

Legislative History for Connecticut Act

| | | |
|---|----------------------|------|
| HB 6069 | PA 509 | 1983 |
| House | 7350-7361 | (12) |
| Senate | 4483-4484, 4664-4665 | (4) |
| Finance | 295-297, 300-308 | (12) |
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CONNECTICUT
GEN. ASSEMBLY
HOUSE

PROCEEDINGS
1983

VOL. 26
PART 20
7001-7383

House of Representatives

Wednesday, June 1, 1983

CLERK:

House Bill No. 6363, as amended by House
Amendment Schedules "A", "B" and "D".

| | |
|-----------------------------|-----|
| Total number Voting | 147 |
| Necessary for Passage | 74 |
| Those voting Yea | 146 |
| Those voting Nay | 1 |
| Those absent and not Voting | 4 |

DEPUTY SPEAKER FRANKEL:

The bill as amended is passed.

CLERK:

Calendar No. 726, Substitute for House Bill
No. 6069, AN ACT PROVIDING EXEMPTION FROM SALES TAX
FOR SALES OF GOLD OR SILVER BULLION AND GOLD OR SILVER
LEGAL TENDER OF ANY NATION, Favorable Report of the
Committee on Finance, Revenue and Bonding.

REP. SMOKO: (91st)

Mr. Speaker.

DEPUTY SPEAKER FRANKEL:

Rep. Smoko.

REP. SMOKO: (91st)

Mr. Speaker, I move acceptance of the Joint
Committee's Favorable Report and passage of the bill.

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DEPUTY SPEAKER FRANKEL:

The question is on acceptance and passage. Will you remark, sir?

REP. SMOKO: (91st)

Yes, Mr. Speaker. This bill has been around the Finance, Revenue and Bonding Committee for approximately the last five years. And I'm always suspicious of any legislative proposal that would grant a sales tax exemption automatically based on the potential for loss of revenue.

Frankly, this session, I have been persuaded that this would be an appropriate action at this time. We have amended the concept. What the bill will do is to exempt from the sales tax gold and silver bullion and currency transactions in excess of \$1,000 from the sales tax.

The reason I concede to that is based on our fiscal analysis research that demonstrates very clearly that there will be no negative revenue impact on sales and use taxes because these transactions simply do not occur in the State of Connecticut. Surrounding states, New York and Rhode Island, provide an exemption on their sales tax for any transaction of over \$1,000. In addition, there are a number of periodicals that advertise the use of a toll-free

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number to make these transactions and, again, those transactions are essentially tax-free.

There will be no revenue implication to the State of Connecticut. What it will do is allow these transactions to occur in the state. I can, again, find no compelling reason not to allow these transactions to occur in the State of Connecticut. So, I would urge passage of the bill.

But, before I would do that, I would like to yield to Rep. Emmons who has an amendment.

DEPUTY SPEAKER FRANKEL:

Rep. Emmons, do you accept the yield, madam?

REP. EMMONS: (101st)

Yes, I do. Thank you, Mr. Speaker. The Clerk has LCO No. 6265. Would he call it and I be allowed to summarize?

DEPUTY SPEAKER FRANKEL:

The Clerk has LCO No. 6265, designated House "A". Would the Clerk please call the amendment?

CLERK:

LCO No. 6265, designated House Amendment Schedule "A", offered by Rep. Emmons of the 101st District.

DEPUTY SPEAKER FRANKEL:

Is there objection to summarization? Hearing none,

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you may proceed.

REP. EMMONS: (101st)

Mr. Speaker, this particular amendment deals with the licensing of the precious metals dealers. It is an attempt to tighten it up so the municipalities will have more control over shutting down those who are running illegal operations. And I would move it's adoption.

DEPUTY SPEAKER FRANKEL:

The question is on adoption of House "A". Will you remark on its adoption?

REP. EMMONS: (101st)

Thank you, Mr. Speaker.

DEPUTY SPEAKER FRANKEL:

Rep. Emmons.

REP. EMMONS: (101st)

Thank you, Mr. Speaker. When we passed the bill, a couple of years ago, that was Rep. Morgan's on providing for an ability to curtail the sales of stolen gold and silver, there was a loophole left in the act in the sense that the police chief cannot take away a license, revoke a license. So what happens is the individual who is not living up to the statute is arrested, but he continues to come into town or run his shop and not live up to what were the reporting requirements.

The language has been approved by the city police and it has been approved by the metal dealers. And so, I would urge its adoption.

REP. SMOKO: (91st)

Mr. Speaker.

DEPUTY SPEAKER FRANKEL:

Rep. Smoko.

REP. SMOKO: (91st)

I've had the opportunity to discuss this amendment with Rep. Emmons at some length. I agree with her proposal and I urge its adoption.

