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**Violence Policy Center**

# **An Analysis of the Decline in Gun Dealers: 1994 to 2016**

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

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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 by 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.<sup>1</sup> From 1994 to 2016, the number of Type 1 Federal Firearms License (FFL) holders has fallen 77 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.<sup>2</sup>

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.<sup>A</sup>

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:

- 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 and prosecute corrupt dealers.<sup>B</sup>

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).

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.

## **“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 or 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; 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.<sup>3</sup>

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.<sup>4</sup>

## **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 77 percent—from 245,628 in 1994 to 56,577 in 2016. As detailed in the table on the following page, the five states with the steepest decrease in the number of dealers were: Massachusetts (90 percent); California (89 percent); Connecticut and Hawaii (tied at 87 percent); and, Rhode Island (86 percent).<sup>5</sup>

## NUMBER AND PERCENT DECREASE OF TYPE 1 FFLS, 1994 TO 2016

State	Total of Type 1 Federal Firearms License (FFL) Holders, 1994 <sup>C</sup>	Total of Type 1 Federal Firearms License (FFL) Holders, 2007 <sup>D</sup>	Total of Type 1 Federal Firearms License (FFL) Holders, 2016	Number Decrease From 1994 to 2016	Percent Decrease From 1994 to 2016
Alabama	3,235	722	888	2,347	73%
Alaska	3,137	774	597	2,540	81%
Arizona	4,178	1,059	1,199	2,979	71%
Arkansas	3,096	729	841	2,255	73%
California	20,148	2,120	2,200	17,948	89%
Colorado	4,248	1,092	1,418	2,830	67%
Connecticut	3,334	432	422	2,912	87%
Delaware	507	111	130	377	74%
Florida	9,970	1,270	2,168	7,802	78%
Georgia	5,589	1,073	1,363	4,226	76%
Hawaii	820	101	110	710	87%
Idaho	2,295	670	713	1,582	69%
Illinois	8,959	1,803	2,074	6,885	77%
Indiana	5,872	1,247	1,425	4,447	76%
Iowa	3,877	1,138	1,302	2,575	66%
Kansas	3,653	897	1,027	2,626	72%
Kentucky	4,679	997	1,111	3,568	76%
Louisiana	4,864	874	1,062	3,802	78%
Maine	2,189	476	445	1,744	80%
Maryland	3,232	471	496	2,736	85%
Massachusetts	3,851	462	386	3,465	90%
Michigan	12,076	2,377	2,152	9,924	82%
Minnesota	5,741	1,483	1,400	4,341	76%
Mississippi	3,080	694	756	2,324	75%
Missouri	7,624	1,870	1,964	5,660	74%
Montana	3,058	967	941	2,117	69%
Nebraska	2,688	624	687	2,001	74%
Nevada	1,952	445	425	1,527	78%
New Hampshire	1,565	427	408	1,157	74%
New Jersey	1,645	300	339	1,306	79%
New Mexico	1,909	543	573	1,336	70%
New York	9,726	1,843	1,727	7,999	82%

C 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* in 1992.

D 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.

State	Total of Type 1 Federal Firearms License (FFL) Holders, 1994	Total of Type 1 Federal Firearms License (FFL) Holders, 2007	Total of Type 1 Federal Firearms License (FFL) Holders, 2016	Number Decrease From 1994 to 2016	Percent Decrease From 1994 to 2016
North Carolina	6,466	1,327	1,921	4,545	70%
North Dakota	1,619	427	457	1,162	72%
Ohio	9,464	2,129	2,268	7,196	76%
Oklahoma	4,024	956	1,191	2,833	70%
Oregon	4,995	1,368	1,405	3,590	72%
Pennsylvania	11,799	2,525	2,548	9,251	78%
Rhode Island	567	91	81	486	86%
South Carolina	2,332	529	886	1,446	62%
South Dakota	1,537	414	498	1,039	68%
Tennessee	4,736	1,048	1,249	3,487	74%
Texas	18,041	3,935	5,106	12,935	72%
Utah	2,113	525	651	1,462	69%
Vermont	1,556	339	307	1,249	80%
Virginia	6,942	1,353	1,473	5,469	79%
Washington	5,724	857	1,001	4,723	83%
West Virginia	3,234	726	738	2,496	77%
Wisconsin	5,953	1,474	1,492	4,461	75%
Wyoming	1,729	516	556	1,173	68%
<b>Total</b>	<b>245,628</b>	<b>50,630</b>	<b>56,577</b>	<b>189,051</b>	<b>77%</b>

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.

