

Utah Pays Vendors in Gold: Toward a gold standard?

As Utah moves to let vendors accept gold and silver as payment, some see the glint of a gold standard revival. But beneath the shine lies a system still deeply rooted in fiat currency realities

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Highlights

- *Utah has recognized gold and silver as legal tender since 2011, but a new bill now allows the state to pay vendors in these metals, deepening the practical application*

- *The law removes capital gains and sales taxes on metal transactions and envisions a secure digital system for real-time gold and silver payments*
- *Gold is still not accepted for tax payments in Utah—fiat dollars remain the sole means to settle debts with the state.*
- *Utah's system uses current market prices for conversion, unlike a gold standard which requires a fixed rate—making the two fundamentally different*
- *While fiat currencies face inflation, tying money to gold could amplify economic shocks—something history has proven during the collapse of the gold and silver standards.*

Amidst times of uncertainty—or perhaps chaos—marked by extreme volatility in currency values, a heated debate unfolds: could precious metals like gold and silver serve as more stable alternatives to fiat currencies? The Heritage Foundation's Project 2025, seemingly embraced by the Trump administration as a policy framework, unequivocally advocates for a return to the gold standard. In this context, Utah's recent decision to permit vendors to accept payments in gold (and silver) might appear to signal the beginning of such a shift. However, is that truly the case? Examining Utah's move unveils key differences between fiat money and commodity money, subtly and ironically questioning the push for reinstating the gold standard.

Utah first recognized gold and silver as legal tender in 2011, aligning with provisions in the U.S. Constitution that allow such measures. Several other states, including Wyoming, Arizona, and Texas, have

enacted similar laws. A recent bill in Utah takes this further by authorizing the state to pay vendors in gold and silver.

At the heart of these legal changes is the classification of gold and silver as "legal tender," which eliminates sales and capital gains taxes when these metals are used as money or mediums of exchange. Additionally, the legislation outlines plans to establish an electronic payment system capable of facilitating and fractionating transactions backed by gold and silver in real-time. The system will also ensure that the metals are securely stored and properly audited.

To illustrate, consider a payment scenario in which the state government owes a vendor \$3,000, and the vendor opts to receive payment in gold. Based on the prevailing market rate, an equivalent amount of gold would be credited to the vendor's account. If gold is priced at \$3,000 per ounce, one ounce of gold would be credited. Alternatively, if the price of gold is \$2,000 per ounce, 1.5 ounces would be credited instead. This approach can also extend to transactions within the private sector. Given that these transactions are tax-free, conducted on legal and secure platforms, and reference accurate gold pricing from exchanges such as COMEX and LBMA, the legislation offers both individuals and businesses enhanced flexibility in selecting their preferred method of payment.

These legislations, in essence, create a streamlined and seamless two-step process. Initially, payments are made in dollars, which are immediately and securely converted into gold or silver at the current market rates, exempt from any taxes. Once credited, the metals can

seamlessly facilitate future transactions. If needed, they can be exchanged back into dollars, based on the prevailing market price, ensuring both flexibility and fluidity in the system. It is quite conceivable that the legislation may be extended to physical or digital assets like cryptocurrencies like Bitcoin, especially after the Trump administration's decision to create "crypto strategic reserves."

However, key differences remain between commodities like gold or cryptocurrencies as mediums of exchange and fiat currencies like the dollar or the rupee. The definition of "legal tender" in these legislations is rather limited. For instance, gold is not accepted by the Utah state government for settling obligations owed to it; even payments to vendors are made in dollars and then converted into gold. Strictly speaking, from an economic standpoint, legal tender signifies that the state must accept a specific form of money to settle tax obligations. In the case of the United States, dollars – financial liabilities of the state – serve as the sole legal tender and are uniquely accepted for paying taxes to the government.

Furthermore, in Utah, the dollar continues to serve as the unit of account, with prices typically expressed in dollars, as is customary across the United States. Taxes owed to the government are calculated in dollars and must be paid exclusively in this currency. While it is theoretically possible for gold to be established as legal tender that is acceptable to settle tax obligations, this would necessitate computing taxes in dollar terms—since the dollar remains the standard unit of account—and subsequently converting the amount into gold at the

current market price, with the gold then deposited into the government's vaults. However, such a system would introduce significant uncertainty for government finances in dollar terms due to the inherent fluctuations in gold prices. This is a key reason why Utah refrains from accepting gold for tax payments or other obligations.

Although Utah's current legislation might appear to signal a move toward the gold standard, it is fundamentally different. Under a gold standard, the dollar would be convertible into gold at a fixed rate. Such a system would result in prices of goods and services fluctuating dramatically with changes in the price of gold. For example, if a product is priced at \$2,000 and the dollar is pegged to a fixed rate of \$2,000 per ounce of gold, the product would cost \$1. However, if the price of gold rises to \$3,000 per ounce while the dollar remains fixed at \$2,000 per ounce, the product's price would drop to \$0.667. This continuous adjustment to prices based on gold value would create significant and unpredictable volatility in the cost of goods and services.

Historically, gold and silver standards were relatively effective until the late 19th century, largely due to "international bimetallism." The distribution of gold and silver standards among major nations, though not by design, played a significant role in stabilizing the relative price of the two metals. However, the collapse of international bimetallism, marked by many major economies abandoning the silver standard by the late 1800s, resulted in substantial economic and political upheaval

under the gold standard, possibly contributing to the conditions that led to World War I.

Fiat currencies are often criticized for their vulnerability to inflation-induced depreciation, yet a return to the gold standard could bring about even greater instability and economic turbulence.

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Views are personal and do not represent the stand of this publication.

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