The Commonwealth of Massachusetts

In the One Hundred and Eighty-Ninth General Court (2015-2016)

SENATE, April 21, 2016

The committee on Ways and Means, to whom was referred the House Bill regulating secondary metals dealings (House, No. 3806),-- reports, recommending that the same ought to pass with an amendment striking out all after the enacting clause and inserting in place thereof the text of Senate document numbered 2235 (also accompanied by Senate, No. 202) [Estimated cost: \$250,000].

For the committee, Karen E. Spilka **SENATE No. 2235**

The Commonwealth of Massachusetts

In the One Hundred and Eighty-Ninth General Court (2015-2016)

1 SECTION 1. Chapter 6 of the General Laws is hereby amended by adding the following 2 section:-3 Section 219. Subject to distribution from the Secondary Metals Registry Trust Fund, established in section 35DDD of chapter 10, the executive office of public safety and security, in cooperation with the department of criminal justice information services, shall utilize an alert system, modeled after the Institute of Scrap Recycling Industries Inc., or ISRI, alert system for 7 state and local law enforcement agencies to track and monitor all secondary raw metals dealing transactions and secondary consumer metals dealing transactions. This alert system shall include all raw metals as defined in chapter 140B½ and consumer metal as defined in chapter 140B¾. 10 The secretary shall adopt regulations, consistent with chapters 140B½ and 140B¾, to maintain the alert system and ensure that state and local law enforcement agencies use the alert system, the ISRI alert system or any successor system. All records transmitted to the executive 12 office of public safety and security under subsection (g) of section 4 of chapter 140B ½ and 13 subsection (g) of section 4 of chapter 140B ³/₄, including information contained in any notice 14 from the alert system, shall be open to any law enforcement agency and shall not be a public 15

record under clause Twenty-sixth of section 7 of chapter 4 or section 10 of chapter 66.

- The secretary shall take all reasonable steps to secure data maintained under this section and shall ensure that no third-party, contractor or subcontractor disseminates the data to a person or organization outside of or other than the holder of the data and those authorized under this section.
- 21 SECTION 2. Chapter 10 of the General Laws is hereby amended by inserting after 22 section 35CCC the following section:-
- 23 Section 35DDD. There shall be a fund to be known as the Secondary Metals Registry 24 Trust Fund. The fund shall consist of money paid to the commonwealth under chapters 140B½ and 140B³/₄ and any interest or investment earnings on that money. All available money in the fund that is unexpended at the end of each fiscal year shall not revert to the General Fund and 26 27 shall be available for expenditure in the subsequent fiscal year. The state treasurer shall be the 28 custodian of the fund and shall receive, deposit and invest all money transmitted under this section and shall credit interest and earnings to the fund. The state treasurer shall annually 29 distribute 50 per cent of any fine collected and transferred to the fund under said chapters 140B½ 30 and 140B³/₄ to the municipality where the violation of occurred and 50 per cent to the executive 31 office of public safety and security for the alert system established under section 219 of chapter 32 6, without further appropriation.
- 34 SECTION 3. Section 202 of chapter 140 of the General Laws, as appearing in the 2014 35 Official Edition, is hereby amended by striking out, in line 2, the words ", old metals".
- SECTION 4. Said section 202 of said chapter 140, as so appearing, is hereby further amended by inserting after the word "pawnbrokers", in line 2, the following words:-, secondary raw metals dealers, secondary consumer metals dealers.

39	SECTION 5. The General Laws are hereby amended by inserting after chapter 140B the
40	following 2 chapters:-
41	CHAPTER 140B½
42	SECONDARY RAW METALS DEALING
43	Section 1. For the purposes of this chapter, the following words shall have the following
44	meanings unless the context clearly requires otherwise:
45	"Business-to-business transaction", an exchange of raw metals for compensation
46	between 2 or more registered secondary raw metals dealers.
47	"Raw metal", any substance or article consisting of metal or a metal alloy, but excluding:
48	(i) aluminum beverage containers if the containers have a refund value under section 322 of
49	chapter 94; (ii) firearms, ammunition and large capacity feeding devices, as defined in section
50	121 of chapter 140; and (iii) consumer metals as defined by section 1 of chapter 140B3/4.
51	"Secretary", the secretary of public safety and security or a designee.
52	"Secondary raw metals dealer" or "dealer", any business, person, corporation, association
53	or organization engaged in secondary raw metals dealing for profit, whether or not registered
54	under section 2.
55	"Secondary raw metals dealing", a regular occupation or constant employment of
56	gathering or obtaining raw metal and for which the economic value is based upon the bulk metal
57	content and not a consumer use; provided, however, that "secondary raw metals dealing" shall
58	not include an isolated or occasional transaction.

