TACIR Insight, Exploring the Feasibility of a Gold Depository in Tennessee

Tennessee. Advisory Commission on Intergovernmental Relations.

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Background

Proponents of a Tennessee depository say that investments in gold, which could be stored in a state-backed depository, could protect the State of Tennessee and its residents during severe economic downturns. They say that the advantages for an in-state depository include creating a revenue source for the state, primarily through storage fees, and providing additional services to its customers such as facilitating in-kind transactions by depositors. Additionally, they say a state depository could serve as a first step towards the state creating a state-backed currency. Public Chapter 585, Acts of 2021, directed the Commission to “study the feasibility of creating a state gold depository, including whether other states or jurisdictions have created one.” The first and only state bullion depository in the United States is the Texas Bullion Depository.

Findings and Recommendations

Because of high costs, a lack of demonstrated demand, and the fact that precious metals are not exempt from sales taxes in Tennessee, a state depository is not feasible.

- According to depository officials in other states, building a new depository would have substantial up-front costs, potentially costing millions or tens of millions of dollars. State oversight could cost the state a few hundred thousand dollars per year or more.
- No institutional investment funds seem inclined to buy or store gold in Tennessee. Depository officials say that to make enough revenue from storage fees to cover costs, a depository would probably need a minimum of approximately $1 billion in deposits.
- Tennessee is one of only eight states—of the 45 states with a sales tax—that does not exempt any of the sales of precious metal coins and bullion. Tennesseans can avoid paying sales tax by buying and storing precious metals in states that do not tax the sales.

While exempting precious metals from the sales tax would not in itself make a depository feasible, there are other reasons for the state to consider this option if it becomes clear that the exemption will not violate the American Rescue Plan Act or once all the federal funds have been spent.

- Stakeholders say that the sales tax makes Tennesseans less likely to purchase precious metals from in-state dealers.
- Stakeholders also say that the sales tax leads to less tourism dollars in Tennessee.

See TACIR’s full report at the following link for additional information: [https://www.tn.gov/tacir/tacir-publications/publications-by-date.html](https://www.tn.gov/tacir/tacir-publications/publications-by-date.html).