



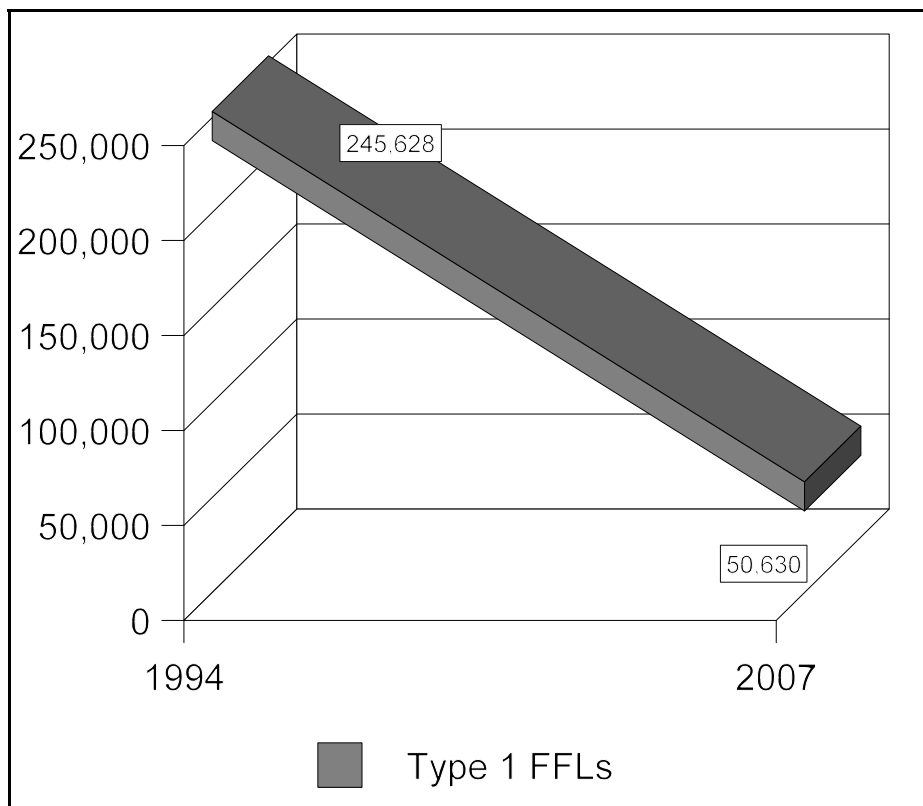
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An Analysis of the Decline in Gun Dealers: 1994 to 2007

**America once had more gun dealers than gas stations.
Five states still do.**



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The Violence Policy Center (VPC) is a national non-profit educational organization that conducts research and public education on violence in America and provides information and analysis to policymakers, journalists, advocates, and the general public. This report was funded in part with the support of The Herb Block Foundation and The Joyce Foundation. Past VPC studies include:

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- *Handgun Licensing and Registration: What it Can and Cannot Do* (September 2000)
- *Pocket Rockets: The Gun Industry's Sale of Increased Killing Power* (July 2000)
- *Guns For Felons: How the NRA Works to Rearm Criminals* (March 2000)
- *One Shot, One Kill: Civilian Sales of Military Sniper Rifles* (May 1999)
- *Cease Fire: A Comprehensive Strategy to Reduce Firearms Violence* (Revised, October 1997)

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Introduction

The number of federally licensed gun dealers in the United States has dropped dramatically as a result of licensing reforms implemented during the Clinton Administration, combined with changes to the law made by the 1993 Brady Handgun Violence Prevention Act (the “Brady Law”) and the 1994 Violent Crime Control and Law Enforcement Act. In addition, gun ownership among the general public continues to decline, decreasing the demand for firearms.¹ From 1994 to 2007, the number of Type 1 Federal Firearms License (FFL) holders has fallen 79 percent as a result of the enforcement of little-known provisions of these laws.

This report examines the causes and importance of the drop in gun dealers, details legislative efforts by the gun lobby to reverse the decline, and offers recommendations to further improve the regulation of gun dealers.