- Section 2. (a) No dealer shall carry on the business of secondary raw metals dealing without filing a registration form with the secretary and the chief of police of the municipality in which the person seeks to do business.
- All registrations under this section shall be made on a form prescribed by the secretary and shall set forth the name of the registrant, the nature of the business and the building or place in the city or town in which business is conducted.
- 65 The fee for registration shall be \$250 for the first year of operation and \$75 for every year 66 thereafter. Societies, associations or corporations organized solely for religious or charitable purposes shall not be required to pay a fee for registration. A dealer required to be both 67 registered under this chapter and licensed under chapter 140B ³/₄ shall pay a single fee of \$350 68 69 for the initial license and registration and \$100 for each annual renewal thereafter. Seventy-five per cent of the fees shall be forwarded by the collecting municipality to the state treasurer, who 70 shall deposit the money into the Secondary Metals Registry Trust Fund established in section 71 72 35DDD of chapter 10.
- Any registration or renewal shall designate a resident agent for service of process. The
 designation of a resident agent may be withdrawn but shall be withdrawn in writing and upon the
 designation of a new resident agent for service of process.
- A registration shall not be transferred without the prior consent of the chief of police. A registration shall be posted on the registrant's premises in a conspicuous place and manner.
- A registration issued under this section shall expire on May 1 following the date of issue.

- 79 (b) The chief of police, or a designee, in the municipality in which a dealer is registered shall enter the premises used by a registrant to engage in secondary raw metals dealing to 80 inspect, in a reasonable manner, the books, records and inventory at least once per calendar year 81 during regular business hours. If the records or inventory contain evidence of a violation of this 82 chapter, the inspecting officer shall take possession of copies of the records. If the registrant does 83 84 not possess the means to provide copies, the inspecting officer shall arrange to obtain, in a reasonable time and manner, copies of those records that contain evidence of the violation and 85 the costs for obtaining the copies shall be assessed against the owner of the records. 86
- (c) A law enforcement officer having jurisdiction may at any time enter a premises being used for secondary raw metals dealing to: (i) determine if the dealer has a valid registration and is operating in accordance with this chapter; (ii) examine all articles received or stored in or upon the premises; and (iii) examine all of the related books, records and inventory. A secondary raw metals dealer shall, upon demand, provide the law enforcement officer with all articles, books or inventory.
 - Section 3. (a) If a dealer was registered under section 2 and violates this section by continuing to operate after the expiration of that registration, the municipality shall provide written notice of the violation to that dealer within 30 days after the violation. If the dealer reregisters or ceases operation not more than 30 days after receiving the notice, that dealer shall be exempt from the penalties under subsection (b).

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98 (b) Whoever violates this section shall be punished for a first offense by a fine of not 99 more than \$1,500, for a second offense by a fine of not more than \$3,500 and for a third or

