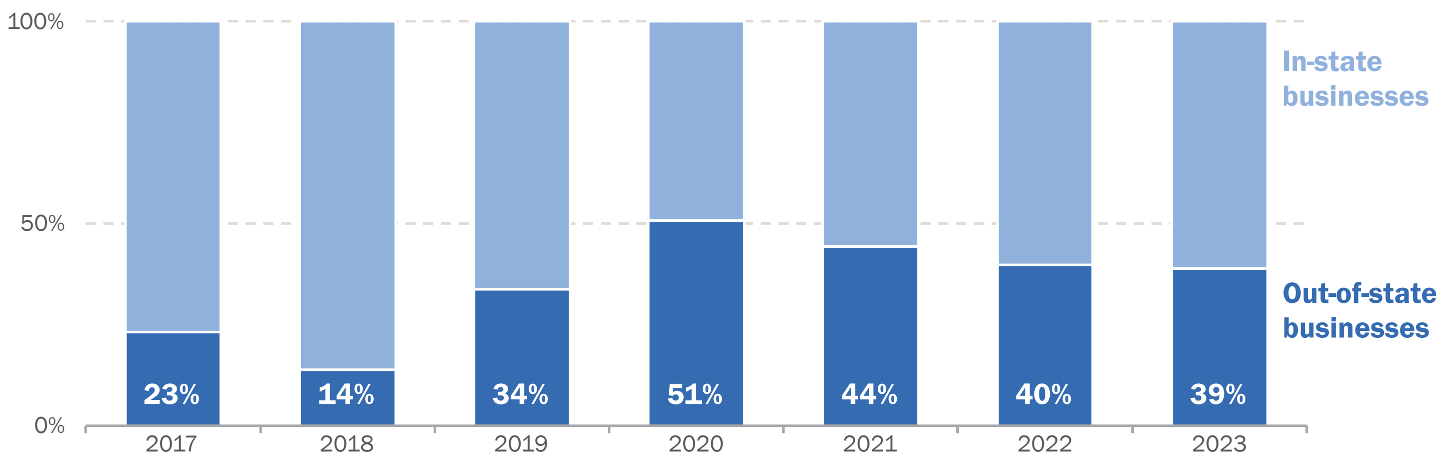
JLARC staff follow up on the status of Legislative Auditor recommendations to agencies and the Legislature for four years. The most recent responses from agencies and status of the recommendations in this report can be viewed on our **Legislative Auditor Recommendations page**.

Appendices

Appendix A: Beneficiary savings by preference and location

As discussed in **Part 3**, the share of savings reported by out-of-state businesses has grown since 2017. The following charts and tables show the change for sales tax and B&O tax savings.

Figure 10: Share of sales tax savings reported by out-of-state businesses has increased since 2017



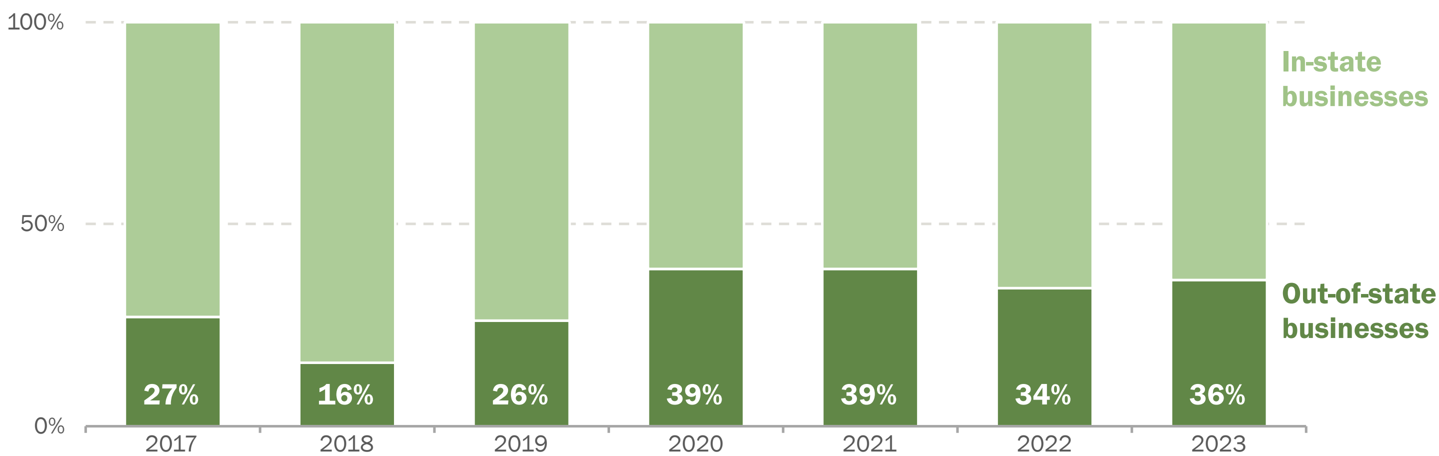
Sales and use tax savings detail by fiscal year

	2017	2018	2019	2020	2021	2022	2023
In-state businesses	$3.6 M	$3.4 M	$4.4 M	$5.2 M	$14.1 M	$15.6 M	$16.5 M
Out-of-state businesses	$1.1 M	$0.6 M	$2.3 M	$5.4 M	$11.2 M	$10.3 M	$10.5 M