1992: When There Were More Gun Dealers Than Gas Stations

In 1992 the Violence Policy Center (VPC) released *More Gun Dealers Than Gas Stations*, a study which focused national attention on abuses of the law by FFL holders as well as lack of enforcement by the federal Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF). The study revealed that, at the time of its release, the number of Americans who possessed a Type 1 FFL—the basic federal license required to sell guns in America—outnumbered gas stations 245,000 to 210,000.²

The Gun Control Act of 1968 (GCA) established the current federal licensing system for manufacturers, importers, wholesalers, and dealers of firearms. Under the GCA, any person “engaged in the business” of making or selling firearms must be licensed by the federal Bureau of Alcohol, Tobacco, Firearms and Explosives.^a

From 1968 to 1993, almost anyone who was not prohibited from owning firearms and had a location from which they intended to conduct business—including their own home or office—could obtain an FFL. For \$30 an applicant could receive the three-year license, allowing the license holder to ship, transport, and receive firearms in interstate commerce and engage in retail sales. License holders are exempt from many of the restrictions on the sale and transfer of firearms that private citizens are subject to under the GCA. Unlike ordinary citizens, licensees are:

^a “Engaged in the business” is generally defined as devoting “time, attention, and labor to dealing in firearms as a regular course of trade or business with the principal objective of livelihood and profit through the repetitive purchase and resale of firearms....” 18 USC §921(a)(21). Until recent Congressional action, a person desiring a license had to conduct this level of activity to be eligible to maintain and renew a license.

- able to buy and sell firearms in interstate commerce and receive firearms via common carrier;
- able to purchase firearms from wholesalers at discount and in unlimited quantities; and,
- exempt from waiting periods, background checks, licensing, or registration requirements.

In 1986, Congress passed the National Rifle Association-backed Firearms Owners' Protection Act, which further eased regulation of licensees and placed restrictions on ATF's ability to weed out illegitimate gun dealers.^b

FFLs are a key source of guns for illegal gun traffickers and a reduction in ATF's ability to monitor FFLs would certainly result in an increase in illicit firearm availability.

"Kitchen-Table" Dealers

As a result of the lax requirements for becoming a firearms dealer, the number of Type 1 FFLs ballooned from 146,429 in 1975 to 245,000 in 1992. The vast majority of these license holders were what is known as "kitchen-table" dealers—individuals who conduct business out of their homes and offices and do not operate actual gun or sporting goods stores. And while many "kitchen-table" dealers obtained the license merely to enjoy lower prices and evade the perceived "red tape" associated with gun purchase laws, others recognized it as a dramatic loophole in federal law that could easily be exploited to facilitate high-volume criminal gun trafficking.

Licensing Reforms

In response to the widespread abuse of FFLs and at the urging of the Violence Policy Center, the Clinton administration began strictly enforcing the requirement that license holders be "engaged in the business" of selling firearms as required by the statute. In addition, the Brady Law implemented many of the recommendations the VPC laid out in its 1992 study, including: increasing the dealer licensing fee from \$10 per year to \$200 for the first three years and \$90 for each additional three-year period;

