DOAA
Georgia Department
of Audits & Accounts

Greg S. Griffin
State Auditor

March 19, 2026

Honorable Carden Summers
Chairman, Banking and Financial Institutions
121-J State Capitol
Atlanta, Georgia 30334

SUBJECT: Revised Fiscal Note
Senate Bill 424 (LC 62 0280)

Dear Chairman Summers:

This fiscal note replaces the one released February 16, 2026. The original fiscal note did not include an analysis of the impact on state revenue resulting from the bill's provision that excludes from taxation the exchange of gold and silver specie for payment.

The bill would recognize gold and silver specie (i.e., coin) as legal tender for use in the payment of debts, taxes, fees, and other obligations in Georgia and exempt any purchase, sale, or exchange in payment of any obligation from income taxation. Under current law, net realized capital gains on coins or bullion are taxed as collectible assets and subject to federal and state income taxation.

The bill would also modify code related to Office of the State Treasurer to include the creation of a Bullion Depository Commission. The Commission would be responsible for operating a bullion depository directly or contracting with a depository agent to operate a bullion depository. The Commission must authorize an electronic payment system to enable participating vendors to receive and process payments from an account holder of a bullion depository. While gold and silver specie would be recognized as legal tender, 'persons' as defined in the bill–including individuals, corporations, state government, and local governments–would not be required to accept it as payment.

Impact on Revenue
Georgia State University's Fiscal Research Center (FRC) estimated that the bill would decrease revenue as shown in Table 1. The appendix provides details of the analysis.

Table 1. Estimated State Revenue Effects of LC 62 0280

($ *millions*)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
High Case Estimate	($15.9)	($30.7)	($29.1)	($28.1)	($27.7)
Low Case Estimate	($0.5)	($0.9)	($0.8)	($0.8)	($0.8)

Impact on Expenditures
It is likely that this bill could be implemented without the use of additional state funds. For both the bullion depository and the electronic payment system, vendors typically cover up front and operational expenses and recoup their costs through service charges to the end user. Additionally, the Commission members would serve without compensation and would only be reimbursed for per

diem costs. The Department of Revenue would also be able to implement the provisions of the bill with existing resources.

<u>Depository</u>
The Office of the Treasurer would likely enter into a no cost agreement with a private operator or another state that operates a depository. Costs for storage would be borne by those with assets in the depository. The Office of the State Treasurer anticipates administrative activities such as rulemaking and contracting would be performed by existing agency staff. According to an interview with an industry official, state treasury officials typically support the commissions without dedicated staff.

We identified one state—Texas—that employs three staff for its dedicated bullion depository. In Texas, the state contracted with a vendor to build and operate a state depository overseen by the Bullion Depository Commission. The vendor provided funds for construction and operation of the depository, and it recovers its investment through fees on depositors. The state funds three positions, two who provide management oversight and a peace officer. OST officials indicated that if additional oversight of a state-contracted bullion depository were required, two officials at a combined cost of $247,000 annually would be utilized.

<u>Electronic Payment System</u>
The bill requires the Commission to authorize an electronic payment system to facilitate transactions made pursuant to this bill. Precious metals backed electronic payment systems are digital platforms that allow users to store and transact using units backed by physical precious metals, primarily gold and silver. These systems, which currently exist, allow users to maintain accounts denominated in gold or silver and spend from those accounts using debit cards or mobile applications. If the state authorized an existing vendor, there would be no cost to the state as the fees would be paid by the user.

Respectfully,

Greg S. Griffin	Richard Dunn, Director
State Auditor	Office of Planning and Budget

GSG/RD/mb

Analysis by the Fiscal Research Center

For capital gains to be exempted by SB 424 LC 62 0282, they must result from the purchase, sale, or exchange of gold or silver specie, defined to mean bullion or coin that "is used or is intended to be used as legal tender." Specifically, the bill provides in the proposed O.C.G.A. § 50-5A-33(a) that the exchange of gold and silver specie as legal tender shall not give rise to tax liability, and in §50-5A-33(b) that the purchase, sale, or exchange of gold and silver specie shall not give rise to tax liability. Interpretation of the legislative language exempting transactions where the gold and silver are used or intended to be used as legal tender gives rise to narrow and broader interpretations. Nevertheless, the clear language of the bill exempts purchases and sales of gold and silver specie, and allows holders to use it to pay any obligation to the state or to any other party that agrees to accept such specie in payment. This creates an opportunity for holders with unrealized gains in these metals to avoid state tax on gains that would otherwise be treated as ordinary income in Georgia.

Tax revenues from the taxation of capital gains in general are based on market conditions and investor behavior that is hard to predict. This is especially true of gains realizations from highly volatile assets like gold and silver. The high case is constructed based on longer-term averages of the portion of total net capital gains arising from investments in physical gold and silver, about 1.75 percent, and takes a broader interpretation of the bill's language as exempting all purchases, sales, or exchanges from state income tax. The low case takes a narrow interpretation, assuming that only gold and silver that is deposited in a state-authorized depository and is directly observed as being used as legal tender would be exempted, giving rise to a much lower assumed share of net capital gains, 0.035 percent.

<u>High Case Estimate</u>
LBMA, an independent authority for the precious metals market, lists gold, silver, platinum, and palladium as the four most-traded precious metals. In the form of bars and coins, these metals form the financial bullion market. Gold is the largest of the four, making up roughly 82 percent of trading volume. Representing the gold industry, the World Gold Council estimates that gold accounts for roughly 1 percent of all global financial assets. Despite its relative size, gold's liquidity generates high trading volumes, estimated at $149 billion globally per day—second only to stocks.

Survey research in 2023 by State Street Global Advisors found that 20 percent of investors held gold, accounting for 14 percent of their investments. These data correspond to data from global commodity market analysts at the Kobeissi Letter that 11 percent of Americans hold gold as an investment and 12 percent hold silver.

