

# 2024 Precious Metals Study

Prepared for the Revenue and Taxation Interim Committee

**Based on Precious Metals Workgroup Discussions**

Report revised on November 18, 2024

By Utah Treasurer Marlo Oaks

[treasurer.utah.gov/gold](https://treasurer.utah.gov/gold)



# PRECIOUS METALS WORKGROUP

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## Executive Summary

The Utah Legislature passed [H.B. 348 Precious Metals Amendments](#) during the 2024 General Session. The bill authorizes the state treasurer to invest up to 10% of the state’s rainy day funds in precious metals. It also requires the state treasurer to analyze how precious metals could enhance the state’s economic security and prosperity for its residents, families, and businesses.

Treasurer Marlo Oaks convened the [Precious Metals Workgroup](#) to fulfill the second mandate of the legislation. The workgroup, composed of economists, banking executives, state government, and industry professionals, examined various aspects of precious metals in the economy. This study presents Treasurer Oaks’ key findings and recommendations for legislative actions to achieve these objectives based on workgroup discussions and feedback. It outlines how Utah’s mining sector, existing laws recognizing precious metals as legal tender, and new fintech solutions allowing peer-to-peer gold-based transactions could be utilized in the state.

## Introduction

In 2024, the U.S. national debt exceeded \$36 trillion,<sup>1</sup> and inflation, while slowing, continues to erode the dollar's purchasing power. Rising federal interest payments are consuming a growing portion of tax revenues, which poses a risk to state budgets and adds to economic uncertainty. In response, the Utah Office of State Treasurer, under legislative directive,<sup>2</sup> launched the Precious Metals Workgroup<sup>3</sup> to explore how precious metals can bolster long-term fiscal stability, including how an electronic precious metals transactional platform could enhance long-term economic stability for citizens, businesses, and the state.

This report synthesizes insights from the workgroup's meetings held in May, June, August, and October 2024.<sup>4</sup> Selected speakers with expertise in economics, finance, and the precious metals industry shared information and perspectives on gold and its role and value to the state. Some asserted that Utah's historical mining leadership and legal recognition of precious metals as currency present unique opportunities to further integrate these assets into the state's economy.

Physical gold was recently recognized as a Tier 1 (highest-quality) liquid asset by the Basel III standards of the Bank for International Settlements, the financial regulator of central banks around the world.<sup>5</sup>

Information presented to the workgroup indicates a reasonable case for incorporating precious metals into Utah's financial framework, providing

businesses and residents with the freedom to choose to transact in gold.

While in dollar terms, gold prices have historically fluctuated, over long periods of time, gold has preserved its purchasing power while inflation has eroded the dollar's value. Having some ability to protect the purchasing power of money is a key benefit of providing this option to the state and its citizens.

For these reasons, Treasurer Oaks recommends the state continue exploring gold's role in helping foster economic stability and prosperity.

## Precious Metals: Understanding the Economic and Fiscal Landscape

A recurring theme of workgroup discussions is that citizens should have the freedom to choose how

they conduct their financial transactions, particularly in light of the constitutional prohibition against the state using anything but gold and silver as legal "Tender in Payment of Debts."<sup>6</sup>

*"The total public debt stands at \$36 trillion, with interest payments consuming an alarming share of federal tax revenues. This unsustainable path calls for innovative financial strategies to safeguard citizen interests."*

*-Representative Ken Ivory*

The legislature identified value in diversifying its rainy day fund portfolios with precious metals. Citizens should similarly have the freedom to use precious metals in their financial decisions.

Another recurring theme in the workgroup's discussions, though without the same consensus, was the deteriorating national fiscal health, marked by rising national debt and declining dollar value. Some members of the workgroup emphasized the importance of contingency planning to protect

<sup>1</sup> See the Bipartisan Policy Center's *Deficit Tracker* (September 2024): <https://bipartisanpolicy.org/report/deficit-tracker/>.

<sup>2</sup> See H.B. 348 Precious Metals Amendments from the 2024 General Legislative Session: <https://le.utah.gov/~2024/bills/static/HB0348.html>.

<sup>3</sup> See Utah Office of State Treasurer, *Precious Metals Workgroup and Study*: <https://treasurer.utah.gov/gold>

<sup>4</sup> See meeting minutes posted on the Utah Office of State Treasurer's Website, *Precious Metals Workgroup and Study*: <https://treasurer.utah.gov/gold/>.