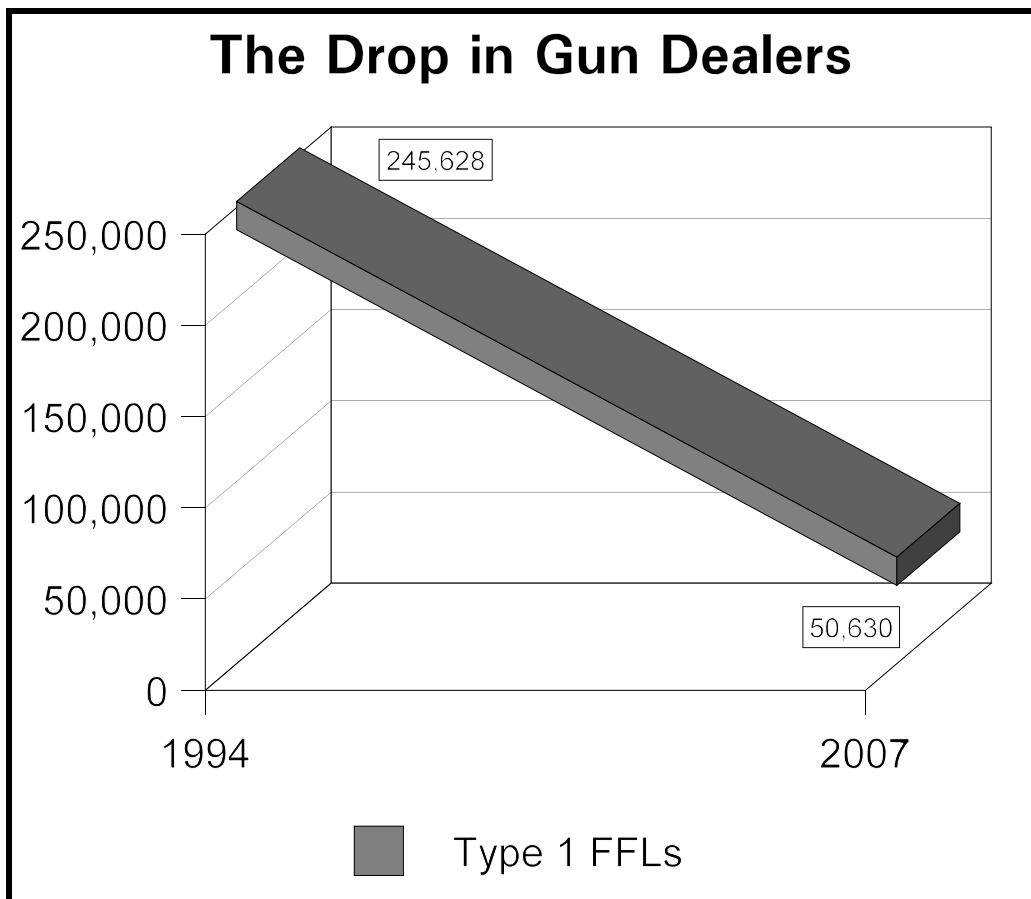
^b The Firearms Owners' Protection Act curtailed ATF enforcement activity by: limiting ATF to one unannounced dealer inspection per year; reducing recordkeeping requirements for dealers selling guns from their "personal" collections; and, lessening criminal penalties for dealer violations.

and, requiring applicants to certify that they have notified the Chief Law Enforcement Officer (CLEO) of their locality of their intent to apply for a license. In 1994, the Violent Crime Control and Law Enforcement Act codified a requirement first implemented by the Clinton Administration requiring applicants to submit photographs and fingerprints, as well as a requirement that they certify that their businesses complied with all state and local laws.³

In the three years following these administrative and statutory changes, the eligibility of existing FFL holders was reviewed as licensees applied for renewal of their licenses. FFL holders were required to submit new application packages with photographs and fingerprints, and ATF worked with state and local authorities to verify that licensees were in compliance with local laws and had notified their local CLEO.⁴

The Drop in Gun Dealers

As a result of the new licensing requirements and ATF's increased scrutiny of applicants, the number of Type 1 FFLs in the United States has dropped 79 percent—from 245,628 in 1994 to 50,630 in 2007. California had the steepest decrease in the number of dealers, declining from 20,148 to 2,120—a decrease of 89 percent.⁵



**Number and Percent Decrease of Type 1 FFLs,
1994 to 2007**

State	Total of Type 1 Federal Firearms License (FFL) Holders, 1994⁶	Total of Type 1 Federal Firearms License (FFL) Holders, 2005⁷	Total of Type 1 Federal Firearms License (FFL) Holders, 2007	Number Decrease From 1994 to 2007	Percent Decrease From 1994 to 2007
Alabama	3,235	776	722	2,513	78%
Alaska	3,137	844	774	2,363	75%
Arizona	4,178	1,127	1,059	3,119	75%
Arkansas	3,096	771	729	2,367	76%
California	20,148	2,438	2,120	18,028	89%
Colorado	4,248	1,158	1,092	3,156	74%
Connecticut	3,334	508	432	2,902	87%
Delaware	507	116	111	396	78%
Florida	9,970	1,451	1,270	8,700	87%
Georgia	5,589	1,158	1,073	4,516	81%
Hawaii	820	101	101	719	88%
Idaho	2,295	682	670	1,625	71%
Illinois	8,959	1,948	1,803	7,156	80%
Indiana	5,872	1,379	1,247	4,625	79%
Iowa	3,877	1,206	1,138	2,739	71%
Kansas	3,653	942	897	2,756	75%
Kentucky	4,679	1,060	997	3,682	79%
Louisiana	4,864	988	874	3,990	82%
Maine	2,189	499	476	1,713	78%
Maryland	3,232	543	471	2,761	85%
Massachusetts	3,851	556	462	3,389	88%
Michigan	12,076	2,597	2,377	9,699	80%
Minnesota	5,741	1,601	1,483	4,258	74%