For federal taxation, net capital gains from the sale of precious metals are reported on Form 8949: Sales and Dispositions of Capital Assets and taxed as collectibles at a rate of 28 percent. The net total of such 28-percent taxable gains is also reported separately on Schedule D: Capital Gains and Losses. Over the period TY 2014-22, net gains on these assets amounted to between 0.5 and 4.5 percent of total net capital gains and losses nationally, averaging approximately 1.75 percent. Based on Georgia e-filed return data for TY 2016-23, 28-percent taxable gains averaged approximately 1.7 percent of total net gains and losses of Georgia taxpayers, roughly the same as the national figure based on SOI data.

For purposes of the high case, we assume that other collectibles account for only a small part of the 28-percent taxable gains reported in Georgia and that gold and silver bullion and coin account for approximately 1.75 percent of total net gains reported.

Table 2 summarizes SOI data on net capital gains for TY 2019–22 for all taxpayers who ended the year living in Georgia, along with an estimate for TY 2023 made using administrative tax return data from DOR. Non-resident filers' capital gains are assumed to have been reported as non-

Georgia income and thus not included in their Georgia taxable income. The table also reports net capital gains, 28-percent taxable gains for Georgia resident e-filers only over the same periods, and the estimated tax on those gains at the current-law rate of 5.19 percent.

Table 2. Georgia Net Capital Gains and Estimated Gold and Silver Net Gains

($ *millions*)	TY 2019	TY 2020	TY 2021	TY 2022	TY 2023
Net Capital Gains – SOI	$18,594	$24,315	$54,070	$28,968	$20,178
Net Capital Gains – e-Filers	$17,370	$23,156	$50,171	$25,685	$19,113
28% Taxable Gains – e-Filers	$357.7	$317.0	$563.0	$268.1	$257.9
Tax on 28% Gains at 5.19%	$18.6	$16.5	$29.2	$13.9	$13.4

The Congressional Budget Office (CBO) indicated that U.S. capital gains increased by 31.5 percent in 2024 and by 27 percent in 2025. They expect net capital gains nationally to decrease slightly, by 0.7 percent annually, between 2025 and 2031. The individual year-over-year changes projected by the CBO, which can vary year-to-year, were used to project gold- and silver-derived capital gains, at 1.75 percent of the total net capital gains income in Georgia from TY 2026 through TY 2031, as shown in Table 3.

Table 3. Projected Georgia Net Capital Gains from Gold and Silver

($ *millions*)	TY 2026	TY 2027	TY 2028	TY 2029	TY 2030	TY 2031
High Case Exempted Gains	$613	$592	$561	$552	$555	$566

Note that since 2023, high demand for gold and silver has increased holdings and prices. The market price of gold as of mid-March is up roughly 150 percent since the end of 2023 while silver is up roughly 240 percent. Kobeissi Letter also indicates that US gold and silver investors could be holding $244.5 billion dollars in unrealized capital gains due to 2025 appreciation in the value of these investments. Data from the Bureau of Economic Analysis (BEA) indicates that during 2024, 2.83 percent of national personal income was earned by Georgia residents. At that share, $6.92 billion of these unrealized gold and silver gains could be currently held by Georgians. Such gains, if realized, would be far beyond the estimated net realized gains for any year in Table 3.

Low Case Estimate
Under the narrow interpretation of §50-5A-33(b), only gold and silver being used explicitly as legal tender is assumed to be exempted by the bill. Investor interest and ability to utilize the proposed depository and utilize these gains as legal tender under this bill is unknown.

During their 2026 legislative session Kansas is considering SB 39, which is very similar in many aspects to this proposal. Their Division of Budget estimated that the bill would decrease state revenues by $200 thousand per year, though they expressed low confidence in the impacts of this bill due to lack of available data. This fiscal impact estimate represents the exemption of roughly 0.035 percent of Kansas net capital gains, based on their total amount of net capital gains from SOI, their income tax rate of 5.68, and the CBO net capital gains projections from 2022 to 2026.

Similar to the Kansas analysis, this low-case estimate assumes a low percentage of 0.05 percent of expected net capital gains to be exempted by this bill as a lower bound estimate. Table 4 summarizes the income exempted based on this share of total net capital gains and that gold and silver only gain exemption when explicitly being used in the depository and directly being used as legal tender for TY 2026 through 2031.

Table 4. Projected Georgia Net Capital Gains from Gold and Silver Specie

($ *millions*)	TY 2026	TY 2027	TY 2028	TY 2029	TY 2030	TY 2031
Low Case Exempted Gains	$17.5	$16.9	$16.0	$15.8	$15.9	$16.2

The current income tax rate of 5.19 percent is set to reduce by 0.1 percent annually—beginning January 1, 2027, provided that various provisions are met—until it reaches 4.99 percent no earlier than TY 2029. Baseline estimates assume that these statutory rate reductions will take place on schedule first in TY 2029 and then reach 4.99 percent in TY 2030.

For Table 1, foregone tax on the projected gains under the two scenarios is assumed to impact revenues at the time of filing of returns. The estimates for FY 2027 are reduced by half due to the assumed effective date of July 1, 2026.

Finally, it should be noted that, though the Kansas estimation assumptions produced only a nominal revenue impact, a Supplemental note prepared for legislators by the Legislative Research Department interpreted the legislation as

> "allowing a taxpayer to subtract the amount of any net gain from the sale of specie from federal adjusted gross income, excluding the sale of specie as a taxable distribution from a retirement plan in which it is held."

This interpretation is consistent with that of the high case presented in this fiscal note. It should be further noted that the language of the Kansas bill with regard to the non-taxability of gold and silver specie transactions is identical to that of this bill.