DEPUTY SPEAKER FRANKEL:

Will you remark further on this amendment?

If not, all those in favor, please signify by saying aye.

REPRESENTATIVES:

Aye.

DEPUTY SPEAKER FRANKEL:

Those opposed, nay. The ayes have it. The amendment is adopted and it is ruled technical.

House Amendment Schedule "A".

After line 11, insert the following and renumber the remaining section accordingly:

"Sec. 2. Subsection (a) of section 21-100 of the general statutes is repealed and the following is substituted in lieu thereof:

(a) No person may engage in or carry on the business of purchasing gold or gold-plated ware, silver or silver-plated ware, platinum ware, watches, jewelry, precious stones or coins unless such person is licensed by the chief of police or, if there is no chief of police, the first selectman of the municipality in which he intends to carry on such business; except that the provisions of this subsection shall not apply to the purchase of such items from a wholesaler by a manufacturer or retail seller whose primary place of business is located in this state. Such person shall pay an annual fee of ten dollars for such license. (which) THE license may be revoked for cause, WHICH SHALL INCLUDE, BUT NOT BE LIMITED TO, FAILURE TO COMPLY WITH ANY REQUIREMENTS FOR LICENSURE SPECIFIED BY THE LICENSING AUTHORITY AT THE TIME OF ISSUANCE. A chief of police or first selectman shall refuse to issue a license under this subsection to a person who has been convicted of a felony. A chief of police or first selectman may take the fingerprints of an applicant for such license. For the purposes of this subsection "wholesaler" means a person in the business of selling tangible personal property to be resold at retail or raw materials to be manufactured into suitable forms for use by consumers."

DEPUTY SPEAKER FRANKEL:

Will you remark further on this bill as amended?

REP. WENC: (60th)

Mr. Speaker.

DEPUTY SPEAKER FRANKEL:

Rep. Wenc.

REP. WENC: (60th)

Thank you, Mr. Speaker. In my opinion, Mr. Speaker,

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this bill ought not to pass because I think it embodies a misguided tax policy. The tax policy is misguided in two respects. First of all, the exemption will result in substantial profits for the dealers and these profits will virtually go untaxed. For instance, if the dealer operates in the corporate form, I anticipate that any new profits will go into corporate salaries for officers and not into corporate income tax payments to the state.

In addition, if the dealer operates in the unincorporated form, there is no state tax on the profits.

Secondly, Mr. Speaker, the tax policy is misguided in that it encourages unproductive investment. One key to restoring economic health to this state is to promote tax policies which encourage productive investment and productive activity such as investment in job training and education. 1983 is not the year to grant tax breaks to gold and bullion dealers.

REP. TORPEY: (11th)

Mr. Speaker.

DEPUTY SPEAKER FRANKEL:

Rep. Torpey.

REP. TORPEY: (11th)

Mr. Speaker, I feel very uncomfortable talking about even granting a tax exemption to gold and silver

when we're taxing clothing and getting ready to tax everything else that moves, breathes, or just lays on the ground and underneath it, in some cases. I don't see how we could, in conscience, pass such a thing.

REP. SMOKO: (91st)

Mr. Speaker.

DEPUTY SPEAKER FRANKEL:

Rep. Smoko.

REP. SMOKO: (91st)

Mr. Speaker, I've had an opportunity to discuss with Rep. Wenc my distinguished vice-chairman of the Finance Committee, on this issue. And the basis of his objections has been, for the most part, that we will be encouraging this type of investment over all others.

I really don't place any credence in this argument at all, ladies and gentlemen. The reality is the transactions are taking place anyway. It's just simply a question of where the transaction will take place. It is not distinguishing this as an investment feature above all others. It's just saying that those individuals that wish to invest in gold and silver bullion or currency of this type can do it in the State of Connecticut and won't be driven across the borders to New York or Rhode Island to make their transaction where it can be made tax-free.

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As for the profits of those individuals in the State of Connecticut, right, if they're incorporated, it is a closely held corporation, the profits will accrue to the corporate officers and they won't be taxed any direct way by the State of Connecticut. But I don't find any problem with that. There's a profit motive in every type of occupation. There will be a ripple effect whenever you generate additional activity financially in the state. There is going to be a plus.

So, frankly, again, I've opposed this bill in my committee for the last five years based on really nothing more than a suspicion that it's going to have a negative revenue impact. I am now comfortable that it does not and I can't for the life of me come up with any compelling reason not to pass the bill. And I urge that it be adopted today.

REP. SCHLESINGER: (114th)

Mr. Speaker.

DEPUTY SPEAKER FRANKEL:

Rep. Schlesinger.