<sup>5</sup> StoneX Bullion. "Basel III and the Gold Market." (March 2024): <https://stonexbullion.com/en/blog/basel-iii-and-the-gold-market/#:~:text=One%20of%20the%20key%20changes,capital%20against%20their%20gold%20holdings>.

<sup>6</sup> U.S. Constitution, Article I, Section 10.

Utah's finances against inflation and broader systemic risks.

In March 2024, the U.S. Senate unanimously recognized the rising national debt and efforts of foreign nations to weaken the dollar as threats to national security.<sup>7</sup> Some economists and financial experts who participated in workgroup meetings underscored concerns about the dollar's ability to remain a relatively stable store of value.

Luke Gromen, a macroeconomic analyst with expertise in the global monetary system, warned, "We are experiencing the first global sovereign debt bubble in a century. Historically, such debt levels end in currency devaluation or default."<sup>8</sup>

Gromen explained developed economies now face unprecedented debt levels, similar to post-World War periods. Since 1800, 51 of 52 countries with debt-to-GDP ratios over 130%

have defaulted, either through restructuring, devaluation, high inflation, or outright default. Global central banks, particularly China, have reduced holdings of U.S. treasuries,<sup>9</sup> and he cautioned this is worsening U.S. deficits and economic instability. U.S. entitlement programs and interest payments now consume nearly all federal tax revenues, limiting options for spending cuts, which he believes will lead to increasing inflationary pressures without a significant surge in U.S. productivity.<sup>10</sup>

Gromen compared the U.S.'s fiscal situation to that of the late Soviet Union, predicting that the U.S. is likely to rely on money printing to manage interest

rates and defense spending, which will continue to fuel sizable inflation.

Gromen also noted the shift in global oil markets toward settlement in non-dollar currencies, reducing global demand for U.S. treasuries.<sup>11</sup> He highlighted how global shifts among BRICS nations, among others, toward non-dollar currencies are reducing the demand for U.S. treasuries, further destabilizing the U.S. financial system. In this environment, he believes gold is likely to outperform U.S. treasuries and Western sovereign bonds.

Kevin Freeman, an investment manager and economist, who previously consulted for the State of Utah on economic risk<sup>12</sup> and has briefed various U.S. government agencies, such as the Department of

Defense, CIA, and SEC, also noted the U.S. debt path is unsustainable. He pointed to factors he believes are key risks, including potential currency devaluation and global efforts led by Russia and China to displace the dollar, emphasizing the

need for fiscal preparedness and suggesting Utah consider diversified payment systems and stores of value, including the use of precious metals, to help protect the state's economy from these pressures.

Some members of the workgroup met with Dr. Thomas Hoenig, a current fellow at the Mercatus Center, former president of the Federal Reserve Bank of Kansas City, and former member of the Federal Open Market Committee (FOMC). He warned that Washington is ignoring the severity and unavoidable consequences of ongoing debts and deficits. Dr. Hoenig recommended that state leaders ensure ample reserves. Hoenig expressed support for Utah's efforts to use gold as an alternative store of value.

***"It is important for Utah citizens and businesses to have a variety of options for storing and exchanging the value of their labors, including alternative payment systems and precious metals investments."***

***- Speaker of the House Mike Schultz***

<sup>7</sup> See S.Res.600 - A resolution recognizing the national debt as a threat to national security: <https://www.congress.gov/118/bills/sres600/BILLS-118sres600ats.pdf>.

<sup>8</sup> See May 29, 2024 Meeting Minutes: [https://treasurer.utah.gov/wp-content/uploads/05-29-2024-Precious-Metals-Workgroup-Meeting-Minutes\\_LONG.pdf](https://treasurer.utah.gov/wp-content/uploads/05-29-2024-Precious-Metals-Workgroup-Meeting-Minutes_LONG.pdf)

<sup>9</sup> See Robert Green, "China's Dollar Dilemma." (October 2024.) *Carnegie Endowment*. <https://carnegieendowment.org/research/2024/10/chinas-dollar-dilemma?lang=en>.