- subsequent offense by a fine of not more than \$5,000. When a fine is issued pursuant to this section, the issuing law enforcement officer shall report the violation to the secretary.
- 102 (c) The secretary may suspend or revoke any registration issued under this chapter if the registrant has 3 violations under this section.
- Section 4. (a) A secondary raw metals dealer registered under section 2 shall comply with this section when purchasing raw metal.
- (b) A dealer shall require that a person selling the metals shall provide government-issued photo identification and the dealer shall maintain a copy of that identification in the daily record of raw metal transactions. For a business to business transaction, a dealer shall obtain a federal employer identification number and the dealer shall maintain a copy of that number in the record of transaction.
- 111 (c) A dealer shall keep a daily record of raw metal transactions, which shall include: (i) 112 the name, date of birth and residence of a person who sold the metals or, for a business to business transaction, the name and principal address of the selling dealer; (ii) the date and time of the transaction; (iii) the price the dealer paid for the raw metal; (iv) a description of the raw 114 metal, including the type, weight and quantity; (v) the license plate number and state of 116 registration of the vehicle being used to transport the raw metal to the dealer's place of business; 117 and (vi) a form signed by the person or agent of the dealer offering to sell the raw metal stating that the person or agent is in lawful possession of the raw metal being offered. The form shall be 118 prescribed by the secretary and shall be provided to the seller by the dealer. 119
- (d) The dealer shall not knowingly receive: a street sign; a manhole cover; a beer keg; a
 propane container for fueling forklifts; a street light; a guard rail; a water meter cover; a railroad

track; a railroad spike; a funeral or memorial marker; cables used in high voltage transmission 123 lines; a historical marker; full-sized new materials such as those used in construction; equipment or tools used by contractors; bleachers from an athletic field; materials that have been reported 124 stolen through the alert system established under section 219 of chapter 6; a metal item bearing 125 126 the mark of a government entity, utility company or brewer; a motor vehicle or trailer or a part of 127 a motor vehicle or trailer which the dealer knew or reasonably should have known that the 128 identifying number or mark on the motor vehicle or trailer or a part of the motor vehicle or trailer had been removed, defaced, altered, destroyed or obliterated, except where the destruction was 129 130 caused by a motor vehicle accident and the vehicle is accompanied by an accident report; 131 provided, however, that this subsection shall not apply to a person who, in the scope of that person's employment, is permitted to refill, reuse or recycle the articles in this subsection. 132

All registered secondary raw metals dealers shall prominently post in their facilities, on a sign as provided by the secretary, the list of the prohibited metals in this subsection.

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- (e) The dealer shall retain the daily record of raw metal transactions required in subsection (c) and any other additional identifying information collected by the dealer for 1 year following the date of the transaction. If the daily record of raw metal transactions is stored electronically, it shall be stored and backed up by electronic means and may be deleted at the completion of the 1-year period. During the 1-year period, the daily record of raw metal transactions shall be open for inspection, upon request, by any law enforcement official with jurisdiction.
- (f) The dealer shall forward to the secretary, in an electronic format, the daily record of raw metal transactions required in subsection (c) for: (i) business-to-business transactions by not

- later than the last business day of the month; and (ii) other transactions by not later than 48 hours after the time of receipt of the raw metal.
- 146 (g) Upon notification, either orally, electronically or in writing, from a law enforcement
 147 officer with jurisdiction that a specific raw metal item has been reported stolen, the dealer shall
 148 retain that raw metal item for up to 10 days and preserve the raw metal in the exact form in
 149 which it was received, without processing, tearing down, shredding, crushing, cutting, recycling,
 150 compacting, melting or otherwise altering the raw metal.
- (h) The dealer shall not knowingly, and with the intent to profit economically, accept a false name, address, date of birth or proof of identification or a false source from which raw metal was obtained from a person seeking to exchange raw metal for money or any other item of value.
- (i) The dealer shall allow law enforcement officers with jurisdiction to enter onto the premises used for secondary raw metals dealing. The dealer shall not: (i) fail to exhibit, upon demand, all articles, books or inventory; or (ii) willfully hinder, obstruct or prevent law enforcement officers with jurisdiction from entering the premises to conduct an examination of records or inventory or the validity of a registration purportedly issued under section 2.
- (j) In addition to any penalty imposed under section 60 of chapter 266, whoever knowingly violates this section shall be punished for a first offense by a fine of not more than \$1,500, for a second offense by a fine of not more than \$3,000 and for a third or subsequent offense by a fine of not more than \$5,000. Whenever a fine is issued pursuant to this section, the issuing officer shall report the violation to the secretary.