REP. SCHLESINGER: (114th)

Thank you, Mr. Speaker. Something bothers me in this Chamber. And that is, every time a piece of legislation comes down the road which may even have an actual positive

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fiscal impact, never mind a negative fiscal impact, but, it benefits the business community, there are members on the opposite side of the aisle that immediately jump up and say this is a bad bill. It never fails.

Let's face reality. Sales of gold are going to go on, whether we pass this legislation or not. There's only one thing that this bill does. It keeps those dollars in the State of Connecticut.

And, fellow members, if those dollars, those increased profits, don't go to our corporate tax, they're still in the State of Connecticut. We can receive them through the sales tax; we can generate more economic activity for the state. Is that wrong? Is that bad? Is something inherently wrong when there's more dollars generated in the State of Connecticut than in the State of New York? I can't believe the statements that are made sometimes in this place.

Think. Let's try to bring jobs into the state; let's try to keep a good economic climate. We've got a bill here that maybe actually will increase the income for the State of Connecticut. There's only one way to go on this type of legislation. Stop kidding ourselves.

REP. RYBAK: (66th)

Mr. Speaker.

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DEPUTY SPEAKER FRANKEL:

Rep. Michael Rybak.

REP. RYBAK: (66th)

For once I find myself in agreement with Rep. Wenc. And, if anyone thinks that we're revitalizing Connecticut's economy or creating jobs in Connecticut with the passage of this particular act in this particular year, we are indeed kidding ourselves.

REP. KEZER: (22nd)

Mr. Speaker.

DEPUTY SPEAKER FRANKEL:

Rep. Kezer.

REP. KEZER: (22nd)

Yes, just very briefly on this bill. I'm probably the last person that you would expect to see stand up in this legislature and say support a tax exemption. In fact, I've been trying to remove exemptions and fought to get some from the broadcasters, etc. But, in this case, I really think that this will produce some revenue and my trust against all those others, I guess, was loss of revenue. And I do think that this bill has merit and I urge you to support it.

DEPUTY SPEAKER FRANKEL:

Will you remark further on this bill as amended?

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If not, would the staff and guests, please come to the well of the House. Members please be seated. The machine will be opened.

The House of Representatives is now voting by roll. Would the members please return to the Chamber immediately. The House of Representatives is now voting by roll. Would the members please return to the Chamber immediately.

Have all the members voted? Have all the members voted and is your vote properly cast? If so, the machine will be locked. The Clerk will please take a tally.

Would the Clerk please announce the tally?

CLERK:

House Bill No. 6069, as amended by House Amendment Schedule "A".

| | |
|-----------------------------|-----|
| Total number Voting | 147 |
| Necessary for Passage | 74 |
| Those voting Yea | 80 |
| Those voting Nay | 67 |
| Those absent and not Voting | 4 |

DEPUTY SPEAKER FRANKEL:

The bill as amended is passed.

CLERK:

Calendar No. 748, File No. 838, Substitute for
Senate Bill No. 1155, AN ACT CONCERNING ANNUAL REPORTS

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CONNECTICUT
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SENATE

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Regular Session
Monday, June 6, 1983

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THE CHAIR:

Senator Avallone.

SENATOR AVALONE:

Mr. President, I move acceptance of the joint committee's favorable report and passage of the bill.

THE CHAIR:

Will you remark, Senator?

SENATOR AVALONE:

Yes, Mr. President. Presently there are a series of tax deferrals for enterprise zones which involve real property. This amendment would strike - this bill would strike the word "real" and allow municipalities through this enabling legislation to allow tax abatements on personal property as well. If there is no objection, Mr. President, I'd move this be placed on the consent calendar.

THE CHAIR:

Is there any objection to placing this item on consent? Hearing no objection, it will go on the consent list.

THE CLERK:

Calendar 905, File 893, Substitute for House Bill No. 6069.

An Act Providing Exemption From Sales Tax For Sales Of Gold Or Silver Bullion And Gold Or Silver Legal Tender Of Any Nation. (As amended by House Amendment Schedule "A").

Favorable Report of the Committee on Finance, Revenue and Bonding.

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THE CHAIR:

Senator Skelley.

SENATOR SKELLEY:

Mr. President, I move acceptance of the joint committee's favorable report and passage of the bill in concurrence with the House.

THE CHAIR:

Will you remark on the bill as amended by House "A"?

SENATOR SKELLEY:

Yes, Mr. President. The bill provides an exemption from the sales and use tax on gold or silver bullion and gold or silver legal tender when such sales are a thousand dollars or more. If there's no objection, I move it be placed on the consent calendar.

THE CHAIR:

Is there any objection to placing the bill as amended by House "A" on the consent calendar? Hearing no objection, it will go on consent.

