



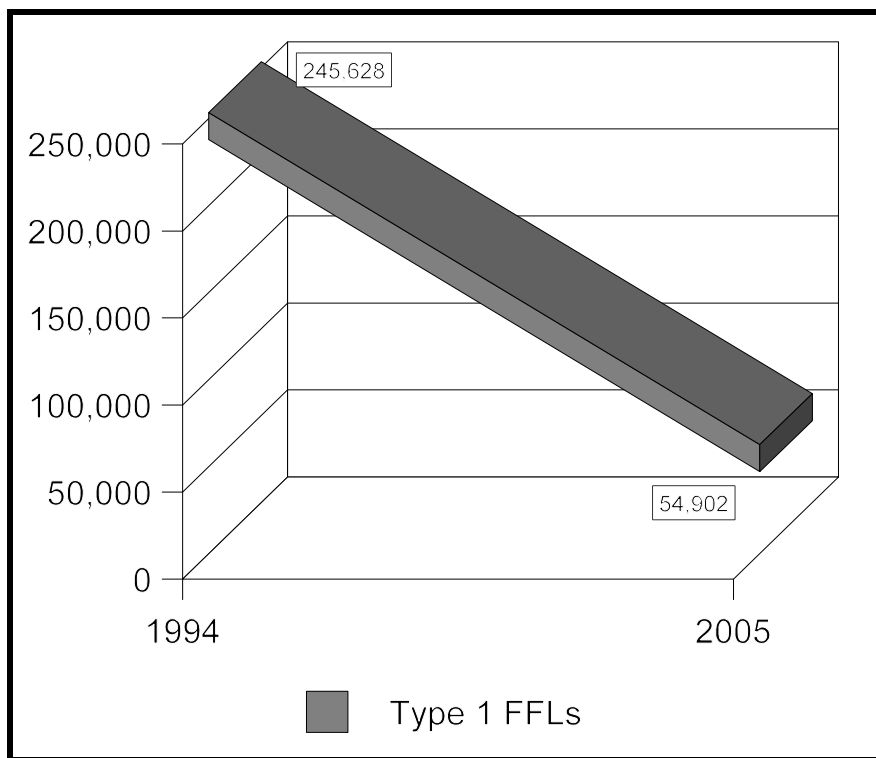
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An Analysis of the Decline in Gun Dealers: 1994 to 2005

America once had more gun dealers than gas stations,
now only five states do.



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, The David Bohnett Foundation, The Joyce Foundation, and, The John D. and Catherine T. MacArthur Foundation. Past studies released by the VPC include:

- *When Men Murder Women: An Analysis of 2003 Homicide Data* (September 2005)
- *Clear and Present Danger: National Security Experts Warn About the Danger of Unrestricted Sales of 50 Caliber Anti-Armor Sniper Rifles to Civilians* (July 2005)
- *Safe At Home: How D.C.'s Gun Laws Save Children's Lives* (July 2005)
- *When Men Murder Women: An Analysis of 2002 Homicide Data* (September 2004)
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- *American Roulette: The Untold Story of Murder-Suicide in the United States* (April 2002)
- *The U.S. Gun Industry and Others Unknown—Evidence Debunking the Gun Industry's Claim that Osama bin Laden Got His 50 Caliber Sniper Rifles from the U.S. Afghan-Aid Program* (February 2002)
- *"A .22 for Christmas"—How the Gun Industry Designs and Markets Firearms for Children and Youth* (December 2001)
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- *A Deadly Myth: Women, Handguns, and Self-Defense* (January 2001)
- *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. From 1994 to 2005, the number of Type 1 Federal Firearms License (FFL) holders has fallen 78 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, reveals new efforts by the gun lobby to reverse the decline, and offers recommendations to build on the successful efforts of the last decade to keep the number of gun dealers at a manageable level.