State	Total of Type 1 Federal Firearms License (FFL) Holders, 1994 ⁶	Total of Type 1 Federal Firearms License (FFL) Holders, 2005 ⁷	Total of Type 1 Federal Firearms License (FFL) Holders, 2007	Number Decrease From 1994 to 2007	Percent Decrease From 1994 to 2007
Mississippi	3,080	760	694	2,386	77%
Missouri	7,624	1,981	1,870	5,754	75%
Montana	3,058	1,017	967	2,091	68%
Nebraska	2,688	665	624	2,064	77%
Nevada	1,952	458	445	1,507	77%
New Hampshire	1,565	471	427	1,138	73%
New Jersey	1,645	337	300	1,345	82%
New Mexico	1,909	565	543	1,366	72%
New York	9,726	2,037	1,843	7,883	81%
North Carolina	6,466	1,400	1,327	5,139	79%
North Dakota	1,619	439	427	1,192	74%
Ohio	9,464	2,371	2,129	7,335	78%
Oklahoma	4,024	1,009	956	3,068	76%
Oregon	4,995	1,479	1,368	3,627	73%
Pennsylvania	11,799	2,765	2,525	9,274	79%
Rhode Island	567	105	91	476	84%
South Carolina	2,332	550	529	1,803	77%
South Dakota	1,537	431	414	1,123	73%
Tennessee	4,736	1,136	1,048	3,688	78%
Texas	18,041	4,261	3,935	14,106	78%
Utah	2,113	572	525	1,588	75%
Vermont	1,556	367	339	1,217	78%
Virginia	6,942	1,458	1,353	5,589	81%
Washington	5,724	904	857	4,867	85%
West Virginia	3,234	797	726	2,508	78%
Wisconsin	5,953	1,568	1,474	4,479	75%
Wyoming	1,729	550	516	1,213	70%
Total	245,628	54,902	50,630	194,998	79%

As the number of dealers has dropped, the percentage of “kitchen-table” dealers has also fallen. In 1998, 56 percent of Type 1 FFLs operated out of residences, down from 74 percent in 1992.⁸ More recent numbers are not available. Despite these dramatic declines, five states still have more gun dealers than gas stations (Alaska, Idaho, Montana, Oregon, and Wyoming). In some cases, substantially more. For example, Alaska has more than three times as many gun dealers as gas stations.

Five States Still Have More Gun Dealers Than Gas Stations

State	Number of Gun Dealers	Number of Gas Stations
Alabama	722	2,978
Alaska	774	229
Arizona	1,059	1,866
Arkansas	729	1,695
California	2,120	8,250
Colorado	1,092	1,726
Connecticut	432	1,219
Delaware	111	312
Florida	1,270	6,544
Georgia	1,073	4,695
Hawaii	101	324
Idaho	670	663
Illinois	1,803	4,153
Indiana	1,247	2,904
Iowa	1,138	1,997
Kansas	897	1,464
Kentucky	997	2,443
Louisiana	874	2,545
Maine	476	893
Maryland	471	1,735
Massachusetts	462	2,333
Michigan	2,377	4,201
Minnesota	1,483	2,605

State	Number of Gun Dealers	Number of Gas Stations
Mississippi	694	2,009
Missouri	1,870	3,136
Montana	967	597
Nebraska	624	1,116
Nevada	445	671
New Hampshire	427	624
New Jersey	300	2,749
New Mexico	543	958
New York	1,843	5,447
North Carolina	1,327	4,818
North Dakota	427	496
Ohio	2,129	4,460
Oklahoma	956	2,020
Oregon	1,368	1,146
Pennsylvania	2,525	4,476
Rhode Island	91	393
South Carolina	529	2,476
South Dakota	414	678
Tennessee	1,048	3,339
Texas	3,935	10,610
Utah	525	884
Vermont	339	479
Virginia	1,353	3,623
Washington	857	2,104
West Virginia	726	1,212
Wisconsin	1,474	2,667
Wyoming	516	401
U.S. Total	50,630	121,363

Source: 2002 Economic Census, Geographic Area Series, Retail Trade, U.S. Census Bureau, August 18, 2005. Includes gas stations and gas stations with convenience stores and is the most recent data available from the U.S. Census.