THE CLERK:

Page 15, calendar 907, File 1012, Substitute for House Bill 6957. An Act Concerning Corporation Reports And Filings With The Secretary Of The State. (As amended by House Amendment Schedules "A" and "B").

Favorable Report of the Committee on Finance, Revenue and Bonding.

THE CHAIR:

Senator Skelley.

SENATOR SKELLEY:

Mr. President, I move for acceptance of the joint committee's

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Well, you're going to get another crack at it because the Clerk indicates to me that the machine didn't record it. They must have known you were on the run, Senator. Clerk, make the announcement. We're going to have to take the vote over again.

THE CLERK:

Immediate roll call has been called for in the Senate. Will all Senators please be seated. Immediate roll call has been called for in the Senate. Will all Senators please take their seats.

THE CHAIR:

The issue is Calendar No. 656 upon which we just voted. The machine is open. If all the Senators would stay in the Chamber the next item of business is the consent calendar. Senator Schneller. Have all Senators voted? Machine is closed and locked. Total voting is 36, voting yes, 24. The measure is adopted. I believe everybody's in the Chamber. Clerk will proceed with the consent calendar. Would you give your attention to the Clerk because the consent calendar again this evening is rather long.

THE CLERK:

On page 7, calendar 719. Page 9, calendar 854, 855, 856, 857, 858. Page 10, calendar 859, 860, 884. Page 11, calendar 886, 889, 890, 891. Page 12, calendar 892, 893, 894, 895. Page 13, calendar 898, 900 and 901. Page 14, calendars 902, 903, 904, 905, 906. Page 15, calendars 908, 909 and 911. Page 16, calendars 912, 913, 914, 915 and 916. Page 17, calendars 918, 919, 920, 921. Page 20, calendars 265 and 459. Page

HB5250,
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21, calendar 461, 487, 505. Page 22, calendar 538, 546, 594, 596, 667.
Page 23, calendar 673, 454. Page 24, calendar 531 and 846 and on page 25,
calendar 836.

SB 565, HB 651
SB 989, SB 1030
SB 1144, SB 1111
SB 237, SB 355
SB 928, SB 438
SB 832, SB 116
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THE CHAIR:

Are there any corrections or omissions on the consent calendar? Senator Skowronski?

SENATOR SKOWRONSKI:

Thank you, Mr. President. Mr. President, I would move that on page 7, item 719 be removed from the consent calendar and have a separate roll call after the consent calendar. I wish to vote against that bill and make some very brief remarks.

THE CHAIR:

Is there any other notation on the consent calendar? If not, the machine is open. Senator Morano. The machine'll be closed and locked. Total voting is 36, voting yes is 36. The consent calendar is adopted. The Clerk will recall calendar 719.

THE CLERK:

Calendar No. 719, File Nos. 821, 967 and 1129, Substitute for House Bill No. 7218. An Act Protecting The First Amendment Rights Of Employees.

Favorable Report of the Committee on Labor and Public Employees.

THE CHAIR:

The bill was previously moved for adoption, Senator. Remarks were given by the Chairman of the committee. You care to speak in opposi-

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MR. DUFFY: (continued)

a reasonable accomodation to provide retailers who are in effect, partners in the process of collecting the most important source of revenue.

It also seems to us that now is a particularly appropriate time to consider this because some of the measures you're considering will greatly expand the number of people who are collecting the sales tax, i.e., professional and personal service kinds of business. The cost of collecting the sales tax, as our new colleagues in the sales tax collection business may find out, is real, and there's a recent study and I've attached a brief summary of that which looked at seven different States and the cost collection in those seven States, Connecticut was not included among them, ranged from 2% to 3 3/4% of the actual amount collected.

In partial recognition of those facts, I'm considering that the sales tax may soon be broadened greatly. We would urge you to favorably adopt H.B. 6548. I might simply add that in 1980, this bill passed the State Senate unanimously and passed the State House by a vote of 138 to 1. It was vetoed unanimously by Governor Grasso and the reason that she gave at that point in time was that the cost of it was \$310,000. That was in 1980. I haven't seen a note on the bill yet. My guess is that that cost has increased somewhat. We would argue that should you, especially, should you extend the sales that this is the time to consider remedying what we consider to be an inequitable situation. Thank you.

REP. SMOKO: Thank you Mr. Duffy. Mr. Storm followed by Geraldine B. Hugg.

MR. JOHN G. STORM: Mr. Chairman, members of the Committee. My name is John Storm. I'm an officer of Deak Pererr Connecticut, Inc. of Stamford. We are, among other things, dealers in precious metals, both gold, silver coins, , and, as such, I'm here to urge passage of Bill 6069 for the exemption of the sales tax on purchases exceeding \$1,000. Now the bill, as presently written, does not include that exemption, and that exemption would make a big difference. By excluding those purchases over \$1,000, there would be no appreciable

MR. STORM: (continued)

reduction in the tax revenue now collected by the State of Connecticut since the monies now being spent by Connecticut residents for that metal, is being spent in other States, primarily New York and Rhode Island.

