

Department of Legislative Services
Maryland General Assembly
2010 Session

FISCAL AND POLICY NOTE
Revised

House Bill 318

(Delegate Sophocleus, *et al.*)

Economic Matters

Education, Health, and Environmental Affairs

Business Regulation - Secondhand Precious Metal Object Dealers

This bill modifies recordkeeping and reporting requirements for secondhand precious metal object dealers, and repeals a provision that allows them to conduct business for up to seven days at an event that takes place at a location other than the dealer's fixed business address.

Fiscal Summary

State Effect: General fund revenues for the Department of Labor, Licensing, and Regulation (DLLR) may decrease minimally beginning in FY 2011 due to reduced license fee and fine revenue collection. General fund expenditures by DLLR also may decrease minimally due to reduced enforcement costs as a result of the bill.

Local Effect: Local government revenues may decrease for counties that issue secondhand precious metal object dealer licenses as fewer dealers renew their licenses due to the bill.

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: The bill specifies that dealers (1) must keep all transaction records at their places of business; (2) may request a 48-hour extension to submit electronic records to local law enforcement agencies; and (3) must include their name and license number in advertisements as required by DLLR. Finally, the bill requires that the Secretary of Labor, Licensing, and Regulation distribute to all licensed dealers, or post on the Internet,

the name of the primary law enforcement unit responsible for enforcing laws related to secondhand precious metal object dealers in each jurisdiction.

Current Law: DLLR 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.

Licensees are required to record specified information for each transaction on a form provided by the Secretary. Records must be kept for at least three years at a location within the State. Further, dealers must submit records by transmitting the required information from the 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 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. 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.

In general, licensees may only conduct business at their fixed business address. However, after giving due notice to the appropriate law enforcement unit, a dealer may operate for up to seven days at an event that takes place at another location. Dealers may also make purchases at an estate or judicial sale and, under certain circumstances, conduct business with the owner of a precious metal object at the owner's residence or the location where the owner keeps the object.

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.

Persons who violate the State law relating to secondhand precious metal object dealers may face criminal and civil penalties. Persons who willfully or knowingly violate these provisions are guilty of a misdemeanor and may be imprisoned for two years and are also subject to fines of up to \$10,000. The Secretary may also fine a person who violates the law up to \$5,000 per offense.

State Fiscal Effect: According to DLLR, the increase in the price of gold – from roughly \$500 per ounce in 2006 to roughly \$1,100 per ounce in 2010 – has resulted in

many dealers utilizing the provisions allowing them to operate away from their fixed business addresses; for dealers, purchasing precious metals at events such as hotel parties can be vital to their operations. DLLR advises that, because some dealers derive a significant portion of their business in this manner, the number of secondhand precious metal dealers in the State may decline if the bill is passed. As of May 2009, there were 403 dealers licensed by DLLR. It is unknown how many dealers may not renew their licenses due to the bill; however, *for illustrative purposes only*, if 20% of dealers with licenses due to expire in fiscal 2011 do not renew their licenses, the resulting loss in general fund revenue is \$6,045. DLLR further advises there may be fewer complaints related to the actions of dealers due to the bill. Therefore, general fund revenues may decrease as the State collects less license fee and fine revenue due to the bill. Legislative Services cannot reliably estimate the amount of revenue lost due to the bill, but it is not expected to be significant.

State Expenditures: To the extent that the activities of dealers away from their fixed business addresses generate complaints, DLLR advises that there may be a reduction in legal services and administrative hearing costs due to the bill. The amount of such a decrease cannot be reliably estimated at this time, but it also is not expected to be significant. DLLR currently complies with the bill's requirement to post the names of the primary law enforcement units in the State. The Department of State Police advises that the changes related to recordkeeping requirements do not affect the agency's expenditures.

Local Fiscal Effect: To the extent that local governments issue licenses to secondhand precious metal dealers (in addition to the State license), local revenues may decrease in a manner similar to that of the State. Local law enforcement agencies can handle the bill's requirements with existing resources.

Small Business Effect: Dealers that conduct a significant portion of their business away from their fixed business address may be hindered by the bill's provisions. Legislative Services assumes that, while industry practices may conform to the change in the law, some dealers may cease operations due to the bill's restrictions on their ability to conduct business away from their fixed address.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Allegany, Harford, and Montgomery counties; Baltimore City; Town of Bladensburg; Department of Labor, Licensing, and Regulation; Department of State Police; Department of Legislative Services

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