<sup>10</sup> <sup>10</sup> See May 29, 2024 Meeting Minutes: [https://treasurer.utah.gov/wp-content/uploads/05-29-2024-Precious-Metals-Workgroup-Meeting-Minutes\\_LONG.pdf](https://treasurer.utah.gov/wp-content/uploads/05-29-2024-Precious-Metals-Workgroup-Meeting-Minutes_LONG.pdf)

<sup>11</sup> Ibid.

<sup>12</sup> <https://le.utah.gov/interim/2019/pdf/00004600.pdf>

Not all committee members agreed with a dire assessment of the U.S. dollar, even while agreeing that there are international efforts to find alternatives. Some, including Randal Quarles, former Vice Chair of the Federal Reserve and former Under Secretary of the Treasury, and Gary Crittenden, private investor and former chief financial officer of Citi and president and chief financial officer of American Express, expressed that there is little chance the dollar will cease to be the world's dominant currency over the foreseeable horizon and that the dollar-based domestic payments system will remain robust.

Nonetheless, these members said there are other good reasons to support the workgroup's objectives of creating more latitude for the state to include gold as an investment option and for the state and its citizens to have the choice to use gold for day-to-day transactions. Historical experience has shown portfolios that include an allotment to gold, on average, moderately outperform those that do not. In addition, it's appropriate for a state like Utah with an important mining industry to facilitate its citizens' free choice to use the products of that industry more widely. These reasons are also shared by many of the workgroup members who have more serious concerns about the dollar's status.

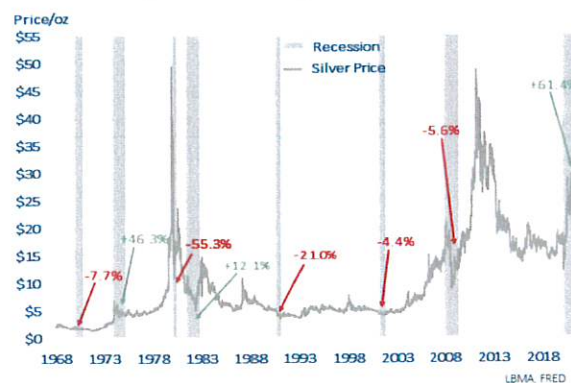
A key observation of the workgroup is summarized in the principle of choice: all else being equal, citizens should have the freedom to choose how to conduct their financial transactions.

## The Role of Gold as an Economic Stabilizer

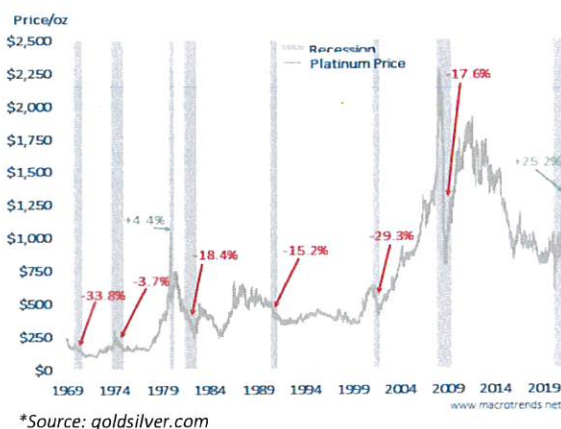
Precious metals respond differently during economic downturns because of their various economic uses. Approximately 50% of silver<sup>13</sup> and roughly 33% of platinum annual production,<sup>14</sup> for example, are used in industrial applications.

<sup>13</sup> See JM Bullion, "Silver Demand:" <https://www.jmbullion.com/investing-guide/james/silver-demand/#:~:text=Approximately%2050%25%20of%20the%20annual,is%20used%20in%20industrial%20applications>

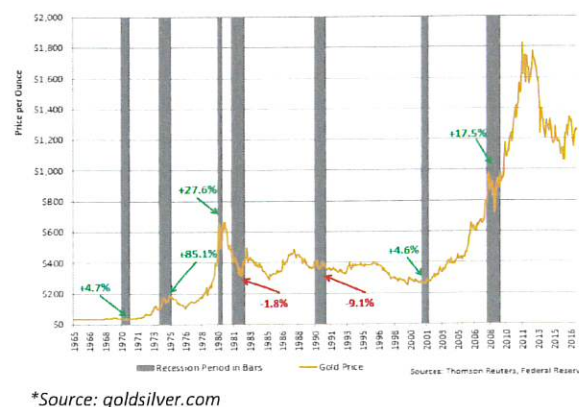
### Silver Usually Weak During Recessions