- (k) It shall not be a violation of this section for a dealer to receive raw metals prohibited under subsection (d) for the purpose of reporting the transaction and turning over all relative records and prohibited metals to the chief of police in the municipality in which the dealer is registered; provided, however, that the dealer shall not profit from the transaction.
- Section 5. (a) No person or dealer shall knowingly provide a false name, address, date of birth, proof of identification, source from which raw metal was obtained, a statement regarding the presence of prohibited materials or a misleading account of articles presented to a secondary raw metals dealer with the intent to exchange those raw metals for money or any item of value.
- 173 (b) Whoever knowingly violates this section shall be punished for a first offense by a fine 174 of not more than \$750, for a second offense by a fine of not less than \$750 and not more than 175 \$2,500 and for a third or subsequent offense by a fine of not less than \$750 and not more than 176 \$5,000.
- Section 6. Whenever the secretary has reason to believe that a registrant has committed a criminal violation of this chapter, the secretary shall promptly report all pertinent facts to the district attorney in the county where the violation is believed to have occurred.
- Section 7. This chapter shall be enforced by the department of state police, municipal police departments and the district attorney of jurisdiction.
- Section 8. Notwithstanding any general or special law to the contrary, 100 per cent of the fines imposed for violations of this chapter shall be transferred to the state treasurer for deposit into the Secondary Metals Registry Trust Fund established in section 35DDD of chapter 10.

Section 9. In addition to the penalties in this chapter, a secondary raw metals dealer may be liable if the secondary raw metals dealing premises are deemed to be a public or private nuisance.

Section 10. This chapter shall not apply to: (i) vehicles or parts including, but not limited to, catalytic converters, received by an entity in full compliance with the regulations and reporting requirements of the federal National Motor Vehicle Title Information System as set forth in 49 U.S.C. 30501 et. seq.; (ii) a financial institution which is covered by federal or state deposit insurance; (iii) jewelry and silverware manufacturers purchasing precious metals directly from trade suppliers; or (iv) consumer electronics retailers primarily engaged in the business of selling new consumer electronics.

195 CHAPTER 140B³/₄

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SECONDARY CONSUMER METALS DEALING

197 Section 1. For the purposes of this chapter, the following words shall have the following 198 meanings unless the context clearly requires otherwise:

"Consumer electronic", any device containing an electronic circuit board that is purchased for its functional value rather than for its metal content and is intended for use by a person including, but not limited to, televisions, cameras, digital cameras, computers, electronic movie players, including DVD and Blu-Ray Disk players, clocks, audio devices, headphones, tablets, smartphones, video game systems and other portable electronic devices.

"Consumer metal", consumer electronics, precious metals, or any metal articles for which the economic value is based upon the potential for reuse rather than the worth of the raw material.

"Licensing authority", the chief of police, the board or officer having control of the police in a city or town or a designee.

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"Precious metal", gold, silver, platinum group metals, or precious stones, or any articles containing those items, other than coins purchased for their numismatic value rather than their metal content.

"Secondary consumer metals dealer" or "dealer", any business, person, corporation, association or organization engaged in secondary consumer metals dealing for profit, whether or not licensed under section 2.

"Secondary consumer metals dealing", a regular occupation or constant employment of gathering or obtaining consumer metals; provided, however, that "secondary consumer metals dealing" shall not include an isolated or occasional transaction.

"Secretary", the secretary of public safety and security or a designee.

Section 2. (a) The licensing authority in a city or town may license suitable persons to 220 engage in secondary consumer metals dealing within the borders of the municipality.

A licensing authority may make additional rules, regulations and restrictions, consistent with this chapter, which shall be expressed in all licenses issued under this section; provided, however, that the rules, regulations or restrictions shall include a requirement that: (i) a license issued under this section shall expire 1 year from the date of issuance; (ii) a license may be

renewed; and (iii) a licensee pay a fee of \$250 for the initial license and \$75 for the annual renewal of the license. A dealer required to be registered under chapter 140B ½ and licensed under this chapter shall pay a single fee of \$350 for the initial license and registration and \$100 for each annual renewal thereafter. Seventy-five per cent of the fees shall be forwarded by the licensing authority to the state treasurer who shall deposit the money into the Secondary Metals Registry Trust Fund established in section 35DDD of chapter 10.