The elimination of the tax will, of course, bring these back into the State of Connecticut. They will be deposited in Connecticut banks and used to pay Connecticut salaries. Another benefit that would accrue to the State is that it would then bring monies in from other areas outside the State of Connecticut that do have a sales tax, primarily New York. By bringing those additional monies in, you also bring in the captive audience to very well spend money in other areas of the State.

I know that the amount of business that I turn away every week because of the sales tax, that 7½% is enough to stop a buyer who is looking for an investment. He has to look for a much greater increase in his investment before he sees any sort of profit. Now, my calculation shows that if I do half the business that I now turn away, it would also increase the business to the point where I will have to hire additional employees. That alone would be a benefit to the State.

There are other speakers who will be covering other areas of this, and this basically, I want to bring out that the elimination of this act will bring monies in and not take monies away from the State.

REP. SMOKO: Rep. Kezer, Pauline.

REP. KEZER: Are you presently a corporation, your business?

MR. STORM: Yes, Deak Pererr is a Connecticut Corporation. Actually any increase in the business would increase the tax that we would then be paying to the State of Connecticut. Yes.

REP. KEZER: We didn't touch on corporation taxes. We've sort of thrown that around before this. There might be an increase in revenue.

MR. STORM: There would be no question about it. Right now,

MR. STORM: (continued)

I would estimate the amount of business that we are turning away and this is just our office, amounts to an average of \$75,000 per week.

REP. SMOKO: Additional questions? Thank you very much. Geraldine Hugg, followed by Anita Loalbo.

MS. GERALDINE B. HUGG: Thank you, Mr. Chairman, members of the committee. I'm Vice-President of the Connecticut Council of Senior Citizens and we support Bill 5627.

The council has supported property tax relief legislation for the elderly. This is an exception. But even an increase in qualifying income from \$6,000 to \$7,500 may leave borderline senior citizens property taxholders ineligible due to the 1982 re-evaluation of property, inflation and because of fixed incomes of the elderly.

Some borderline elderly have had or may have to sell their property. If they sell, where do they go with the present housing shortage? If they sell, how long will their money last with the increases in the health cost?

I concur with the testimony previously offered by George Moffitt of the Connecticut Coalition on Aging. The Connecticut Council of Senior Citizens strongly supports Bill 5627. Thank you.

REP. SMOKO: Thank you very much. Anita Loalbo followed by Sam Sloat.

MS. ANITA LOALBO: Good afternoon, members of the committee. My name is Anita Loalbo. I am staff attorney for the Connecticut Business and Industry Association. CBIA represents approximately 6,000 firms which employ over 700,000 women and men in Connecticut. Our membership ranges from small businesses to large industrial corporations.

It is on behalf of our small business members which make up a major portion of our membership that I come before the Finance Committee today to strongly support House Bill 5588 entitled An Act Providing for Valuation Under Succession Tax Related to Use For Real Property

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MS. LO ALBO: (continued)

#4 The Bipartisan Tax Commission's report showed that for fiscal year 1982-83, the succession tax represented only 2.5% of the entire raised in the State. Further, the growth in the amount of money acquired by the State in succession taxes has remained well below the growth in other tax areas.

The implementation of House Bill 5588 would have little fiscal impact overall on the State at the outset and further lead to the encouragement and stability of our small businesses which are so vital to the State's economy.

Before I just finish my remarks, I would ask the committee to look at -- CBIA has an ad hoc State tax committee prepared by Arthur Young. It's a chart that compares Connecticut's estate tax -- succession tax law with Massachusetts, New York, Florida, Georgia, Arizona, California and Rhode Island. And while we're not necessarily saying that Connecticut has to be exactly like the Federal, we are asking the committee to seriously look at Connecticut's succession tax statute and the problems that it has created for small businesses. I thank the committee for your time.

REP. SMOKO: Thank you. Are there questions from members of the committee? Seeing none, thank you. Sam Sloat followed by Harold Kritzman.

MR. HAROLD KRITZMAN: I handed out a group of some of them additions here. It'll take me a few moments here for showing .

REP. SMOKO: Take your time. Please be seated and speak into the microphone.

MR. KRITZMAN: My name is Harold Kritzman and I am President of the Old Town Coin Company, Inc. at 39 Market Square in Newington. This marks our tenth year in the rare coin and precious metals business at that location. Please note that Bill No. 6069, as it now reads in the original drafting, is incorrect. Please turn to the last page in the reading material that I have given each of you for the amended version of the bill as it should read.