### Platinum Performance During Recessions



### Gold Performance Usually Positive During Recessions



<sup>14</sup> See World Platinum Investment Council, "Platinum: Diverse Drivers of Demand:" <https://platinuminvestment.com/about/demand-drivers#:~:text=engines%2C%20and%20airbags,-Industrial,in%20the%20last%20five%20years.>

These uses have contributed to their price weakness historically during recessions over the past 50+ years. In contrast, industry uses less than 10% of gold production.<sup>15</sup> As a result, gold prices have behaved differently during the same recessionary periods, generally increasing, because of gold's role as a store of monetary value.

Gromen underscored gold's potential as a hedge against inflation, noting that "Gold has significantly outperformed long-term U.S. treasuries over long periods of time."

Freeman commented on the assertions described in his book *Pirate Money: Discovering the Founders' Hidden Plan for Economic Justice and Defeating the Great Reset*. The book encourages the state-level adoption of gold and silver as transactional money and outlines steps for creating an electronic transfer platform for gold and silver at the state level, which could form an alternative to the dollar.<sup>16</sup>

From an investment perspective, Crittenden noted long-term portfolios that have had a portion allocated to precious metals have modestly outperformed the same portfolios without an allocation to precious metals. Current macroeconomic factors, such as central banks' buying of gold and the U.S. government's ongoing deficit spending, appear to make an investment in precious metals look reasonable at this entry point.

## Utah's Potential as a Leader in Precious Metals

Utah's mining sector, with roots dating back to the establishment of Utah's first commercial mining district in 1863, plays a major role in the state's

economy. In 2022, the sector generated \$4.7 billion in non-fuel mineral production, making Utah a leader in base and precious metal production. At the May 2024 meeting, Brian Somers, President of the Utah Mining Association, emphasized that Utah's extractive and energy sectors significantly contribute to the state's economy.<sup>17</sup>

Utah's diverse precious metal mineral wealth includes gold, silver, platinum, and palladium. Utah also boasts substantial local refining capabilities. However, Somers highlighted several challenges facing the industry, including high costs and federal regulatory barriers, which drive local mines to send unrefined materials overseas for refining. Despite

these challenges, Utah is well positioned to grow its leadership role in the precious metals industry, advancing the state's long-term economic stability through strategic

integration of these highly regarded resources worldwide.

## Vaulting Physical Gold

One of Utah's strategic advantages is the location of a Brink's Global Services vault in Salt Lake City, one of only four in the U.S. This facility offers local and secure storage of physical gold and silver. Brink's extensive expertise in handling high-value materials, including precious metals, provides great value to the state's precious metals strategy.<sup>18</sup>

Some members of the workgroup toured the vault, and Brink's representatives gave a presentation at the June meeting.<sup>19</sup> The Brink's vault offers secure storage and liquidity enhancement, enabling the state to purchase or sell large quantities of gold without having to physically move it. The group concluded that the information they have suggests that Brink's security infrastructure, along with third-

**International mining executives rate Utah as the number one jurisdiction in the world for mining operations.**

**- 2023 Annual Survey of Mining Companies**

<sup>15</sup> See Statista, "Distribution of gold demand worldwide in 2023, by sector:" <https://www.statista.com/statistics/299609/gold-demand-by-industry-sector-share/>.

<sup>16</sup> Ibid.

<sup>17</sup> See Brian Somers' remarks in the May 29, 2024 Meeting Minutes: [https://treasurer.utah.gov/wp-content/uploads/05-29-2024-Precious-Metals-Workgroup-Meeting-Minutes\\_LONG.pdf](https://treasurer.utah.gov/wp-content/uploads/05-29-2024-Precious-Metals-Workgroup-Meeting-Minutes_LONG.pdf).

<sup>18</sup> See June 26, 2024 Meeting Minutes: [https://treasurer.utah.gov/wp-content/uploads/06-26-2024-Precious-Metals-Workgroup-Meeting-Minutes\\_Long.pdf](https://treasurer.utah.gov/wp-content/uploads/06-26-2024-Precious-Metals-Workgroup-Meeting-Minutes_Long.pdf).