An application for a license or for renewal of a license shall designate a resident agent for service of process. The designation may be withdrawn but shall be withdrawn in writing and upon the designation of a new resident agent for service of process.

A license shall not be transferred without the prior consent of the chief of police. A license shall be posted on the licensee's premises in a conspicuous place and manner.

A license issued under section 54 or 54A of chapter 140 shall not be considered a valid license for engaging in secondary consumer metals dealing.

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(b) The licensing authority shall enter the premises used by a licensee to engage in secondary consumer metals dealing to inspect, in a reasonable manner, the books, records and inventory at least once per calendar year during regular business hours. If the records or inventory contain evidence of a violation of this chapter, the licensing authority shall take possession of copies of the records. If the licensee does not possess the means to provide copies, the licensing authority shall arrange to obtain, in a reasonable time and manner, copies of those records that contain evidence of the violation and the costs for obtaining the copies shall be assessed against the owner of the records.

- (c) The licensing authority may at any time enter a premises being used for secondary consumer metals dealing to: (i) determine if the dealer has a valid license and is operating in accordance with this chapter; (ii) examine all articles received or stored in or upon the premises; and (iii) examine all of the related books, records and inventory. A secondary consumer metals dealer shall, upon demand, provide the licensing authority with all articles, books or inventory.
- Section 3. (a) If a dealer was licensed under section 2 and violates this section by

 continuing to operate after the expiration of that license, the municipality shall provide written

 notice of the violation to the dealer within 30 days after the violation. If the dealer renews its

 license or ceases operation not more than 30 days after receiving the notice, that dealer shall be

 exempt from the penalties under subsection (b).
- (b) Whoever violates this section shall be punished for a first offense by a fine of not more than \$1,500, for a second offense by a fine of not more than \$3,500 and for a third or subsequent offense by a fine of not more than \$5,000.
- 260 (c) The licensing authority may suspend or revoke any license issued under this chapter if the licensee has 3 violations under this section.
- Section 4. (a) A secondary consumer metals dealer licensed under section 2 shall comply with this section when purchasing consumer metal.
- 263 (b) A dealer shall require that a person selling the consumer metal shall provide 264 government-issued photo identification and the dealer shall maintain a copy of that identification 265 in the record of transaction. If applicable, a dealer shall obtain a federal employer identification 266 number and the dealer shall maintain a copy of that number in the record of transaction.

267 (c) A dealer shall keep a daily record of consumer metal transactions recording consumer 268 metal purchases which shall include: (i) the name, date of birth and residence of a person who 269 sold the consumer metal or, if the consumer metals are sold by a dealer, the name and principal address of that dealer; (ii) the date and time of the transaction; (iii) the price the dealer paid for 270 the consumer metal; (iv) a description of the consumer metal, including the type, weight and 272 quantity; (v) the license plate number and state of registration of the vehicle used to transport the consumer metal to the dealer's place of business; and (vi) a form signed by the person or agent of 273 the dealer offering to sell the consumer metal stating that the person or agent is in lawful 274 275 possession of consumer metal being offered. The form shall be prescribed by the secretary and shall be provided to the seller by the dealer. 276

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277 (d) The dealer shall not knowingly receive: a street sign; a manhole cover; a beer keg; a 278 propane container for fueling forklifts; a street light; a guard rail; a water meter cover; a railroad 279 track; a railroad spike; a funeral or memorial marker; cables used in high voltage transmission 280 lines; a historical marker; full-sized new materials such as those used in construction; equipment or tools used by contractors; bleachers from an athletic field; materials that have been reported 281 282 stolen through the alert system established under section 219 of chapter 6; a metal item bearing the mark of a government entity, utility company or brewer; a motor vehicle or trailer or a part of a motor vehicle or trailer which the dealer knew or reasonably should have known that the 284 285 identifying number or mark on the motor vehicle or trailer or a part of the motor vehicle or trailer had been removed, defaced, altered, destroyed or obliterated, except where the destruction was 286 287 caused by a motor vehicle accident and the vehicle is accompanied by an accident report; 288 provided, however, that this subsection shall not apply to a person who, in the scope of that person's employment, is permitted to refill, reuse or recycle these articles. 289

