

Department of Legislative Services
 Maryland General Assembly
 2022 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1021
 Judiciary

(The Speaker)

Judicial Proceedings

Public Safety – Licensed Firearms Dealers – Security Requirements

This bill prohibits a licensed firearms dealer from conducting business and storing firearms at a location unless (1) the premises on which the licensed dealer operates is equipped with specified security features or (2) outside business hours, the licensed dealer locks all firearms stored on the premises in a vault, a safe, or a room or building that meets specified requirements. The Secretary of State Police must adopt rules and regulations to determine whether a licensed dealer has met these requirements. A violator is subject to a maximum civil penalty of \$1,000 imposed by the Secretary. In addition to the civil penalty, a person who *knowingly and willfully* violates the bill’s provisions is subject to (1) for a second offense, suspension of the person’s dealer’s license and (2) for a third or subsequent offense, revocation of the person’s dealer’s license. These penalties do not apply if the equipment or alarm system became temporarily inoperable at no fault of the licensed dealer. The Secretary must (1) suspend a dealer’s license if the licensee is found in violation of a second offense of the bill’s provisions and (2) revoke a dealer’s license if the licensee is found in violation of a third or subsequent offense of the bill’s provisions.

Fiscal Summary

State Effect: General fund expenditures increase by \$128,600 in FY 2023. Future years reflect annualization, inflation, and ongoing costs. Revenues are not affected.

(in dollars)	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
Revenues	\$0	\$0	\$0	\$0	\$0
GF Expenditure	128,600	151,200	155,500	159,600	164,000
Net Effect	(\$128,600)	(\$151,200)	(\$155,500)	(\$159,600)	(\$164,000)

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

Local Effect: None.

Small Business Effect: Meaningful.

Analysis

Current Law: No person may engage in the business of selling, renting, or transferring regulated firearms unless the person lawfully possesses and conspicuously displays at the place of business, in addition to any other license required by law, a regulated firearms dealer's license issued by the Secretary. A licensee must have already been issued a federal firearms dealer's license. The license must identify the licensee and the location of the licensee's place of business. One license is required for each place of business where regulated firearms are sold. A State firearms dealer's license expires on June 30 of each year and is nontransferable. The initial license fee is \$50, and the annual renewal fee is \$25. If a licensee changes the licensee's place of business, the licensee must inform the State Police of the change and surrender the license. If no cause exists for the revocation of the license, the Secretary must issue a new license, without fee, covering the new place of business for the duration of the unexpired term of the surrendered license.

A licensed dealer or other person may not knowingly participate in the illegal sale, rental, transfer, purchase, possession, or receipt of a regulated firearm. A violator is guilty of a misdemeanor and subject to maximum penalties of imprisonment for five years and/or a fine of \$10,000. Each violation is a separate crime.

A "regulated firearm" means a handgun or specified assault weapon.

The reasons for which a dealer's license is required to be suspended or revoked are specified in the Public Safety Article. If a dealer's license is suspended or revoked, the Secretary must notify the licensee in writing of the action. A person whose dealer's license has been suspended or revoked may not engage in the business of selling, renting, or transferring regulated firearms unless the suspension or revocation has been subsequently withdrawn by the Secretary or overruled by a court after review.

Chapter 427 of 2013 requires that a licensed dealer keep records of all receipts, sales, and other dispositions of firearms affected in connection with the dealer's business. The Secretary must adopt regulations governing the form in which the records are to be kept, the time period for keeping the records, and the contents of the records, which must include specified information. Among other things, the records must include the name and address of each person from whom the dealer acquires a firearm and to whom the dealer sells or disposes of a firearm. Records maintained under federal law may be used to satisfy the record keeping requirements, provided that the Secretary is granted access to those records.

Records may be transferred, as specified. Information in response to requests for information from the records may be provided orally or in writing to the Department of State Police (DSP).

The Secretary must inspect the inventory and records of a licensed dealer at least once every two years, and the Secretary may inspect the inventory and records at any time during the normal business hours of the licensed dealer’s business.

A violator of the recordkeeping and reporting requirements is subject to a civil penalty not exceeding \$1,000. For a second or subsequent offense, a violator is guilty of a misdemeanor and subject to maximum penalties of imprisonment for three years and/or a fine of \$10,000. These penalties are not intended to apply to inconsequential or inadvertent errors. In addition, a dealer’s license may be suspended if the licensee is not in compliance with the recordkeeping and reporting requirements. The Secretary may lift a suspension after the licensee provides evidence that the recordkeeping violation has been corrected.

Background: According to the Bureau of Alcohol, Tobacco, Firearms and Explosives, in 2021, a total of 152 firearms were reported lost or stolen by federal firearms licensees in the State.

State Expenditures: General fund expenditures increase by \$128,568 in fiscal 2023, which accounts for the bill’s October 1, 2022 effective date. This estimate reflects the cost of hiring two auditors to perform an annual audit of all State-licensed firearms dealers to ensure that each dealer meets the security measures required by the bill. It includes salaries, fringe benefits, one-time start-up costs, and ongoing operating expenses. The information and assumptions used in calculating the estimate are stated below:

- there are approximately 420 State-licensed firearms dealers in the State;
- pursuant to current law, one license is required for each place of business where regulated firearms are sold, and the license expires June 30 each year;
- under current law, the Secretary must inspect the inventory and records of a State-licensed dealer at least once every two years;
- because the bill prohibits a licensed dealer from conducting business unless the dealer is in compliance with the bill, DSP needs to inspect the business of each licensee annually before license renewal; and
- DSP does not have sufficient staff to conduct annual inspections of all licensees.

Positions	2.0
Salaries and Fringe Benefits	\$113,882
Operating Expenses	<u>14,686</u>
Total FY 2023 State Expenditures	\$128,568

Future year expenditures reflect full salaries with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

Small Business Effect: The bill has a meaningful impact on small business owners who are licensed firearms dealers to the extent they must acquire security equipment to comply with the bill.

Additional Information

Prior Introductions: None.

Designated Cross File: None.

Information Source(s): Baltimore, Charles, and Frederick counties; Maryland State Commission on Criminal Sentencing Policy; Judiciary (Administrative Office of the Courts); Office of the Public Defender; Department of Public Safety and Correctional Services; Department of State Police; Bureau of Alcohol, Tobacco, Firearms and Explosives; Department of Legislative Services

Fiscal Note History: First Reader - February 28, 2022
km/lgc Third Reader - March 28, 2022
Revised - Amendment(s) - March 28, 2022

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