<sup>19</sup> Ibid.

party audits and insurance coverage, would provide the accounting and protection required for state precious metals reserves.

## Exploring Utah's Involvement in Transactional Gold

The workgroup explored the potential benefits to the state of a transactional gold platform. Gold has long been considered a long-term store of value, particularly over inflationary economic periods. Foreign efforts to weaken the dollar, along with the debt and deficit issues, support arguments for a state-utilized transactional gold platform, if only for contingency planning purposes. Some group members and presenters emphasized that a gold-based transactional platform utilized by the state would also provide citizens with an alternative payment system choice that could help preserve their purchasing power from inflation erosion better than the dollar.

The rise of innovative financial technologies makes such an objective more feasible than ever before. It also makes real-time gold-based transactions accessible to the average person, affording a viable payment alternative to a purely fiat currency like the dollar.<sup>20</sup>

In the final meeting of the workgroup, some members said they believe a state-utilized, transactional gold platform would give Utah's citizens a valuable option to access gold as a store of value and medium of exchange. Others questioned the need for state involvement and raised questions about potential risks associated with a perception the state might be encouraging citizens to purchase gold.

### ***Economic Benefits of Transactional Gold***

The workgroup's discussion highlighted Utah as a leading state in precious metals mining and refining. It is well-positioned to capitalize on the global gold market,<sup>21</sup> which trades approximately \$165 billion in

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<sup>20</sup> See June 26, 2024 Meeting Minutes: [https://treasurer.utah.gov/wp-content/uploads/06-26-2024-Precious-Metals-Workgroup-Meeting-Minutes\\_Long.pdf](https://treasurer.utah.gov/wp-content/uploads/06-26-2024-Precious-Metals-Workgroup-Meeting-Minutes_Long.pdf).

<sup>21</sup> See Utah Geological Survey. "Utah Mining Report: Precious Metals and Economic Impact." Utah Geological Survey, 2022. (Utah Geological Survey): <https://ugspub.nr.utah.gov/publications/circular/c-136.pdf>.

gold daily.<sup>22</sup> State utilization of a transactional gold platform could further strengthen Utah's leadership in the gold industry.

### ***How Transactional Gold Technology Works***

A featured presenter was Jason Cozens, founder of a gold-based electronic transactional platform that allows users to purchase, store, and spend physical gold in any amount with a mobile app and a linked debit card, that millions of merchants accept globally. This technology platform enables real-time transactions in fractionalized gold.<sup>23</sup>

### ***Regulatory Safeguards***

Cozens advised any transactional gold platform utilized by the state and its citizens should be compliant with existing laws and regulatory frameworks that ensure consumer protection, transparency, security, and compliance with financial regulations. These include laws and rules around anti-money laundering, secure storage, and customer safeguards, ensuring that users are treated fairly and transactions are monitored to prevent fraud.

Regulatory guardrails like these allow gold to be used in everyday payments, while adhering to the same high standards as traditional financial services.

Cozens expressed his belief in the reliability of gold as a store of value: "Gold is the ultimate form of money."<sup>24</sup>

### ***Constitutional and Legal Foundations***

Utah already recognizes gold and silver as legal tender. Utah's laws are grounded in Article 1, Section 10 of the U.S. Constitution, which actually prohibits the state from making anything but gold and silver as legal tender.

The Supreme Court in *Lane County v. Oregon* (1869) affirmed the right of states to accept gold and silver for sovereign functions, such as tax payments.

<sup>22</sup> See World Gold Council. *Major Global Trading Hubs* (2024): <https://www.gold.org/gold-market-structure/global-gold-market>

<sup>23</sup> Ibid.

<sup>24</sup> Ibid.

## Key Features of Transactional Gold Technology



**Real-Time Conversion to Dollars:** Users can purchase goods and services using gold-based accounts. When payment is requested, the gold is instantly converted to dollars based on the current spot exchange rate, allowing merchants to receive payments in dollars while platform users hold their account in gold. This functionality ensures that gold can be spent as easily as traditional currencies.



**Peer-to-Peer Payments:** Users can transact with others on the platform as easily as sending a text without the need to convert to dollars.