We strongly urge your consideration of Bill 6069 and your

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MR. KRITZMAN: (continued)

review of the following information. Members of the gold and silver bullion industry in Connecticut have estimated that between \$50,000,000 to \$100,000,000 leave the State of Connecticut each year as investors buy gold and silver bullion items from out of State dealers simply to avoid the Connecticut sales tax. This situation is counterproductive, undermines the economy of the State and demoralizes both the buyer and the seller.

The only government agency that benefits from the present situation is the United States Post Office.

In recent years, six States have repealed their sales tax from gold and silver bullion. They are as follows: Rhode Island, North Dakota, California, Florida, Louisiana and Idaho. Similar legislation is now pending in several other States.

The present 7½% sales tax burden allows Connecticut bullion dealers to make only very small one and two ounce gold and silver sales to convenience buyers. Virtually without exception, the Connecticut precious metals investor who wants large serious quantities orders out of State to avoid the sales tax. Because of the \$1,000 minimum purchase provision of House Bill 6069, the State would not lose a penny in these small convenience sales that we Connecticut dealers have been able to make and because of House Bill 6069, the State would not experience the mass exodus of sales the Connecticut bullion dealers are denied because of the burdensome sales tax and the ways to avoid it.

The loss, if any, in revenues associated with exempting gold and silver bullion sales over \$1,000 per transaction would be more than offset by the increased income via the 10% corporate profits tax already levied on the major coin and bullion dealers in the State and 10% of our good brisk in-State business profit is much better than 7½% of virtually no in-State bullion business at present. Sadly, we cannot compete with out of State bullion dealers now. Please note the samples of daily ads placed by out of State dealers in Connecticut newspapers such as the Hartford Current. Out of State dealers play it on the fact that out of State sales are not taxable. Surely they

MR. KRITZMAN: (continued)

would not bother placing such expensive ads in Connecticut papers if the appeal and the response to the no sales tax in New Hampshire, etc., were not so lucrative.

Another bothersome example of unfair competition occurred during the summer of 1980 when the United States government went into competition with bullion dealers, like us, by selling half ounce and one ounce gold medallions to the public. Using the Post Office as its retail sales outlet, the United States government sold gold bullion, but did not charge any of the several State sales taxes. Their selling price of these medallions was based upon the spot price of gold on the date of the purchase, just as we sell gold and silver bullion in our stores. The government shipped the medallions about eight to twelve weeks after the buyer's purchase order was submitted.

In the year since the government sale, we have met many people who have purchased these medallions rather than other forms of gold bullion we sell simply because the U.S. government's gold medallions were sales tax free. Also, the Internal Revenue Service regards gold and silver bullion items as investments and affords them capital gains tax treatment.

In conclusion, we would like to ask you all a personal question to which you may respond privately, of course. Given this serious thought, what would you do if you had \$10,000 to spend, perhaps a sudden windfall, an inheritance, savings, whatever and wanted to speculate in the gold and silver bullion markets? Would you take a short ride to Providence, Rhode Island, where you could purchase gold and silver from any coin dealer and bank with no sales tax and drive home with it? Would you take a longer ride to New Hampshire where there is no sales tax at all and maybe buy a case of scotch while you're up there? Would you call a toll free watts line, there are several listed in New York? They ship for small postage fee. Or would you buy it from me? I'm forced to charge you an additional \$750 called the Connecticut sales tax. You don't have to answer this personal question. Besides, we already know what the answer would be and we know that under the present sales tax law, you would never buy it from me. Thank you very much for listening to my testimony.

REP. SMOKO: Thank you, Mr. Kritzman. Mr. Sloat. Is it Sloat? Please, into the microphone, if you would.

MR. SAM SLOAT: Would you distribute these. My name is Sam Sloat. I've been a coin and precious metal dealer in Westport since 1961 doing business as Sam Sloat, Inc. I urge passage of Bill 6069 because it would benefit smaller investors by removing an inequity in the present law that permits \$50,000 investment in gold and silver to be made tax free, but does not permit smaller tax free purchases. It will remove some of the hazards to Connecticut residents who purchase gold and silver out of State. It would increase State revenue by an estimated half million dollars in corporate and unincorporated business tax as well as provide some jobs and income to Connecticut residents. It would Sam Sloat, Inc. as well as other Connecticut precious metal dealers.

Present law permits purchase of gold and silver on the commodity exchange and delivery into Connecticut tax free. These are units of 100 ounces of gold or 5,000 ounces of silver which are worth approximately \$50,000 today.

Since it has become legal in 1974 for Americans to own gold, many conservative investment advisors are recommending that investors have a portion of their investment assets in gold and silver. Most Connecticut investors, however, have been unable to do this easily because of the sales tax. We have spoken to literally hundreds of Connecticut investors who are ready to purchase gold and silver from us, but when we told them that it was subject to the 7½% sales tax, their interest evaporated.