## FIVE STATES STILL HAVE MORE GUN DEALERS THAN GAS STATIONS

State	Number of Gun Dealers	Number of Gas Stations
Alabama	888	3,061
Alaska	597	221
Arizona	1,199	1,676
Arkansas	841	1,568
California	2,200	8,041
Colorado	1,418	1,618
Connecticut	422	1,056
Delaware	130	247
Florida	2,168	6,294
Georgia	1,363	5,137
Hawaii	110	285
Idaho	713	692
Illinois	2,074	3,915
Indiana	1,425	2,589
Iowa	1,302	1,819
Kansas	1,027	1,189
Kentucky	1,111	2,157
Louisiana	1,062	2,480
Maine	445	796
Maryland	496	1,582
Massachusetts	386	2,035
Michigan	2,152	3,759
Minnesota	1,400	2,192
Mississippi	756	2,007
Missouri	1,964	2,857
Montana	941	521
Nebraska	687	994
Nevada	425	753
New Hampshire	408	592
New Jersey	339	2,339
New Mexico	573	900
New York	1,727	4,711
North Carolina	1,921	4,722
North Dakota	457	457
Ohio	2,268	3,955
Oklahoma	1,191	1,829
Oregon	1,405	965
Pennsylvania	2,548	3,873

State	Number of Gun Dealers	Number of Gas Stations
Rhode Island	81	327
South Carolina	886	2,598
South Dakota	498	607
Tennessee	1,249	3,301
Texas	5,106	11,123
Utah	651	856
Vermont	307	467
Virginia	1,473	3,356
Washington	1,001	1,992
West Virginia	738	1,009
Wisconsin	1,492	2,530
Wyoming	556	351
<b>U.S. Total</b>	<b>56,577</b>	<b>114,401<sup>E</sup></b>

In 2004, Congress—at the behest of the National Rifle Association—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 rule remains in effect to this day.

E Source for gas station numbers: *2012 Economic Census, Geographic Area Series, Retail Trade*, U.S. Census Bureau, October 9, 2015. Includes gas stations and gas stations with convenience stores and is the most recent data available from the U.S. Census ([http://factfinder.census.gov/bkmk/table/1.0/en/ECN/2012\\_US/44A1/0100000US.04000/naics-447](http://factfinder.census.gov/bkmk/table/1.0/en/ECN/2012_US/44A1/0100000US.04000/naics-447)).



## RECOMMENDATIONS

Even with a national drop of 77 percent in the number of gun dealers, FFLs—both “kitchen-table” and stocking dealers—remain a known source of weapons for criminal gun traffickers.

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.
- 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 spending authorization prohibiting the agency from denying licenses to persons who do not meet the “engaged in the business” test for business activity.

**APPENDIX: TYPE 1 FFLS BY STATE PER 100,000 POPULATION**

Rank	State	Population	Type 1 FFLs	Type 1 FFLs per 100,000 population
1	Wyoming	586,107	556	94.86
2	Montana	1,032,949	941	91.10
3	Alaska	738,432	597	80.85
4	North Dakota	756,927	457	60.38
5	South Dakota	858,469	498	58.01
6	Vermont	626,042	307	49.04
7	Idaho	1,654,930	713	43.08
8	Iowa	3,123,899	1,302	41.68
9	West Virginia	1,844,128	738	40.02
10	Nebraska	1,896,190	687	36.23
11	Kansas	2,911,641	1,027	35.27
12	Oregon	4,028,977	1,405	34.87
13	Maine	1,329,328	445	33.48
14	Missouri	6,083,672	1,964	32.28
15	New Hampshire	1,330,608	408	30.66
16	Oklahoma	3,911,338	1,191	30.45
17	Arkansas	2,978,204	841	28.24
18	New Mexico	2,085,109	573	27.48
19	Colorado	5,456,574	1,418	25.99
20	Wisconsin	5,771,337	1,492	25.85
21	Minnesota	5,489,594	1,400	25.50
22	Mississippi	2,992,333	756	25.26
23	Kentucky	4,425,092	1,111	25.11
24	Louisiana	4,670,724	1,062	22.74
25	Utah	2,995,919	651	21.73
26	Michigan	9,922,576	2,152	21.69
27	Indiana	6,619,680	1,425	21.53
28	Pennsylvania	12,802,503	2,548	19.90
29	Ohio	11,613,423	2,268	19.53
30	North Carolina	10,042,802	1,921	19.13
31	Tennessee	6,600,299	1,249	18.92
32	Texas	27,469,114	5,106	18.59
33	Alabama	4,858,979	888	18.28
34	South Carolina	4,896,146	886	18.10
35	Virginia	8,382,993	1,473	17.57
36	Arizona	6,828,065	1,199	17.56
37	Illinois	12,859,995	2,074	16.13
38	Nevada	2,890,845	425	14.70

Rank	State	Population	Type 1 FFLs	Type 1 FFLs per 100,000 population
39	Washington	7,170,351	1,001	13.96
40	Delaware	945,934	130	13.74
41	Georgia	10,214,860	1,363	13.34
42	Connecticut	3,590,886	422	11.75
43	Florida	20,271,272	2,168	10.69
44	New York	19,795,791	1,727	8.72
45	Maryland	6,006,401	496	8.26
46	Hawaii	1,431,603	110	7.68
47	Rhode Island	1,056,298	81	7.67
48	Massachusetts	6,794,422	386	5.68
49	California	39,144,818	2,200	5.62
50	New Jersey	8,958,013	339	3.78
	<b>U.S. Total</b>	<b>320,746,592</b>	<b>56,577</b>	<b>17.64</b>

## ENDNOTES

1. According to data from the National Opinion Research Center (NORC) at the University of Chicago, during the period 1972 to 2016 the percentage of American households that reported having any guns in the home has dropped more than 21 percentage points: from a high of 53.7 percent in 1977 to 32.4 percent in 2016. For more information, see the 2015 Violence Policy Center publication *A Shrinking Minority: The Continuing Decline of Gun Ownership in America* (<http://www.vpc.org/studies/ownership.pdf>).
2. *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.



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