

**Department of Legislative Services**  
Maryland General Assembly  
2013 Session

**FISCAL AND POLICY NOTE**

House Bill 15 (Delegate Bromwell)  
Economic Matters

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**Secondhand Precious Metal Object Dealers - Locations for Transaction of  
Business**

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This bill expands the authority of a licensed secondhand precious metal object dealer to transact business as a dealer for up to seven consecutive days at an event that takes place at a location other than the dealer's fixed business address. The dealer must give written notice at least seven days in advance of the event to the primary law enforcement unit and to the local law enforcement unit within the jurisdiction of the event location only if (1) the dealer or dealer's agent or employee has acquired space at the event or (2) has published notice of or advertised the event by any means.

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**Fiscal Summary**

**State Effect:** Potential minimal increase or decrease in general fund revenues collected from licensing fees under the Maryland Secondhand Precious Metal Object Dealers and Pawnbrokers Act. However, the magnitude and direction of the change cannot be reliably estimated at this time, as discussed below. The Department of Labor, Licensing, and Regulation (DLLR) can implement the bill with existing budgeted resources. General fund expenditures may increase or decrease minimally for the Department of State Police (DSP) beginning in FY 2014 due to a change in registrations with the Regional Automated Property Information Database (RAPID) system. The bill likely imposes a significant operational burden on DSP to monitor and track additional secondhand precious metal object dealers and events, either requiring additional resources to maintain current levels of enforcement or leading to diminished enforcement and recovery of stolen merchandise.

**Local Effect:** Significant operational burdens on local law enforcement agencies, either requiring additional resources or resulting in diminished enforcement and recovery of stolen merchandise.

**Small Business Effect:** Meaningful.

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## Analysis

**Current Law:** 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:** Chapter 404 of 2010 (HB 318) repealed a provision that allowed secondhand precious metal object dealers 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. These events were typically hotel-based gold-buying events or home gold parties.

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 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.

DSP 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.

**State Fiscal Effect:** The fiscal impact of the bill is uncertain, as DLLR could see an increase in the number of licensees, a decrease in licensees, or no substantive change in the number of licensees. DLLR advises that the bill could encourage more individuals to seek licensure if residential and hotel gold-buying events are reauthorized. Conversely, if

individuals with multiple licenses consolidate and eliminate duplicate locations because they are again permitted to conduct buying events off site of the business location, the number of licensees could decrease. Thus, individuals consolidating their licenses may offset any increase in the number of licenses issued to new applicants. A net change in the number of licensees minimally increases or decreases general fund revenues beginning in fiscal 2014. Following the enactment of Chapter 404, the number of licensed dealers increased from 550 in fiscal 2010 to 601 in fiscal 2011, but the number of new licenses issued dropped from 199 in fiscal 2010 to 120 in fiscal 2011.

General fund expenditures may increase or decrease minimally for DSP beginning in fiscal 2014 due to a change in registrations with the RAPID system. The magnitude and direction of the change cannot be reliably estimated at this time. Each secondhand precious metal object dealer registrant costs DSP \$220. However, DSP advises that the bill likely has a significant operational impact to monitor and track additional secondhand precious metal object dealers and events. Additional staff may be needed to maintain current enforcement levels.

**Local Fiscal Effect:** The bill may increase operational burdens on units of local government. Baltimore County advises that allowing secondhand precious metal object dealers to operate at temporary locations for short periods of time (1) significantly increases the number of locations visited by its detectives and (2) creates concerns about where and how secondhand precious metal objects will be stored for the required holding period. In addition, if a dealer from another region were to have a temporary event in Baltimore County, then county police would have to travel up to several hours to conduct inspections.

**Small Business Effect:** DLLR advises that, prior to Chapter 404 of 2010, individuals and small businesses had created a niche market for residential and hotel gold-buying events. As a result of the 2010 legislation, businesses either discontinued this activity or acquired permanent facilities from which to continue to buy precious metal objects. The bill may result in the resumption of this activity and open up financial opportunity for those individuals and businesses that closed as a result of the 2010 legislation. Licensees who currently operate from multiple locations and in multiple jurisdictions would be able to consolidate their facilities. This consolidation would result in expenditure savings for staff, site rental, and other overhead cost to licensees.

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### **Additional Information**

**Prior Introductions:** None.

**Cross File:** None.

**Information Source(s):** Department of Labor, Licensing, and Regulation; Department of State Police; Baltimore, Carroll, Harford, Montgomery, Queen Anne's, and St. Mary's counties; Department of Legislative Services

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Analysis by: Stephen M. Ross

Direct Inquiries to:  
(410) 946-5510  
(301) 970-5510