Some of these investors have purchased gold and silver out of State where their purchases were held out of State by the sellers. In the last several years, there have been quite a few failures of the out of State sellers with the most recent being North American Coin and Currency in Phoenix, Arizona. They went into Chapter 11 bankruptcy with liabilities of approximately \$15,000,000 and assets of about half of that. I don't know of any particular Connecticut investors that were involved there. However, bankruptcies and defaults have run about two a year since 1974 amongst the newer precious metal dealers.

If Connecticut precious metal dealers are permitted to sell investment lots of gold and silver tax free, I believe the

MR. SLOAT: (continued)

corporate and unincorporated business tax will be as much as several hundred thousand dollars versus practically no receipt from sales tax on precious metal sales today. I might add my own experience here that our present sales tax revenue on precious metal sales runs to a couple of thousand dollars a year, primarily on purchases of one or two Krugerrands or twenty or thirty ounces of silver. However, the larger purchases don't come to us. I can only recall one purchase of as much as \$10,000 where they paid sales tax. Otherwise, it was all small purchases.

REP. SMOKO: Before we hear about the display, are there questions from the members of the committee? Seeing none, would you give us an idea of how big those are?

MR. KRITZMAN: Yes, the question on bullion being an entity which is not for personal use -- the articles you see before you are representative of the type of material which we trade in the physical gold and silver markets. At one time the question was posed to me whether or not the particular items were rarities and, therefore, taxed as are rare coins. There is no argument there. Rare coins are taxable. They are personal property. Their value is associated to that decided between the buyer and the seller.

The items you see before you are not like that. Their value is decided on world markets. The individual who owns this Krugerrand, one ounce of gold, does not know literally from one moment to the next whether he is making a profit or a loss, just as you don't know what the treasury bill rate will be set next Tuesday. You are investing in this item. This is a 100 ounce block of pure silver, certainly you're not going to wear this around your neck or make it into a belt buckle that weighs close to 15 lbs. This is an investment quantity of silver. It's a part of a contract of 5,000 ounces that can legally be purchased tax free in the State of Connecticut and stored here because it is considered a contract and traded on the commodity exchange. The individual who wishes to purchase a fraction of that contract, namely 100 ounces, is denied the ability to purchase this without the sales tax.

I've been selling precious metals, as I said earlier, in

MR. KRITZMAN: (continued)

the State of Connecticut, for nearly -- into our tenth year. I made several convenience sales this morning, of one and two Krugerrands. The price of gold shot up this morning. The price of silver went up nearly 10% overnight. The person coming in who wishes to purchase silver and gold are definitely doing it for investment purposes and should be, therefore, given the same opportunities as the individual who calls up his stock broker and wishes to buy other forms of security for his future investment potential in smaller quantities as you see them here.

Last but not least, I was not being facetious by that last comment about what you would do. There was a question brought up at one committee meeting that we indeed have a use tax in Connecticut that ideally if somebody was to purchase material out of State, they would, when bringing it into State, in all honesty, pay the sales tax of the State. Now, we also know that that is practically unenforceable. And all jokes aside, at one time someone did pay the use tax on an out of State purchase and it was so unusual that the Hartford Current photographed the \$4 that was sent in to the Tax Department and made a big deal about it. So, we're talking truly in the real world here. This material is being purchased. Hundreds of millions of dollars are being purchased by Connecticut residents every day. Your personal feelings may or may not go along with precious metals as an investment medium, but it's a fact and a fact of life. Every newscast you hear today ends with the Dow Jones Industrial Average and the price of gold. Everyone is interested in the price of gold. It has to do with what's going on in the world today. And I don't think Connecticut residents should be denied what is already a fact, that we should be able to invest in precious metals and do it so that we can indeed make a profit and 7½% gives us a long way to go before we're seeing daylight. Thank you very much.

REP. SMOKO: Thank you, Mr. Kritzman. Representative Wenc.

REP. WENC: Yes. I'd like to direct my question to, I guess, either Mr. Sloat or Mr. Kritzman. You indicated that the sales tax revenue is approximately \$1,000 a year?

MR. SLOAT: I'm talking about my own sales tax.

REP. WENC: Oh, I see. Okay. Would you happen to have any information as to how much your industry in the State gives the State of Connecticut in sales tax revenue at the present time?

MR. SLOAT: I would say that I am a major dealer in precious metals and there are no more than four or five who handle the volume of precious metals that I do. Most of it being sold out of State, incidentally. Ninety-nine percent of it.

