

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE

House Bill 422
Economic Matters

(Delegate Kirk, *et al.*)

Education, Health, and Environmental Affairs

Secondhand Precious Metal Object Dealers and Pawnbrokers - Definition of Dealer

This bill expands the definition of a secondhand precious metal object dealer to include an individual who is compensated for the sale or delivery of a secondhand precious metal object on behalf of an unlicensed party.

Fiscal Summary

State Effect: Potential increase in general fund revenues and expenditures for licensing new dealers. Potential minimal increase in general fund revenues and expenditures due to imposition of existing criminal and civil penalties on unlicensed dealers.

Local Effect: Potential minimal increase in revenues and expenditures due to imposition of existing criminal penalties on unlicensed dealers.

Small Business Effect: Potential meaningful application and administrative costs for individuals and businesses not previously required to be licensed as secondhand precious metal object dealers.

Analysis

Current Law: The Department of Labor, Licensing, and Regulation regulates dealers who acquire and trade secondhand precious metal objects, including gold, iridium, palladium, platinum, silver, precious and semiprecious stones, and pearls. Dealers of these objects, including individuals, retail jewelers, and pawnbrokers not otherwise regulated by a county, must be licensed before doing business in the State. An unlicensed dealer is guilty of a misdemeanor and subject to a maximum fine of \$10,000

and imprisonment for up to two years. The Secretary of Labor, Licensing, and Regulation is also authorized to impose civil penalties of up to \$5,000, payable to the general fund.

Applicants for licensure must pay a nonrefundable fee of \$75 and sign an application under oath that contains specified information, including a fixed business address. The applicant must also agree to submit to an investigation of the dealer's inventory by law enforcement agencies in the case of a stolen property investigation. All licensed dealers and their employees must submit to a criminal history records check, including fingerprinting at the individual's expense. Licenses are issued for a period of two years.

Licensees are required to maintain 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. All records must be submitted to law enforcement and retained by the dealer for at least three years in a location within the State. Any secondhand precious metal object acquired by a dealer must be held for at least 18 days after a record is submitted to law enforcement.

Background: The bill would effectively expand the definition of a secondhand precious metal object dealer to include auctioneers of secondhand precious metal objects. This could include those who operate at traditional auction sites and those who arrange for sale of objects on Internet auction sites. The Maryland Association of Auctioneers counts membership of more than 100 businesses, an unknown subset of which deals in secondhand precious metal objects. eBay, a prominent Internet auction site, has 2 million registered users in Maryland; 5,700 of these traders record sales of \$1,000 or more per month. This bill could affect those Maryland businesses that arrange sales on Internet auction sites, such as eBay, on behalf of others.

DLLR advises that it currently licenses 234 secondhand precious metal object dealers.

State Fiscal Effect: This bill could increase the number of applicants for licensure as secondhand precious metal objects dealers. Each applicant would be required to pay the \$75 application fee, which would be deposited in the general fund.

Additional general fund revenues could result from the monetary penalty provision for cases of unlicensed dealers heard in the District Court. Civil penalties imposed by the Secretary of Labor, Licensing, and Regulation on unlicensed dealers would also accrue to the general fund.

DLLR expenditures could increase for processing of additional license applications and associated administrative expenses. The Governor has included \$5,800 for licensing of

secondhand precious metal object dealers in his proposed fiscal 2009 budget. Should licensing activity increase significantly, DLLR would need additional administrative or clerical staff to handle the workload; however, licensing volume cannot be accurately quantified at this time. DLLR could request additional staff through the budget process.

General fund expenditures could also increase minimally if unlicensed dealers are committed to Division of Correction or local detention facilities. The number of people convicted is expected to be minimal.

Local Fiscal Effect: Additional revenue could result from the monetary penalty provision for cases of unlicensed dealers heard in the circuit courts.

Expenditures could increase minimally for incarceration of unlicensed dealers. Counties pay the full cost of incarceration for people in their facilities for the first 90 days of the sentence, plus part of the per diem cost after 90 days.

Additional Information

Prior Introductions: Identical bills were introduced in the 2007 session as HB 333 and SB 365. Neither the House Economic Matters Committee nor the Senate Education, Health, and Environmental Affairs Committee took action on the bills.

Cross File: None.

Information Source(s): Department of Labor, Licensing, and Regulation; Department of Legislative Services

Fiscal Note History: First Reader - February 4, 2008
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