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SB39, Hearing in the Senate Committee on Assessment and Taxation
SB39 proponent, with written and oral testimony
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Introduction: A Brief Background of The Kansas Legal Tender Act.

The Kansas Legal Tender Act was written by Kansas Campaign for Liberty, and was first introduced in the Kansas House in the 2019-2020 session, where the sales tax exemption on certain precious metals was passed. It was edited to incorporate that fact, and introduced again in the 2021-2022 session. In 2023 it was introduced in both the Kansas House and Senate. It was passed out of committee, returned to committee and amended, and again passed out of committee.

SB39 Defines Gold and Silver - Real Money – as Legal Tender

The US Constitution requires states to establish only gold and silver based currency as legal tender. Article 1 Section 10 of the U. S. Constitution states: *No state shall... make any Thing but gold and silver Coin a Tender in Payment of Debts...*

This bill would restore gold and silver to legal tender status, as required by the US Constitution. That, alone, should suffice as reason for passing this bill.

There are very sound and timeless reasons why gold and silver should be the only legal tender in our state and our country, **although this bill does not reject the fiat dollar**. The founders of this country warned us of the danger of “cheap” money not backed by gold or silver, i.e. the Federal Reserve’s fiat currency, to our economy in general, to our well-being and security, especially that of our poor and middle class, and to our moral values both individually and collectively.

Consider just these two quotes from our founders regarding the perils of paper currency:

- “Paper money ... will ... ruin commerce, oppress the honest, and open the door to every species of fraud and injustice.”- George Washington to Thomas Jefferson on Aug. 1, 1786. (from

“Founders: No Fans of Paper Currency”, Deroy Murdock, July 1, 2011, NationalReview.com)

- Paper currency is “in its nature, pregnant with abuses, and liable to be made the engine of imposition and fraud; holding out temptations equally pernicious to the integrity of government and to the morals of the people.” - Alexander Hamilton, America’s first Treasury secretary (from “Founders: No Fans of Paper Currency”, Deroy Murdock, July 1, 2011, NationalReview.com)

We see today that our founders were correct, as the Federal Reserve’s fiat currency causes staggering national debt, inflation, and frequent boom and bust cycles in stocks and real estate.

Gold and Silver Money Don’t Allow Massive Debt

Just to be clear, our national debt could not be at the current staggering level if sound money – gold and silver - were the only legal tender. Also, long term “inflation”, or loss in purchasing power, is not possible with sound money. A currency that can be created out of thin air causes these problems.

But it is not just the fact that our dollar is printed out of thin air that causes debt. The future purchasing power of a currency is the key to whether or not it causes debt. Let me explain.

If you had a million dollars, and any amount you had left in a week would disappear, you would spend it immediately, even on things you don’t need. This is like today’s fiat dollar, which loses several percent of its purchasing power every year, and causes both governments and individuals to spend it sooner rather than later, often recklessly.

On the other hand, if you had a million dollars and any money you had left a week from today would double in purchasing power, you would spend only on items you immediately need. This is how gold and silver work. They increase in purchasing power over time, so both governments and individuals tend to spend it much more carefully and frugally, saving it for when each ounce of gold or silver will purchase more.

If we look at the US Debt vs GDP ratio presented at the end of this testimony and found at <https://www.longtermtrends.net/us-debt-to-gdp/>, we see that our nation’s debt was profoundly lower when on the gold standard. From 1820 to the Civil War the ratio was below 10% and often nearly 0%, and **when the Fed was created in 1913 this ratio was also below 10% but has never been below**

10% since. Furthermore, the current debt/GDP ratio of well over 100% exceeds that during WWII.

The solution to our debt problem must include restoring Article 1, Section 10 of our US Constitution and declaring gold and silver legal tender. This is a duty of the state legislature, not the federal government.

SB39 Exempts Transactions in Gold and Silver from all Taxes, Helping Kansas Consumers and Businesses

Kansas businesses dealing in precious metals, whether as coins or bullion, are at a significant disadvantage because Kansas imposes capital gains taxes on transactions in precious metals.

Some might claim that this bill will cause a reduction in tax revenues due to the proposed exemption from capital gains taxes and personal property taxes. At least as likely is that this bill will produce new tax revenues in Kansas when sales increase for Kansas businesses dealing in gold and silver bullion and coin. These revenues also mean more income and jobs in Kansas.

Furthermore, this bill is the first step toward allowing sound money physical reserve banking in Kansas. This is not a pipe dream, as there are sound money banks in at least one other state. An entirely new industry would also bring more revenues, income, and jobs to Kansas.

Fiat currency destroys the purchasing power of most Kansans through inflation, and this harms the typical Kansas taxpayer much more than any small loss in capital gains tax revenues to the Kansas treasury.

SB39 is the First Step Toward Sound Money Banking in Kansas.

The Kansas legislature should pass SB39 now. This bill is the foundation upon which a Kansas sound money banking system can be built. This next step should not only protect Kansans from inflation, but should also protect Kansans from the central bank digital currency, the invasive use of ESG scores to enforce behavior, and other federal overreach.

SB39 should NOT be amended!

SB39 ends punishing Kansas taxation on gold and silver, including transactional gold and silver banking. This is what is necessary, right now.

Kansans already have access to convenient transactional banking in gold. We don't need an amendment or alternate bill solely for this purpose.

And when a bill is written to create Kansas based depositories, it must protect Kansans from potentially abusive Kansas state bureaucracy and from federal overreach such as the central bank digital currency and the invasive use of ESG scores to enforce behavior.

SB39 Technical Questions or Issues:

- **SB39 makes transactions in specie voluntary.** For example, SB39 prohibits any person or government from demanding that a debt be paid in silver coins at face value.
- **SB39 declares coins minted in US mints to be legal tender, and allows for other coins to also be declared legal tender by the courts. It does NOT declare ALL gold and silver coins, bars, and such legal tender.**
- **SB39 does NOT ban the fiat dollar in Kansas!** While doing so might be constitutional, it would not be prudent. SB39 is designed to give Kansans a choice.

SB39 restores gold and silver coin as legal tender in Kansas, as required by the US Constitution. It will help Kansas businesses and their customers by exempting transactions in legal tender from all forms of taxation. Finally, SB39 limits the tax exemptions to only those precious metals, gold and silver, which are allowed to serve as legal tender according to the Constitution.

I urge you to pass SB39 out of this committee with recommendation for passage by the Kansas Legislature.

Respectfully submitted,
John Axtell

Federal Debt to GDP

(Government) Total Public Debt / GDP Ratio



31 Dec 1923 → 30 Sep 2024

Zoom 10y 20y 50y 100y 200y

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