

Department of Legislative Services
Maryland General Assembly
2016 Session

FISCAL AND POLICY NOTE
Third Reader

Senate Bill 35

(Senator Conway)

Education, Health, and Environmental Affairs

Economic Matters

Secondhand Precious Metal Object Dealers and Pawnbrokers - Required
Records - Photograph of Precious Metal Object

This bill requires a secondhand precious metal object dealer (including a pawnbroker if a transaction involves a precious metal object) to include a photograph of each precious metal object as part of the dealer's transaction records. A dealer is *not* required to include a copy of the photograph with transaction records submitted to law enforcement, except at the request of the primary or secondary law enforcement unit.

Fiscal Summary

State Effect: The Department of State Police (DSP) can implement the bill with existing budgeted resources, under the assumptions discussed below. Under a different set of assumptions, general fund expenditures for DSP increase by at least \$100,000 in FY 2017 for server space and software. The bill is not anticipated to affect the number of licensees in the State. The application of existing penalty provisions is not anticipated to materially affect State finances. Therefore, the bill has no effect on revenues.

Local Effect: The bill does not materially affect local government finances or operations.

Small Business Effect: Minimal.

Analysis

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.

A dealer (including a pawnbroker if a transaction involves a precious metal object) must make a written record, on a form provided by the Secretary of Labor, Licensing, and Regulation, of each business transaction that involves the acquisition of a secondhand precious metal object when the transaction is made. The record must include:

- the date, place, and time of each transaction that involves the acquisition of a precious metal object;
- the name and address of the principal, if the transaction is by an agent;
- a description of the precious metal object;
- for each individual from whom the dealer acquires a precious metal object the name, date of birth, and driver's license number of the individual or specified identification information about the individual;
- a statement indicating whether or not the person making the transaction is personally known to the dealer; and
- the signature of the person from whom the precious metal object or personal property is acquired and the dealer or employee who accepted the precious metal object.

A different record is required for a pawn transaction that involves:

- lending money on pledge of personal property, other than a security or printed evidence of indebtedness;
- buying personal property on condition of selling it back at a stipulated price; or
- buying specified items for the purpose of resale, such as firearms, computers, watches, and bicycles.

For this type of transaction, in addition to any other information required by the Secretary, the records of a pawnbroker must include, for each item pawned (1) the type of item; (2) its manufacturer, model number, year of manufacture if known, and serial number if known; and (3) its color and size.

Records must be kept for at least three years at a location within the State. Generally, the businesses must submit records electronically, in a format acceptable to the receiving law enforcement unit, by noon of the business day following the transaction.

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 increase in the price of gold from 2005 through 2012 coincided with a significant

increase in the number of secondhand precious metal object dealers and pawnbrokers licensed by DLLR.

Chapter 562 of 2009 established electronic reporting requirements for dealers (including pawnbrokers), 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 object dealers, or vehicle salvage yards.

State Expenditures: DSP does not anticipate requiring all dealers to include a photograph with their submissions to the RAPID system. Assuming that local law enforcement agencies also do not require all dealers in their respective jurisdictions to include a digital photograph of all secondhand precious metal objects as part of their electronic submission of records, then there is no cost for DSP to implement the bill. However, if some local law enforcement agencies require all dealers in their jurisdictions to include a digital photograph of all secondhand precious metal objects, then general fund expenditures for DSP increase by at least \$100,000 in fiscal 2017 for server space and software.

Small Business Effect: The businesses affected by the bill are generally small businesses. The bill has a negative effect on these businesses to the extent that they are required to purchase any equipment or software to meet the bill's digital photograph requirement.

Additional Information

Prior Introductions: SB 934 of 2015, a similar bill as passed by the Senate, received a hearing in the House Economic Matters Committee, but no further action was taken.

Cross File: None.

Information Source(s): Governor's Office of Crime Control and Prevention, Department of State Police, Department of Legislative Services

Fiscal Note History: First Reader - January 15, 2016
md/mcr

Analysis by: Stephen M. Ross

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