- All licensed secondary consumer metals dealing facilities shall prominently post, on a sign as provided by the secretary, the list of the prohibited metals in this subsection.
- (e) The dealer shall retain the record file from the daily record of consumer metal transactions required in subsection (c) and any other additional identifying information collected by the dealer for a period of 1 year following the date of the transaction. If the daily record of consumer metal transactions is stored electronically, it shall be stored and backed-up by electronic means and may be deleted at the completion of the 1-year period.
- 297 (f) The dealer shall forward to the secretary, in an electronic format, the daily record of 298 consumer metal transactions required in subsection (c) for all transactions not later than 48 hours 299 after the time of receipt of the consumer metal.

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- (g) The dealer shall retain any consumer metal received and shall preserve the item in the exact form in which it was received, without processing, tearing down, shredding, crushing, cutting, recycling, compacting, melting or otherwise altering the item for 10 calendar days.
- 303 (h) The dealer shall not knowingly, and with the intent to profit economically, accept a
 304 false name, address, date of birth or proof of identification or a false source from which
 305 consumer metals were obtained from a person or dealer seeking to exchange consumer metal for
 306 money or any other item of value.
- 307 (i) The dealer shall allow the licensing authority to enter onto the premises used for 308 secondary consumer metals dealing. The dealer shall not: (i) fail to exhibit, upon demand, all 309 articles, books or inventory; or (ii) willfully hinder, obstruct or prevent the licensing authority 310 from entering the premises to conduct an examination of records or inventory or the validity of 311 any license purportedly issued under section 2.

- (j) In addition to any penalty imposed under section 60 of chapter 266, whoever knowingly violates this section shall be punished for a first offense by a fine of not more than \$1,500, for a second offense by a fine of not more than \$3,000 and for a third or subsequent offense by a fine of not more than \$5,000.
- 316 (k) The licensing authority may suspend or revoke any license issued under this chapter 317 for 3 violations of this section.
- 318 (I) It shall not be a violation of this section for a dealer to receive metals prohibited under 319 subsection (d) for the purpose of reporting the transaction and turning over all relative records 320 and prohibited metals to the licensing authority; provided, however, that the dealer shall not 321 profit from the transaction.
- Section 5. (a) No person or dealer shall knowingly provide a false name, address, date of birth, proof of identification, source from which consumer metals were obtained, a statement regarding the presence of prohibited materials or a misleading account of articles presented to a secondary consumer metals dealer with the intent to exchange those consumer metals for money or any other item of value.
- 327 (b) Whoever knowingly violates this section shall be punished for a first offense by a fine 328 of not more than \$750, for a second offense by a fine of not less than \$750 and not more than 329 \$2,500and for a third or subsequent offense by a fine of not less than \$750 and not more than 330 \$5,000.
- Section 6. Notwithstanding any general or special law to the contrary, 100 per cent of the fines imposed for violations of this chapter shall be transferred to the state treasurer for deposit into the Secondary Metals Registry Trust Fund established in section 35DDD of chapter 10.

- Section 7. Whenever the licensing authority has reason to believe that a licensee has committed a criminal violation of this chapter, it shall promptly report all pertinent facts to the district attorney in the county where the violation is believed to have occurred.
- Section 8. This chapter shall be enforced by the licensing authority, the state police and the district attorney of jurisdiction.
- Section 9. This chapter shall not apply to: (i) vehicles or parts including, but not limited to, catalytic converters, received by an entity in full compliance with the regulations and reporting requirements of the federal National Motor Vehicle Title Information System as set forth in 49 U.S.C. 30501 et. seq.; (ii) a financial institution which is covered by federal or state deposit insurance; (iii) jewelry and silverware manufacturers purchasing precious metals directly from trade suppliers; or (iv) consumer electronics retailers primarily engaged in the business of selling new consumer electronics.
- 346 SECTION 6. Sections 142 and 142A of chapter 266 of the General Laws are hereby repealed.
- 348 SECTION 7. This act shall take effect 1 year after its passage.