Congress—at the behest of the National Rifle Association—recently added a provision to ATF’s spending bills prohibiting the agency from denying or refusing to renew a dealer’s license “due to a lack of business activity.” This new rule—which has been in effect for approximately three fiscal years—has had little or no effect on the continuing decline in the number of licensed dealers.

Recommendations

Even with a national drop of 79 percent in the number of gun dealers, FFLs—both “kitchen-table” and stocking dealers—are still a key supplier of guns to criminals.

In the June 2000 (the most recent available) report on illegal gun trafficking *Following the Gun*, ATF noted:

Although FFL traffickers were involved in the smallest proportion of ATF trafficking investigations, under 10 percent, cases involving FFL traffickers were associated with the largest total number of illegally diverted firearms, over 40,000, as compared to the other trafficking channels.⁹

“Kitchen-table” dealers remain a source for criminal gun traffickers. In *Following the Gun*, ATF analyzed a random sample of their FFL trafficking investigations and found that nearly a quarter (23 percent) of these investigations involved “kitchen-table” dealers.¹⁰

The Violence Policy Center recommends the following actions:

- All federally licensed firearms dealers should be required to operate from a storefront business, not a residence. Licenses should be limited to businesses devoted primarily to the sale of firearms. Gun shops should be conspicuously identified to the public as such. This will reduce the number of dealers ATF must monitor.
- ATF should have the authority to suspend a dealer’s license and/or assess meaningful civil penalties—in addition to revocation authority—when a dealer violates the law.
- ATF’s ability to inspect a licensee’s premises to ensure compliance with recordkeeping and other requirements should be expanded from once a year to at least four times per year.

- The loophole which allows dealers to divert firearms from their business inventory to their “personal collections” and then sell those guns without performing the Brady background check should be eliminated.
- Dealers should be required to safely and securely store their inventories of firearms.
- Local law enforcement agencies and regulators should closely monitor dealers in their areas to ensure that they are in compliance with all applicable local laws including business licensing, zoning, and any pertinent local firearm restrictions such as bans on assault weapons and armor-piercing ammunition.
- Congress should rescind the provision included in ATF’s fiscal year 2007 spending authorization prohibiting the agency from denying licenses to persons who do not meet the “engaged in the business” test for business activity.

Endnotes

1. According to data from the National Opinion Research Center (NORC) at the University of Chicago, during the period 1972 to 2006 the percentage of American households that reported having any guns in the home has dropped nearly 20 percentage points: from a high of 54 percent in 1977 to 34.5 percent in 2006. The NORC data also shows that during the period 1980 to 2006, the percentage of Americans who reported personally owning a gun dropped more than nine percentage points: from a high of 30.7 percent in 1985 to a low during the survey period of 21.6 percent in 2006. From 1994 to 2006, the percentage of American households that reported having any guns in the home dropped from 43.9 percent to 34.5 percent. For more information, see the Violence Policy Center analysis *A Shrinking Minority: The Continuing Decline of Gun Ownership in America* (<http://www.vpc.org/studies/gunownership.pdf>).
2. Josh Sugarmann, *More Gun Dealers Than Gas Stations: A Study of Federally Licensed Firearms Dealers in America* (Washington, DC: Violence Policy Center, 1992): 1.
3. *Commerce in Firearms in the United States* (Washington, DC: Bureau of Alcohol, Tobacco and Firearms, February 2000): 13.
4. *Commerce in Firearms in the United States* (Washington, DC: Bureau of Alcohol, Tobacco and Firearms, February 2000): 13.
5. Bureau of Alcohol, Tobacco, Firearms and Explosives data compiled February 13, 2007.
6. First year the Violence Policy Center conducted an analysis of the number of gun dealers following the release of *More Gun Dealers Than Gas Stations: A Study of Federally Licensed Firearms Dealers in America*.
7. Most recent year for which the Violence Policy Center conducted an analysis of the number of gun dealers prior to the release of this study.
8. *Commerce in Firearms in the United States* (Washington, DC: Bureau of Alcohol, Tobacco and Firearms, February 2000): 16-17.
9. *Following the Gun: Enforcing Federal Laws Against Firearms Traffickers* (Washington, DC: Bureau of Alcohol, Tobacco and Firearms, June 2000): 41.
10. *Following the Gun: Enforcing Federal Laws Against Firearms Traffickers* (Washington, DC: Bureau of Alcohol, Tobacco and Firearms, June 2000): 16.