

SUBJECT: Authority to exempt deposits in bullion depository from property taxes

COMMITTEE: Ways and Means — favorable, without amendment

VOTE: 8 ayes — D. Bonnen, Darby, Murphy, Murr, Raymond, Shine, Springer, Stephenson

1 nay — Y. Davis

2 absent — Bohac, E. Johnson

WITNESSES: For — (*Registered, but did not testify*: Adam Cahn, Cahnman's Musings; Alexie Swirsky)

Against — (*Registered, but did not testify*: Tom Tagliabue, City of Corpus Christi; Dana Blanton)

On — (*Registered, but did not testify*: Serena Kuvet and Tom Smelker, Comptroller of Public Accounts)

BACKGROUND: HB 483 by Capriglione, enacted in 2015, created the Texas Bullion Depository as an agency in the comptroller's office. The depository, to be managed by a private entity contracting with the comptroller, was established to accept deposits of precious metals from individuals and entities to be held until transferred or withdrawn, in exchange for a fee charged for the depository's services.

DIGEST: HJR 38 would allow the Legislature by general law to exempt from property taxes precious metals held by the Texas Bullion Depository and to define the precious metals that would be exempt.

The ballot proposal would be presented to voters at an election on November 7, 2017. The proposal would read: "The constitutional amendment authorizing the legislature to exempt from ad valorem taxation precious metal held in the Texas Bullion Depository."

SUPPORTERS
SAY:

HJR 38, if approved by voters, would support current efforts to establish the Texas Bullion Depository and help it succeed. The depository was established by the Legislature in 2015, and this summer the comptroller announced that a private vendor had been chosen to build and operate the facility. Under current law, a deposit in the facility could be subject to property taxation by a locality because precious metals are considered tangible personal property under the Tax Code.

HJR 38 would allow the Legislature to create a statewide property tax exemption for deposits that would benefit the state by attracting more deposits to the Texas Bullion Depository and would give investors certainty about their tax obligations for precious metals held there. The state currently owns precious metals that are held in other states, for which it must pay annual holding fees. A successful state depository would bring those fees back to the Texas economy and generate income from other holders of precious metals. With a successful depository, Texas would become more self-sufficient, provide more certainty and safety for individuals and institutional investors, and realize economic benefits by keeping funds in the state and generating additional general revenue funds. Exempting deposits from property taxes would not take funds away from local taxing entities or reduce their tax bases because the deposits are not currently in Texas and might not come to the state without the exemption.

With the recent naming of a company to build and operate the depository, the project is on its way to commercial viability, and the state should do all it can to facilitate its success. Texas could fill a niche in the market for depositors who did not require accounts authorized by the Chicago Mercantile Exchange's COMEX market. For those who need COMEX accounts, the operator of the Texas depository is developing options and partnerships that could allow those investors to use the Texas facility. If the Texas depository is successful, it eventually might be authorized by the COMEX market.

OPPONENTS

Texas should not create authorization for yet another property tax

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SAY: exemption for a special interest group. HJR 38 specifically would assist a narrow set of investors while offering limited benefit for the average Texan and chipping away at the tax bases on which local governmental entities depend.

**OTHER
OPPONENTS
SAY:** HJR 38 is misguided because the Texas Bullion Depository might not be viable, even with a property tax exemption. Other depositories and options for investors already exist. In addition, it is unlikely for a variety of reasons that large institutional investors would choose a Texas depository that was not authorized by the Chicago Mercantile Exchange's COMEX market.

NOTES: According to the Legislative Budget Board's fiscal note, HJR 38 would cost \$114,369 to publish the resolution.

HB 239 by Capriglione, the enabling legislation for HJR 38, also appears on today's calendar.