**Secure Storage:** All gold, digitally represented in gold accounts, is physical gold legally owned by the client and securely stored in vaults, such as those provided by Brink's and insured by Lloyd's of London. All commercial vaults are subject to stringent security measures and regular audits, ensuring safety and transparency of the gold holdings.



**Tracking Capital Gains Liability:** Capital gains are calculated and tracked in the app to enable easier compliance with federal and state tax laws.

Freeman highlighted that Article 1, Section 10 authorizes states to grant legal tender status to gold and silver coins. Historically, there was a common understanding that gold and silver bullion held the same value as their coin equivalents. This is evident in the notes issued by the Continental Congress, known as "Continental," which stated that payment could be made in Spanish Milled dollars (widely used silver coins at the time) or their equivalent value in gold or silver.

Freeman explained this view was formally upheld by the Supreme Court in *Bronson v. Rodes*, which ruled that bullion of a certain weight and purity was legally equivalent to coins of identical specifications. Utah could codify this principle through legislation declaring gold and silver bullion legally indistinguishable from coins of the same weight and purity, as affirmed in the *Bronson v. Rodes* decision.

The workgroup also discussed the Article 1, Section 10 prohibition on states coining money. Freeman explained this was intended to prevent states from minting coins with the same denominations but varying gold or silver content, which could result in

different amounts of base metals. This process of "debasement" coinage involves adding base metals, thus diminishing the coin's value.

Freeman said the Founders aimed to establish a uniform monetary system by forbidding states from issuing coins with inconsistent metal values, which would create confusion. The issue is addressed through the use of standardized bullion or coins. In early America, common coins included Spanish Milled Dollars (silver) and Spanish Gold Reals (Gold Doubloons). The term "dollar" in the Constitution itself referred to a Spanish Milled Dollar, or "piece of eight," containing 0.7734 troy ounces of fine silver.

Some workgroup members contended this legal foundation provides ample authority for Utah to utilize a gold-based transactional payment system in alignment with both state and federal laws.<sup>25</sup>

### **Challenging the Federal Taxation of Money**

For a century and a half, gold was money in the United States. However, in 1974, the IRS by policy (not by law or constitutional amendment) began taxing gold and silver as a capital asset, and not as a

<sup>25</sup> See August 28, 2024 Meeting Minutes: <https://treasurer.utah.gov/wp-content/uploads/08-28-2024-Precious-Metals-Workgroup-Meeting-Minutes.pdf>.

currency. This means if an individual buys gold (whether in the form of coins, bars, or through a gold-based exchange-traded fund), any gain made when selling that gold (even if only because the value of the dollar went down) is subject to capital gains tax. Furthermore, gold is considered a collectible under IRS policy, subjecting it to the highest capital gains tax rate in the U.S.<sup>26</sup>

For those who would use gold as money, this tax makes the proposition less attractive. If an individual experiences an increase in the value of their gold holdings and then chooses to transact using that gold, they are currently subject to capital gains tax on the appreciated value. This creates a barrier to using gold on a frequent transactional basis since each transaction creates a taxable event.<sup>27</sup> This is why advocates for gold-based platforms push for changes to capital gains tax treatment on gold. If gold were fully recognized as money, it should not be subject to capital gains tax.<sup>28</sup>

Dr. Edwin Vieira noted in his remarks to the workgroup that gold coins minted by the U.S. are legal tender, and the IRS does not have the authority to devalue them through taxation.<sup>29</sup> He also pointed out that the capital gains tax is an IRS policy rather than a federal statute. The tax applies to gains made at the time of sale.<sup>30</sup>

Because the U.S. Constitution specifically cedes a degree of monetary authority to the states, state involvement would likely strengthen the arguments that gold should be treated as money.

The workgroup discussed several strategies that the state could pursue to contest the federal taxation of gold:<sup>31</sup>

**1. Legal Tender Argument:** Article 1, Section 10 allows states to declare gold and silver coins as legal tender. Since legal tender is not subject to capital gains tax, Utah could argue that gold and silver used

as money should be treated similarly. For example, a state-utilized gold platform could enable businesses or citizens transacting with the state to pay capital gains tax under protest and advocate, together with the state, for federal recognition of gold as money.

