

Department of Legislative Services
 Maryland General Assembly
 2026 Session

FISCAL AND POLICY NOTE
First Reader

Senate Bill 692 (Senator Smith)
 Judicial Proceedings

Firearms Dealers and Employees - Required Training and Exam

This bill requires the Secretary of State Police, by October 1, 2026, to (1) approve at least one training course on specified subjects relating to firearms and (2) offer a written exam testing those subjects, as specified. Beginning January 1, 2027, before an individual may apply to become a licensed firearms dealer, the individual must complete the training and satisfactorily pass the exam; the Secretary of State Police must disapprove an application for a dealer’s license if the applicant has failed to do so. A licensed dealer and an individual hired as an “employee” of a licensed dealer must annually complete the training and satisfactorily pass the exam, as specified. A person who violates these requirements is subject to a maximum civil penalty of \$1,000 imposed by the Secretary. The bill establishes requirements relating to the exam, including the issuance of a certificate by the Secretary when an individual has satisfactorily passed the exam. Finally, the bill authorizes the Secretary to adopt regulations to carry out the bill.

Fiscal Summary

State Effect: General fund expenditures increase by \$1.0 million in FY 2027; future years reflect annualization, inflation, and minimum ongoing costs. Overall, the bill is not anticipated to materially affect State revenues.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	1,027,800	265,200	277,500	290,000	302,600
Net Effect	(\$1,027,800)	(\$265,200)	(\$277,500)	(\$290,000)	(\$302,600)

Note: () = decrease; GF = general funds; FF = federal funds; SF = special funds; - = indeterminate increase; (-) = indeterminate decrease

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

Small Business Effect: Potential meaningful.

Analysis

Bill Summary: By October 1, 2026, the Secretary of State Police must:

- approve at least one training course that may be completed using the Internet, includes written training materials, and provides instruction on (1) State and federal laws regulating the transfer of firearms and ammunition; (2) preventing and reporting to law enforcement the theft of firearms and ammunition; (3) teaching customers firearm safety, including safe storage and handling of firearms; and (4) recognizing and reporting to law enforcement signs of straw purchases, firearm trafficking, fraudulent activity, an individual who intends to use a firearm for an unlawful purpose or self-harm, and any other subject the Secretary determines is appropriate; and
- offer a written multiple choice exam that tests those subjects and includes at least 20 questions.

The Secretary may not limit the number of times that an individual may attempt the exam. Further, the Secretary must (1) find that an individual who has correctly answered at least 70% of the exam questions has satisfactorily passed the exam and (2) issue the individual a certificate stating that the individual has satisfactorily passed the exam. A licensed dealer must maintain at the licensed dealer's place of business a copy of each certificate issued by the Secretary to the licensed dealer and the licensed dealer's employees.

A licensed dealer must annually complete the training and satisfactorily pass the exam, and within 20 days after the date that an individual is hired as an employee of a licensed dealer, and annually thereafter, the individual must complete the training and satisfactorily pass the exam.

“Employee” means an individual employed by a licensed dealer, whether or not for compensation, and whose duties include handling firearms within the licensed dealer's place of business or selling or transferring firearms.

Current Law: A person must lawfully possess a regulated firearms dealer's license issued by the Secretary of State Police before the person engages in the business of selling, renting, or transferring regulated firearms. One dealer's license is required for each place of business where regulated firearms are sold.

An applicant for a dealer’s license must submit an application to the Secretary of State Police on the form that the Secretary provides and pay to the Secretary an application fee of \$50, payable to the Comptroller. A refund or proration of the application fee is prohibited. An application for a dealer’s license must contain:

- the applicant’s name, address, Social Security number, place and date of birth, height, weight, race, eye and hair color, and signature;
- a clear and recognizable photograph of the applicant, unless the photograph has been submitted with a prior year’s application;
- a set of the applicant’s fingerprints, unless the fingerprints have been submitted with a prior year’s application; and
- a statement by the applicant that the applicant (1) is a U.S. citizen; (2) is at least age 21; (3) has never been convicted of a disqualifying crime; (4) has never been convicted of a violation classified as a common law crime and received a term of imprisonment of more than two years; (5) is not a fugitive from justice; (6) is not a habitual drunkard; (7) is not addicted to a controlled dangerous substance or is not a habitual user; and (8) has never spent more than 30 consecutive days in a medical institution for treatment of a mental disorder, unless a physician’s certificate issued within 30 days before the date of application is attached to the application, certifying that the applicant is capable of possessing a regulated firearm without undue danger to the applicant or to another.

Each application for a dealer’s license must contain the following statement: “Any false information supplied or statement made in this application is a crime which may be punished by imprisonment for a period of not more than two years, or a fine of not more than \$5,000 or both.” If an applicant is a corporation, a corporate officer who is a resident of the State must complete and execute the application.

State licensees must also have a federal firearms license issued by the Bureau of Alcohol, Tobacco, Firearms, and Explosives.

State Fiscal Effect: General fund expenditures increase by \$1,027,812 in fiscal 2027, which accounts for the bill’s October 1, 2026 effective date. This estimate reflects the cost of hiring one trooper and two administrative officers to (1) research, develop, maintain, and update the training course and written exam and (2) monitor compliance by licensed firearms dealers and their employees. It includes salaries, fringe benefits, one-time start-up costs (including computer programming costs), and ongoing operating expenses.

Positions	3.0
Salaries and Fringe Benefits	\$200,390
Computer Programming Costs	800,000
Other Operating Expenses	<u>27,422</u>
Total FY 2027 State Expenditures	\$1,027,812

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses. To the extent that additional changes need to be made to the licensing portal each year, general fund expenditures increase further in future years.

The Department of Legislative Services notes that the bill results in significant operational challenges for the Department of State Police (DSP). First, the bill requires the Secretary of State Police, by October 1, 2026, to approve at least one training course and offer the written exam. However, that is the same date the bill takes effect. Second, DSP advises that, given the extensive amount of work involved with developing the required training and written exam, it will be difficult to have that work completed even before the January 1, 2027 deadline by which an individual must complete the training and pass the written exam. Specifically, DSP advises that, in addition to working with licensed dealers and the Attorney General, its audit program for inventory and security of licensed firearms dealers needs to be altered to include inspection of the training and exam requirements for licensed dealers and their employees. DSP anticipates that it will take approximately 18 months to hire consultants to handle the computer programming work and to develop, test, and deploy the changes to its licensing portal. Accordingly, it is unlikely that DSP can complete this work in the time frame established by the bill.

Further, beginning January 1, 2027, until the training and exam are available for individuals to complete and satisfactorily pass, the Secretary must disapprove all dealer's license applications. Any related decrease in license application fees is anticipated to be material.

The bill's penalty provisions are not anticipated to materially affect State finances.

Small Business Effect: The bill has a potential meaningful impact on small business owners with firearms dealer licenses to annually complete the required training, pass the written exam, and ensure that all employees also complete the training and pass the exam. Further, if any applicants for firearms dealer licenses are not able to complete the required training and satisfactorily pass the written exam by January 1, 2027 – even if the training and exam are not yet available to complete at that time – their applications must be disapproved.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: HB 741 (Delegate Taylor) - Judiciary.

Information Source(s): Judiciary (Administrative Office of the Courts); Department of State Police; Department of Legislative Services

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jg/lgc

Analysis by: Shirleen M. E. Pilgrim

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