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 210,000.¹

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 him 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 be easily 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

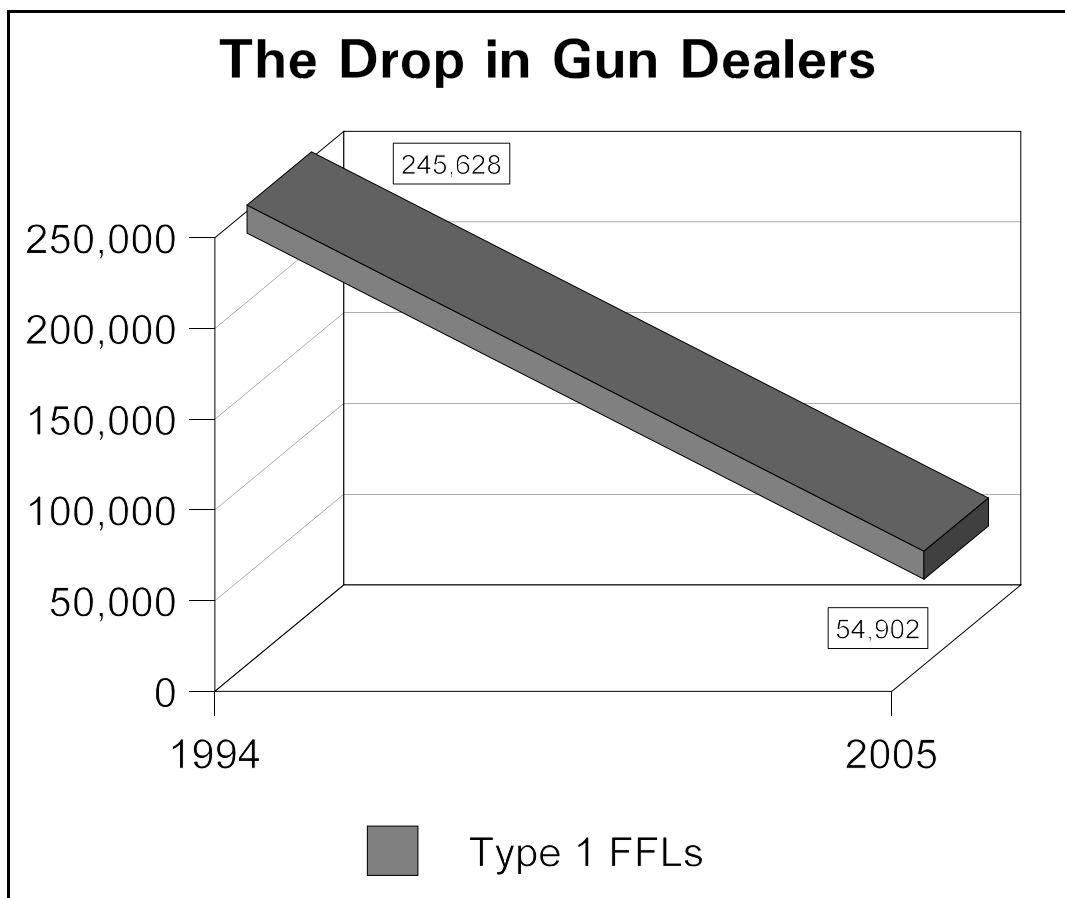
^b The Firearms Owners' Protection Act curtailed ATF enforcement activity by: limiting ATF to one unannounced dealer inspection per year; reducing recordkeeping requirements for dealers selling guns from their "personal" collections; and, lessening criminal penalties for dealer violations.

period; 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.²

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.³

The Drop in Gun Dealers

As a result of the new licensing requirements and ATF's increased scrutiny of licensees, the number of Type 1 FFLs in the United States has dropped 78 percent—from 245,628 in 1994 to 54,902 in 2005. California leads the nation with a 17,710 reduction in dealers, declining from 20,148 to 2,438—a decrease of 88 percent.⁴



