

Department of Legislative Services
Maryland General Assembly
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FISCAL AND POLICY NOTE
Revised

House Bill 1040
Economic Matters

(Delegate Sophocleus, *et al.*)

Education, Health, and Environmental Affairs

**Business Regulation - Secondhand Precious Metal Object Dealers and
Pawnbrokers - Revisions**

This bill authorizes a law enforcement agency to extend the period for which specified items suspected of being stolen must be held by dealers licensed under the Maryland Secondhand Precious Metal Object Dealers and Pawnbrokers Act. The bill also exempts from the Act a transaction by a retail jeweler if the jeweler participates in a “remount sale.” The bill repeals the current exemption for transactions involving “numismatic items,” thereby making the Act apply to such transactions (except for coins, which are still exempt); likewise, the prohibition against counties or municipal corporations enacting a law to regulate numismatic items is repealed while the prohibition against regulating coins is retained.

Fiscal Summary

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

Local Effect: The bill facilitates investigation of criminal activity but is not anticipated to materially affect local government finances.

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

Analysis

Bill Summary: “Remount sale” means a transaction between a retailer and an existing customer to upgrade the customer’s precious or semiprecious stone or pearl by removing from an existing mounting and placing in a new mounting from the retailer and crediting the value of the existing mounting toward the cost of the new mounting.

A licensed dealer must retain in the dealer’s place of business an item of personal property or other valuable thing, other than securities or printed evidence of indebtedness, for an additional 45 days following the specified 12-day additional holding period required under current law, if the primary law enforcement agency:

- requests that the dealer retain the item in the dealer’s place of business;
- has a continuous active investigation of an item initially held under current law based on a reasonable cause to believe the item was stolen; and
- has documentation of progress in the investigation as long as the investigation has not been closed.

A primary law enforcement agency may renew a request to hold an item under the bill as many times as necessary.

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 numismatic items; 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. A dealer may submit a request to the primary law enforcement unit for a shorter holding period for a specific precious metal object.

Background: 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. Prior to 2008, the total number of licenses issued by the department averaged 254. By January 2009, the department active license total was 348, a 37% increase. By January 2011, the number of active precious metal licensees had climbed to 591 – more than double the pre-2008 average and 70% higher than in January 2009. As of January 2013, DLLR has 643 active licensees.

Chapter 562 of 2009 (SB 597) established electronic reporting requirements for dealers, thereby repealing the authorization that allowed dealers to mail or submit paper transaction records to law enforcement. The State uses the Regional Automated Property Information Database (RAPID) system to transmit acquisition information from

secondhand 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.

The Department of State Police reports that, since the inception of the RAPID system, law enforcement has recovered \$13.2 million in stolen property. In 2012 alone, \$883,000 worth of stolen precious metal objects were recovered from dealers who reported secondhand precious metal object purchases.

Small Business Effect: Businesses affected by the bill are likely small businesses. Businesses are affected to the extent that certain merchandise under suspicion of being stolen is held for longer periods of time and, therefore, cannot be sold for profit while under active investigation by law enforcement.

Additional Information

Prior Introductions: None.

Cross File: None.

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

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