## **2. State Sovereignty and Sound Money Policies:**

Utah has a history of recognizing gold and silver as legal tender. Some members of the workgroup noted that state sovereignty grants Utah the right to determine what constitutes legal tender, meaning Utah could argue that IRS policy infringes upon the state's ability to declare gold and silver coins as legal tender, setting up an opportunity for a lawsuit by the Utah attorney general challenging the legality of the tax.

Utah has declared gold and silver to be legal tender and, with legislation, could reaffirm legal tender status and make gold and silver essentially functional currency. This would allow a challenge to current IRS rules, which tax gold as a capital asset and deem it a collectible, through a direct appeal to the executive branch or a lawsuit in federal courts.

**3. De minimis strategy:** Utah could advocate to exempt smaller, more frequent gold transactions from capital gains tax altogether, following precedent in legislation under Congressional consideration.<sup>32</sup> The de minimis rule would set a threshold below which transactions using gold would not trigger the tax, for example, \$500 per day.

Joseph Cavatoni from the World Gold Council emphasized that this approach may encourage more people to use gold for small-dollar transactions. By advocating for federal laws that set a reasonable limitation on capital gains, Utah could help bolster the value of a transactional gold-based platform.

## **Infrastructure and Security**

Several members of the workgroup suggested that citizens might be more inclined to use a gold-based

<sup>26</sup> See U.S. Securities and Exchange Commission. "What You Need to Know About Gold ETFs and Taxes." Investor.gov, 2023, <https://www.investor.gov/articles/investor-bulletins-what-you-need-know-about-gold-etfs-and-taxes>.

<sup>27</sup> See National Bureau of Economic Research. "The Impact of Taxation on Precious Metals Markets." NBER Working Paper Series, 2022, <https://www.nber.org/papers/w29630>.

<sup>28</sup> See Sound Money Defense League. "The Push for Tax-Free Gold and Silver in the U.S." SoundMoneyDefense.org, 2024, <https://www.soundmoneydefense.org/gold-silver-capital-gains-tax>.

<sup>29</sup> Ibid.

<sup>30</sup> Ibid.

<sup>31</sup> Ibid.

<sup>32</sup> See S.4808 - Virtual Currency Tax Fairness Act: <https://www.congress.gov/bill/118th-congress/senate-bill/4808>.

electronic platform, knowing the state itself has established safety and security protocols for any platform the state may utilize as an alternative payment system.

For the state to use a gold-based electronic platform, it would require the provider to manage the processing of gold transactions, secure vaulting, and ensure compliance with state and federal regulations. Security is paramount in gold transactions. Brink's vault, which now stores Utah's rainy day gold reserves, offers world-class security through a layered protection system and continuous monitoring. To ensure trust and accountability, Utah should mandate independent third-party audits of gold reserves to mitigate risks to the state's holdings. These same features would be part of any transactional system available to the public, ensuring secure and accurate holdings.

## Legislative Recommendations

[H.B. 348 Precious Metals Amendments](#) requires the state treasurer to conduct a study and then submit to the Revenue and Taxation Interim Committee on or before the committee's 2024 October interim committee meeting any recommendations for legislation resulting from the outcome of the study.<sup>33</sup> Based on the information provided throughout the course of his study, Treasurer Oaks suggests the following legislative recommendations for consideration to the committee.<sup>34</sup>

**1. Task the state treasurer with issuing a Request for Proposals (RFP) for a gold-based transactional platform.** State utilization of a gold-based transactional platform could afford the direct transaction ability of state gold holdings and could serve as a secure alternative payment system for contingencies. It could also provide citizens with greater confidence in utilizing the platform, presenting them with a viable option to choose gold as a store of value and a medium of exchange. State utilization of an electronic gold payment platform opens the door for stakeholders to advocate, together with the state, for federal

recognition of gold as non-taxable money, establishing gold, once again, as a practical monetary alternative to the dollar.

The platform would enable real-time electronic payments in gold and real-time conversion to dollars through linked dollar-based debit card transactions and peer-to-peer transfers. The chosen vendor would manage their technology platform according to the state's specifications and needs.

Additionally, the technology would function like an electronic warehouse receipt system, allowing users to hold and transact with fully allocated physical gold. The state should require the provider to adhere to safety standards and regulations and also require that the gold supporting the platform is stored in Utah, insured, and regularly audited.