**Number and Percent Decrease of Type 1 FFLs,
1994 to 2005**

State	Total of Type 1 Federal Firearms License (FFL) Holders, 1994	Total of Type 1 Federal Firearms License (FFL) Holders, 2003	Total of Type 1 Federal Firearms License (FFL) Holders, 2005	Number Decrease From 1994 to 2005	Percent Decrease From 1994 to 2005
Alabama	3,235	832	776	2,459	76%
Alaska	3,137	905	844	2,293	73%
Arizona	4,178	1,098	1,127	3,051	73%
Arkansas	3,096	775	771	2,325	75%
California	20,148	2,842	2,438	17,710	88%
Colorado	4,248	1,189	1,158	3,090	73%
Connecticut	3,334	546	508	2,826	85%
Delaware	507	114	116	391	77%
Florida	9,970	1,721	1,451	8,519	85%
Georgia	5,589	1,272	1,158	4,431	79%
Hawaii	820	110	101	719	88%
Idaho	2,295	708	682	1,613	70%
Illinois	8,959	2,120	1,948	7,011	78%
Indiana	5,872	1,546	1,379	4,493	77%
Iowa	3,877	1,247	1,206	2,671	69%
Kansas	3,653	995	942	2,711	74%
Kentucky	4,679	1,111	1,060	3,619	77%
Louisiana	4,864	1,058	988	3,876	80%
Maine	2,189	516	499	1,690	77%
Maryland	3,232	579	543	2,689	83%
Massachusetts	3,851	621	556	3,295	86%
Michigan	12,076	2,713	2,597	9,479	78%
Minnesota	5,741	1,713	1,601	4,140	72%
Mississippi	3,080	848	760	2,320	75%

State	Total of Type 1 Federal Firearms License (FFL) Holders, 1994	Total of Type 1 Federal Firearms License (FFL) Holders, 2003	Total of Type 1 Federal Firearms License (FFL) Holders, 2005	Number Decrease From 1994 to 2005	Percent Decrease From 1994 to 2005
Missouri	7,624	2,050	1,981	5,643	74%
Montana	3,058	1,073	1,017	2,041	67%
Nebraska	2,688	710	665	2,023	75%
Nevada	1,952	451	458	1,494	77%
New Hampshire	1,565	490	471	1,094	70%
New Jersey	1,645	378	337	1,308	80%
New Mexico	1,909	590	565	1,344	70%
New York	9,726	2,231	2,037	7,689	79%
North Carolina	6,466	1,505	1,400	5,066	78%
North Dakota	1,619	460	439	1,180	73%
Ohio	9,464	2,544	2,371	7,093	75%
Oklahoma	4,024	1,030	1,009	3,015	75%
Oregon	4,995	1,563	1,479	3,516	70%
Pennsylvania	11,799	3,004	2,765	9,034	77%
Rhode Island	567	109	105	462	81%
South Carolina	2,332	580	550	1,782	76%
South Dakota	1,537	448	431	1,106	72%
Tennessee	4,736	1,221	1,136	3,600	76%
Texas	18,041	4,321	4,261	13,780	76%
Utah	2,113	575	572	1,541	73%
Vermont	1,556	382	367	1,189	76%
Virginia	6,942	1,564	1,458	5,484	79%
Washington	5,724	1,007	904	4,820	84%
West Virginia	3,234	839	797	2,437	75%
Wisconsin	5,953	1,642	1,568	4,385	74%
Wyoming	1,729	574	550	1,179	68%
Total	245,628	58,520	54,902	190,726	78%