Notes: Business location is based on DOR's in-state indicator variable

Source: JLARC staff analysis of DOR confidential tax return data, fiscal years 2017-2023

Figure 11: Share of B&O tax savings reported by out-of-state businesses has increased since 2017



B&O tax savings detail by fiscal year

	2017	2018	2019	2020	2021	2022	2023
In-state businesses	$308,000	$319,000	$346,000	$437,000	$896,000	$1.046M	$959,000
Out-of-state businesses	$114,000	$59,000	$122,000	$277,000	$570,000	$543,000	$551,000

Notes: Business location is based on DOR's in-state indicator variable

Source: JLARC staff analysis of DOR confidential tax return data, fiscal years 2017-2023

Appendix B: Tax treatment by other states

Sales of precious metals and monetized bullion are not taxed in most states. However, treatment does vary. Currently, 38 states, including Washington, have a statutory or regulatory sales tax exemption on the purchase of precious metal or monetized bullion. Among those states, 6 have a purchase threshold to qualify for the exemption. Another 4 states require that precious metals meet certain purity requirements for the exemption to apply.

As of 2024, seven states collect sales tax or impose a comparable excise tax on sales of precious metals and monetized bullion.

State	Has sales tax exemption	Does not tax general sales	Precious metals still taxed	Purchase threshold	Purity or fineness requirements	Gross receipts exemption
AL	Yes					
AK		Yes				
AZ	Yes					
AR	Yes					

Source: JLARC staff analysis of other states' statutes

Appendix C: Spot prices

Precious metals prices are set by international markets and change throughout the day. The spot price reflects the price at which precious metals such as gold and silver are sold prior to conversion into a bar, round, or coin.

Between fiscal year 2017 and fiscal year 2023, the daily price trend for each metal did not move in concert. The metals hit peak prices at different times.

- The daily price for gold ranged from $1,130 to $2,058 per ounce. It topped $2,000 per ounce 28 times, with most instances in the spring of calendar year 2023.
- The daily price for silver ranged from $12 to $29 per ounce, reaching its peak in February 2021. Since then, it has often stayed above $20 per ounce.

While many factors can influence precious metal spot prices, important factors include the demand for precious metals in manufacturing relative to the supply, economic trends, and geopolitical events in countries with active mines.

The trend in the gold price is consistent with what JLARC staff heard from some local businesses: they noted significant growth in their gold bullion businesses in calendar year 2020.

Figure 12: Spot prices for gold increased has increased

Source: Spot prices published by **http://www.macrotrends.net**

Figure 13: Prices for silver peaked in February 2021

Source: Spot prices published by **http://www.macrotrends.net**

Appendix D: Applicable statutes

This appendix provides the current statute that governs the tax preferences in this review.

By excluding precious metals and monetized bullion from the statutory definitions of "sale at retail," "retail sale," "sale at wholesale" and "wholesale sale," two tax preferences were created under Chapter 82.04.

Appendix E: Study questions

This study aimed to answer the following questions (**view here**).

1. Have changes in legislation and the industry since JLARC's 2012 review altered the preference or affected its use?
    a. How has the estimated value of the preference changed?
2. Do other states offer similar tax treatment for sales of precious metal and monetized bullion?
3. What are the racial and ethnic characteristics of those who benefit from the tax preferences?

Methods

The methodology JLARC staff use when conducting analyses is tailored to the scope of each study, but generally includes the following:

- **Interviews** with stakeholders, agency representatives, and other relevant organizations or individuals.
- **Site visits** to entities that are under review.
- **Document reviews**, including applicable laws and regulations, agency policies and procedures pertaining to study objectives, and published reports, audits or studies on relevant topics.
- **Data analysis**, which may include data collected by agencies and/or data compiled by JLARC staff. Data collection sometimes involves surveys or focus groups.
- **Consultation with experts** when warranted. JLARC staff consult with technical experts when necessary to plan our work, to obtain specialized analysis from experts in the field, and to verify results.

The methods used in this study were conducted in accordance with Generally Accepted Government Auditing Standards.

More details about specific methods related to individual study objectives are described in the body of the report under the report details tab or in technical appendices.

Appendix F: Audit Authority

The Joint Legislative Audit and Review Committee (JLARC) works to make state government operations more efficient and effective. The Committee is comprised of an equal number of House members and Senators, Democrats and Republicans.

JLARC's nonpartisan staff auditors, under the direction of the Legislative Auditor, conduct performance audits, program evaluations, sunset reviews, and other analyses assigned by the Legislature and the Committee.

The statutory authority for JLARC, established in **Chapter 44.28 RCW**, requires the Legislative Auditor to ensure that JLARC studies are conducted in accordance with Generally Accepted Government Auditing Standards, as applicable to the scope of the audit. This study was conducted in accordance with those applicable standards. Those standards require auditors to plan and perform audits to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. The evidence obtained for this JLARC report provides a reasonable basis for the enclosed findings and conclusions, and any exceptions to the application of audit standards have been explicitly disclosed in the body of this report.

Appendix G: Study process

View guide to JLARC Tax Preference Reviews **here**.

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