**2. Assign the state treasurer oversight responsibility of the gold-based transactional platform.** Oversight and implementation would ensure the platform complies with all existing regulatory standards and all necessary components to safeguard platform users, including the state. This would be done in cooperation with the state auditor, Division of Finance, Tax Commission, Department of Financial Institutions, and other relevant state agencies. Such components would include ensuring proper audit and reporting requirements, full transparency to the state, exploring the feasibility and parameters for redemption in physical gold and/or silver and Federal Reserve Notes, and maintaining compliant technological banking standards.

**3. Incorporate technological safeguards and operational management.** All technology and software related to the transactional gold platform should be held in escrow. This measure ensures the state and users of the platform have jurisdiction over the system. Additionally, state-imposed requirements for ongoing operations, compliance monitoring, client support, and fee structures should make the system accessible, efficient, and user-friendly.

<sup>33</sup> See H.B. 348 Precious Metals Amendments: <https://le.utah.gov/~2024/bills/static/HB0348.html>.

<sup>34</sup> While discussed during workgroup meetings, these recommendations were not voted on by workgroup members and are strictly the recommendations of the state treasurer, not individual workgroup members.

**4. Conduct implementation evaluation and collaborate with tax authorities.** Legislation should consider tasking the state treasurer with conducting a post-implementation evaluation based on criteria including, but not limited to: security, efficiency, cost-effectiveness, and reliability as a medium of exchange and store of value. The state treasurer could consult with the Tax Commission and the Department of Finance on tax implications regarding other potential use cases of the platform.

**5. Enact legislation affirming that gold and silver bullion are legally indistinguishable from coins of the same weight and purity.** This is consistent with the Supreme Court's *Bronson v. Rodes* decision. This is important because Article 1, Section 10 authorizes states to grant legal tender status to gold and silver coins; however, the platform will likely utilize allocated bullion.

**6. Require the state treasurer to conduct an additional study of potential uses of precious metals.** The workgroup was only briefly introduced to other precious metals policy ideas. Further study may include exploration of those ideas, such as: 1) Use of precious metals as an internal inflation hedge for goods, materials, and services purchased by the state; 2) Payment of taxes and fees in gold and silver; 3) Posting of performance, surety or other bonds in gold and silver; 4) Use of precious metals to incentivize state employees, vendors, or stakeholders in the form of payment, compensation, bonus, or retirement investment options; 5) Gold clause treatment in commercial contracts; and 6) Revenue bonds denominated in gold.

## Conclusion

The Precious Metals Workgroup's discussions and the state treasurer's recommendations highlight Utah's opportunity to position itself as a leader in promoting financial sovereignty and economic resilience through the strategic use of precious metals.

Utah's legislative efforts to further integrate gold into its financial system would provide citizens with

an alternative monetary choice. By vetting and utilizing a gold-based transactional platform, Utah hopes to expand financial freedom in the state, engage in responsible contingency planning, and protect the rights of individuals and businesses to choose gold as an alternative medium of exchange that may better preserve purchasing power.

The state treasurer's recommendations outline how the state could implement a gold-based transactional platform, from issuing a Request for Proposals to establishing stringent oversight and technological safeguards. These steps help ensure the system's security, transparency, and accessibility. Additionally, the constitutional and legal foundation addressed by the workgroup provides a strong basis for advancing a case for federal recognition of gold as legal money once again, eliminating federal capital gains taxes on gold transactions.

Continued evaluation of a platform's implementation, collaboration with tax authorities, and potential legal challenges to existing federal tax rules would be essential to maximizing the benefits of a gold-based transactional platform.

Utah's leadership in mining and an established legal framework recognizing gold and silver as legal tender uniquely position the state to lead this innovative financial protection strategy.

Utilizing a precious metals transactional platform for the state could foster economic prosperity and stability in the long run for both Utah citizens and the state by empowering individuals, businesses, and the state to access a complementary financial system to the dollar. Gold's historical role as a store of value could offer protection against the erosion of purchasing power that accompanies inflation.

Moreover, integrating a gold-based system could strengthen Utah's economy by supporting investment in local precious metals production and refining industries, aligning with the broader goal of fostering long-term economic security and resilience for the state.