As the number of dealers in the United States has dropped, the percentage of “kitchen-table” dealers has also fallen. In 1998, 56 percent of Type 1 FFLs operated out of residential premises, down from 74 percent in 1992.⁵ 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	776	2,978
Alaska	844	229
Arizona	1,127	1,866
Arkansas	771	1,695
California	2,438	8,250
Colorado	1,158	1,726
Connecticut	508	1,219
Delaware	116	312
Florida	1,451	6,544
Georgia	1,158	4,695
Hawaii	101	324
Idaho	682	663
Illinois	1,948	4,153
Indiana	1,379	2,904
Iowa	1,206	1,997
Kansas	942	1,464
Kentucky	1,060	2,443
Louisiana	988	2,545
Maine	499	893
Maryland	543	1,735
Massachusetts	556	2,333
Michigan	2,597	4,201
Minnesota	1,601	2,605

State	Number of Gun Dealers	Number of Gas Stations
Mississippi	760	2,009
Missouri	1,981	3,136
Montana	1,017	597
Nebraska	665	1,116
Nevada	458	671
New Hampshire	471	624
New Jersey	337	2,749
New Mexico	565	958
New York	2,037	5,447
North Carolina	1,400	4,818
North Dakota	439	496
Ohio	2,371	4,460
Oklahoma	1,009	2,020
Oregon	1,479	1,146
Pennsylvania	2,765	4,476
Rhode Island	105	393
South Carolina	550	2,476
South Dakota	431	678
Tennessee	1,136	3,339
Texas	4,261	10,610
Utah	572	884
Vermont	367	479
Virginia	1,458	3,623
Washington	904	2,104
West Virginia	797	1,212
Wisconsin	1,568	2,667
Wyoming	550	401
U.S. Total	54,902	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.

Conclusion: What Next?

Even with a national drop of 78 percent in the number of gun dealers, FFLs—both “kitchen-table” and stocking dealers—are still a key supplier of guns to criminals. As noted earlier, up to 56 percent of FFLs *still* operate out of residential premises. Thirty-one percent of FFLs had not sold a single firearm in the previous year, a disturbingly high percentage for a class of people who purport to be “engaged in the business” of selling firearms.⁶ Exacerbating this problem, in the most recent appropriations bills, Congress prohibited ATF from denying the renewal of an applicant’s license because of “a lack of business activity.”^c

While at first glance it may seem that an FFL holder who sells few if any firearms is not a threat to public safety, it must be remembered that this reflects only sales reported to ATF. Many sales by “kitchen-table” and corrupt stocking dealers take place “off the books” without the licensee logging the guns into their firearms acquisition book or confirming the identity of the purchaser as required by law.

In the June 2000 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.⁷

“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.⁸

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 or assess civil penalties—in addition to revocation authority—when a dealer violates the law.

^c Public Law 108-447 (HR) 4818; Public Law 109-108 (HR) 2862.

- 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 2005 and 2006 spending authorizations prohibiting the agency from denying licenses to persons who do not meet the "engaged in the business" test for business activity.

Endnotes

1. Josh Sugarmann, *More Gun Dealers Than Gas Stations: A Study of Federally Licensed Firearms Dealers in America* (Washington, DC: Violence Policy Center, 1992): 1.
2. *Commerce in Firearms in the United States* (Washington, DC: Bureau of Alcohol, Tobacco and Firearms, February 2000): 13.
3. *Commerce in Firearms in the United States* (Washington, DC: Bureau of Alcohol, Tobacco and Firearms, February 2000): 13.
4. Bureau of Alcohol, Tobacco, Firearms and Explosives data compiled April 30, 2005.
5. *Commerce in Firearms in the United States* (Washington, DC: Bureau of Alcohol, Tobacco and Firearms, February 2000): 16-17.
6. *Commerce in Firearms in the United States* (Washington, DC: Bureau of Alcohol, Tobacco and Firearms, February 2000): 17.
7. *Following the Gun: Enforcing Federal Laws Against Firearms Traffickers* (Washington, DC: Bureau of Alcohol, Tobacco and Firearms, June 2000): 41.
8. *Following the Gun: Enforcing Federal Laws Against Firearms Traffickers* (Washington, DC: Bureau of Alcohol, Tobacco and Firearms, June 2000): 16.