

Dealers to reject Minnesota clients

Posted on [July 1, 2014](#) by [Pat Heller](#)

The nation's coin dealers are saying no to Minnesotans. Their choice is to reject these clients or comply with a draconian new state law.

It might surprise some that it has come to this, but there has been a long lead time in reaching this point of decision to stop doing business with people in the Land of 10,000 Lakes.

Last year the Minnesota legislature and governor, in response to what were considered a large number of incidents of coin dealers taking advantage of customers in that state, enacted what was supposed to be a consumer protection solution. That law took effect on Tuesday, July 1.

The Minnesota Department of Commerce has set up a checklist on its website (<http://goo.gl/wJrh74>) to provide guidance to coin dealers nationwide as to whether they need to register with that department and to comply with the surety bond requirements (which includes national background checks going back 10 years on every staff person that might serve Minnesota customers), providing customers with detailed information about each item purchased from the dealer, and other provisions of the law.

Under the law, a dealer who has \$5,000 or more of purchases and sales of "bullion coin" with Minnesota consumers in a 12-month period is required to register with the Minnesota Department of Commerce. The \$5,000 threshold is determined by looking back to transactions from July 1, 2013, through June 30, 2014. If a coin dealer passed that threshold during that 12-month period, then he is required to be registered if they want to make any sales to Minnesota customers from July 1 onward. This threshold is also met if a Minnesota consumer makes a sale or purchase with a non-Minnesota dealer at a coin show located outside of Minnesota.

Many dealers might think they don't do that much volume in "bullion coins." However, you have to go by how this law (<http://goo.gl/wJrh74>) defines that term: "Bullion Coin ... means any coin containing one percent by weight of silver, gold, platinum or other precious metal." For all practical purposes, this means that any coin containing even the slightest amount of gold, silver, platinum or palladium falls within the definition of "bullion coin." Even if you sell a single high-grade \$1 gold Liberty to a Minnesota consumer for \$5,050, that single "bullion coin" transaction makes a coin dealer subject to registration.

The law is so onerous in compliance requirements that there isn't space to list them all in this article. Further, compliance can easily cost coin dealers hundreds of dollars on up to tens of thousands of dollars annually, depending on their volume with Minnesota customers.

Minnesota coin dealers Gary Adkins and Greg Allen, both who serve on the board of directors of the Industry Council for Tangible Assets have worked tirelessly first to prevent adoption of this law then to remove its most burdensome aspects. Since then, they have worked with the

state's Department of Commerce officials to encourage regulatory interpretations that reduce the compliance hassles with the law.

Now that the law has taken effect, how actively have coin dealers in Minnesota and nationwide complied with registration and all the other requirements?

As of June 30, the Minnesota Department of Commerce reported to Greg Allen that only about 30 dealers had completed the registration process to comply with this new law. Of these, only one company outside the state of Minnesota had registered. One other coin dealer outside of Minnesota has had their legal staff working on registration for the past month but has not yet been able to jump through all the hoops (and there are many of them) to complete the process.

I personally know of dozens of non-Minnesota companies (including my own) whose activity with customers in Minnesota means that they should be registered. This law has been on the books for almost a year. So, what gives?

In conversations with other Minnesota coin dealers, Adkins and Allen have learned that a significant number think their volume of "coin bullion" transactions is low enough that they are not subject to the law. This would be correct, for instance, for dealers who only handle copper or copper-nickel coins, paper money, or if dealers did not transact any business with Minnesota "consumers." Other dealers told them that they were closing their companies rather than registering or that they were changing their businesses so that they would no longer be required to register. One coin dealer said he was publicly refusing to register, hoping to be charged with failure to register and then take the matter up in the courts. The operators of two coin shows scheduled in Minnesota in July reported that the number of tables sold had fallen sharply compared to their previous events – with virtually no dealers coming from outside the state.

ICTA sent out an online survey to its membership late on June 30. From preliminary results, only a small percentage of dealers had either registered or had any intentions to register. In fact, 85 percent of early respondents indicated that they would no longer engage in transactions with Minnesota consumers (the choice for my company).

Now that this Minnesota law has taken effect, how will retail collectors and precious metals investors fare? The unintended consequences of this law, as happens so often, are almost certain to result in fewer options for them. There will be fewer dealers to serve them in state and a sizable percentage of out-of-state coin dealers will no longer do business with them. Out-of-state coin dealers will almost all stop taking booths at Minnesota coin shows. The dealers who do undergo the financial and record-keeping requirements to register with the Minnesota Department of Commerce will not be in as good a position to offer consumers attractive prices, whether buying or selling. As Minnesota consumers are forced to patronize dealers out of state because in-state dealers have either closed shop or become less competitive with prices, that increases the potential for consumer fraud.

In my opinion, the new Minnesota bullion coin dealer law, enacted to supposedly protect consumers, will instead expose collectors and investors from that state to greater risk of criminal loss. And, with businesses closing or moving out of Minnesota, you can be sure that tax collections by Minnesota will decline. Unfortunately, it will be the Minnesota consumers of "bullion coins" that will likely suffer under this law rather than the politicians who enacted this boondoggle.

Coin dealers in Minnesota and across the nation who thus far may have ignored the issue of whether to register with the Minnesota Department of Commerce cannot ignore the issue any longer. If you are a non-Minnesota dealer with any kind of activity with customers in that state, you will be easy to catch and prosecute for failure to register – even if you never set foot in that state.

Kathy McFadden, the executive director for ICTA has some information on how out-of-state dealers can expedite the registration process. She is willing to provide this to any ICTA member upon request. Just call her at (410) 626-7005 or email her at kathy.mcfadden@ictaonline.org.

If you were a coin dealer, what would you do?

Patrick A. Heller was the American Numismatic Association 2012 Harry Forman Numismatic Dealer of the Year Award winner. He owns Liberty Coin Service in Lansing, Mich., and writes "Liberty's Outlook," a monthly newsletter on rare coins and precious metals subjects. Past newsletter issues can be viewed at <http://www.libertycoinservice.com>. Other commentaries are available at Coin Week (<http://www.coinweek.com> and <http://www.coininfo.com>). He also writes a bi-monthly column on collectibles for "The Greater Lansing Business Monthly" (<http://www.lansingbusinessmonthly.com/articles/department-columns>). His radio show "Things You 'Know' That Just Aren't So, And Important News You Need To Know" can be heard at 8:45 a.m. Wednesday and Friday mornings on 1320-AM WILS in Lansing (which streams live and becomes part of the audio and text archives posted at <http://www.1320wils.com>).

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1.  [oakleaf53](#) says:

[July 4, 2014 at 3:04 pm](#)

Does this mean the US Mint must register to do business with MN residents?

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2.  [davekenny](#) says:

[July 4, 2014 at 3:26 pm](#)

This law must be overturned. It can be done either by litigation, civil disobedience, or by voting with one's feet. If I were a dealer doing business in Minnesota, I would

simply refuse to do it any further. If I were a collector living in Minnesota, I would move out of state. Obviously some hot shot legislator, or a big time political donor, got burned, and decided to get even with the industry. What will they try to do next? Require registration of all out of state car dealers who sell to Minnesotans? What about Real Estate agents? How about securities brokers? Art dealers? Auction houses? The list goes on and on. On the face of it, the law could be overturned due to the intended result of “restraint of free trade,” especially as it applies to interstate commerce.

To quote that famous cinematic newscaster, every collector and dealer in Minnesota should stand up and shout: “I’m mad as hell, and I’m not going to take it anymore!”

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