REP. WENC: My concern is basically the fiscal impact, of course. Your argument seems to be that should we exempt or not impose the 7½% sales tax, revenue would be made up by the corporate tax or the unincorporated business tax. Now, you're aware that the unincorporated business tax is repealed. Should a business such as yours change their business form from corporate to unincorporated, what would be the revenue impact to the State of Connecticut should the 7½% sales tax be exempted?

MR. SLOAT: I have no answer to that question. All I can tell you is that when you incorporate, you incorporate not for a specific tax -- I shouldn't say for -- incorporate not for any reason of sales tax, but you incorporate for the general principal involved in operating as a corporation rather than as an individual. And I personally, of course, would have no interest in changing my form of business. Others I can't speak for.

REP. SMOKO: Additional questions. Yes. Representative Schlesinger.

REP. SCHLESINGER: One question. Typically, if a person were to purchase silver or gold and wanted it delivered, what would the cost associated say per ounce to get it into Connecticut?

MR. KRITZMAN: Okay. Obviously this changes with the particular companies that are doing business.

REP. SCHLESINGER: Average.

MR. KRITZMAN: Average? If sales are ten ounces or greater, or two hundred ounces of silver or greater, there is no charge made whatsoever for the shipment of the goods in Connecticut. The cost is zero. You have a watts line

MR. KRITZMAN: (continued)

that cost you nothing. The postage is paid. You pay -- just to point this point out. I was making a comment before this meeting. I got a call from a gentleman just before I left to come to this committee meeting and he asked me what the price of gold was and he asked me how much I would charge him for twenty Kruggerands. I specified the price and he says, does that include the State sales tax, and I said, of course not. He said, thank you very much. That is typical of what happens time and time again every day. What they are essentially doing is checking out the prices of the people they see advertising in the Hartford Current. If the price is essentially the same as ours and the difference being the sales tax, they will, of course, order it from out of State. So once they've established that the base price is correct, having no sales tax is absolutely the gravy on top of the --

REP. SCHLESINGER: I understand the whole problem. What I was getting at is I thought if there was some kind of charge associated with it, maybe we could have a partnership where the State would receive some revenue it's not receiving currently and then perhaps you would receive more business. If we could kind of come up with a percent fee that would be equivalent to the cost of bring the gold to Connecticut. But you say ten ounces or over, it's zero. I mean, absolutely nothing.

MR. KRITZMAN: There is no charge made by all the major bullion dealers if the number of pieces exceeds a specific level such as two hundred ounces. Two of these blocks of silver.

REP. SCHLESINGER: So, they'll charge the same commission whether you're in New York or in Connecticut.

MR. KRITZMAN: That's correct. Let me just add to that particular question. When somebody orders material from out of State, of course there is some concern when you send your good funds away, will you get your goods back as Mr. Sloat had alluded to earlier. There is some uncertainty there. That is what I mean by -- deeply inside people don't like to do that. They don't like to send their money to a name in the newspaper or a voice at the other end of a telephone. And there have been cases,

MR. KRITZMAN: (continued)

of course, of fraud, obvious fraud in the precious metals area. People like to do business in their neighborhoods. They do like to see the people they're doing business with face-on-face. They get to trust each other, just as you hopefully trust your broker when you ask him to buy or sell your shares of stock, that he knows what he's doing and you trust him to do the right job. It's the same way in the precious metals field. And you're forcing these people, literally, to do business with people at the end of -- the other end of a telephone or at the -- a letter away. They really don't know who they're doing business with. I thank you.

REP. SMOKO: Thank you, gentlemen very much. Tom Riquier followed by Bert Carlson.

MR. TOM RIQUIER: HB 5047 Mr. Chairman, members of the committee. My name is Tom Riquier. I'm from rural Natick. I'm half owner and president of T&M Distributors. I'm also president of the Eastern Connecticut Music Operators which has a membership of ten companies. T&M Distributors is one of the largest video game operators in the State of Connecticut with twenty-five employees, sixteen full time and nine part time. We own approximately 700 video games. If I were to pay \$50 in each video game, the State of Connecticut would receive \$35,000.

T&M shows a profit, but it does not show \$35,000 in its checkbook. To pay this tax, T&M would have to borrow the money from a bank or with a little bit of luck, finance it through the State. I hope this State will provide financing with this bill because most video operators in the State do not have this kind of money readily available to them. To pay this enormous expense, T&M would have to curtail any plans for expansion and concentrate solely on reducing expenses.

T&M will cut expenses like any other normal corporation. We will probably close two game rooms which are both marginal accounts, giving me sixty machines in the State of Connecticut more employment. T&M will pull out of all marginal accounts which receive more than one -- which requires more than one video game. This will net me approximately seventy-five more machines. Also, it will leave twelve locations without any machines whatsoever. Taking off one hundred and forty machines from my route