

Department of Legislative Services
Maryland General Assembly
2014 Session

FISCAL AND POLICY NOTE

Senate Bill 1063 (Senator Colburn)
Education, Health, and Environmental Affairs

Business Regulation - Pawnbrokers - Required Records for Currency

This bill repeals the current exemption for transactions involving coins from regulation under the Maryland Secondhand Precious Metal Object Dealers and Pawnbrokers Act. As a result, each pawnbroker is required to make a written record of each business transaction that involves currency, including coins. The prohibition against counties or municipalities enacting a law to regulate coins is repealed.

Fiscal Summary

State Effect: The repeal of the current exemption for transactions involving coins is not expected to significantly alter the number of licensees under the Act; thus, State finances are not materially affected.

Local Effect: The bill is not anticipated to materially affect local government finances or operations.

Small Business Effect: Meaningful for small businesses licensed under the Act.

Analysis

Current Law: The Department of Labor, Licensing, and Regulation (DLLR) regulates dealers who acquire and trade secondhand precious metal objects, including gold and silver. Dealers of these objects, including individuals, retail jewelers, and pawnbrokers who deal in secondhand precious metal objects, must be licensed before doing business in the State in accordance with the Maryland Secondhand Precious Metal Object Dealers and Pawnbrokers Act. The fee for an initial license is \$300, and the renewal fee is \$265. Licenses must be renewed biennially.

In general, a secondhand precious metal object dealer may only purchase secondhand precious metal objects at the address for which the dealer's license is issued. There are three exemptions from this requirement. A dealer may:

- make purchases at an estate sale;
- make purchases at a judicial sale; and
- transact business at the residence of the owner of a precious metal object, on request of the owner, and after giving written notice of the proposed transaction to local law enforcement.

Licenses are required to record specified information for each transaction on a form provided by DLLR. Records must be kept for at least three years at a location within the State. Further, dealers must submit records electronically, in a format acceptable to the receiving law enforcement unit, by noon of the business day following the transaction. Licensees are required to maintain written records of all transactions that involve the acquisition of secondhand precious metal objects, including identifying information and a physical description of the person from whom the object was acquired.

The Act does not apply to specified transactions:

- merchandise acquired from an established manufacturer or dealer who holds a license under the Act, if a dealer is not a pawnbroker and meets specified recordkeeping requirements;
- metal acquired for use in dentistry by a State-licensed dentist;
- coins; or
- the purchase of junk or scrap metal otherwise subject to regulation in the State.

The transaction requirements also do not apply to (1) certain retail jewelers with a fixed Maryland business address in the State when accepting merchandise for normal business operations or (2) pawnbrokers located in a county that regulates pawnbrokers unless the pawnbroker does business as a dealer.

Any secondhand precious metal object acquired by a dealer must be held for at least 18 days in the county where the dealer holds a license, after a record is submitted to law enforcement. The primary law enforcement agency may require a dealer to hold a precious metal object for an additional 12 days if the agency has reason to believe that the item is stolen. The primary law enforcement agency can also extend the hold period for an additional 45 days if an item is under continuous active investigation with documented progress in the investigation. The 45-day extension can be renewed as many times as necessary. A dealer may submit a request to the primary law enforcement unit for a shorter holding period for a specific precious metal object.

A county or municipality may not enact laws to regulate dealers or coins, and State law supersedes any existing county or municipal law regulating dealers or coins.

Background: Chapter 399 of 2013 repealed an exemption for transactions involving “numismatic items” (currency and related items) thereby making the Act apply to such transactions.

The amount of regulatory activity related to secondhand precious metal object dealers and pawnbrokers depends largely on the value of precious metals at a given time. The 2005 through 2012 increase in the price of gold coincided with a significant increase in the number of secondhand precious metal object dealers and pawnbrokers licensed by DLLR.

Chapter 562 of 2009 established electronic reporting requirements for secondhand precious metal object dealers, thereby repealing the authorization that allowed dealers to mail or submit paper transaction records to law enforcement. The State uses the RAPID system to transmit acquisition information from secondhand precious metal object dealers to local law enforcement through an Internet interface. RAPID enables police departments statewide to immediately gain access to timely information about property that has been sold to pawnbrokers, precious metal dealers, or vehicle salvage yards. Since the inception of the RAPID system, law enforcement has recovered more than \$13 million in stolen property.

Small Business Effect: Businesses affected by the bill are likely small businesses. Businesses are affected to the extent that they are required to keep and submit transaction records for coins in the same manner as other secondhand precious metal objects.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of State Police; Governor’s Office of Crime Control and Prevention; Maryland Association of Counties; Maryland Municipal League; Anne Arundel, Charles, Frederick, and Montgomery counties; cities of Frederick and Havre de Grace; Department of Legislative Services

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