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FISCAL IMPACT REPORT

BILL NUMBER: CS/Senate Bill 17/SJCS

SHORT TITLE: Stop Illegal Gun Trade Act

SPONSOR: Senate Judiciary Committee

LAST **ORIGINAL**
UPDATE: 02/05/2026 **DATE:** 01/28/2026 **ANALYST:** Sanchez

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT* (dollars in thousands)

Agency/Program	FY26	FY27	FY28	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
NMAG Courts District Attorneys	See "Fiscal Implications"	See "Fiscal Implications"	See "Fiscal Implications"	See "Fiscal Implications"	Recurring	General Fund
DPS	At least \$874.0	No fiscal impact	No fiscal impact	At least \$874.0	Nonrecurring	General Fund
DPS	See "Fiscal Implications"	At least \$1,598.5	At least \$1,598.5	At least \$3,197.0	Recurring	General Fund

Parentheses () indicate expenditure decreases.

*Amounts reflect most recent analysis of this legislation.

Sources of Information

LFC Files

Agency or Agencies Providing Analysis of Original Bill

Administrative Office of the District Attorneys

Law Offices of the Public Defender

Office of the Attorney General

New Mexico Sentencing Commission

Department of Public Safety

Because of the short timeframe between the introduction of this committee substitute and its first hearing, LFC has yet to receive analysis from state, education, or judicial agencies. This analysis could be updated once it is received.

SUMMARY

Synopsis of SJC Substitute for Senate Bill 17

The Senate Judiciary Committee substitute for Senate Bill 17 (SB17) enacts a new statutory framework in Chapter 30, Article 7, NMSA 1978, titled the "Stop Illegal Gun Trade and Extremely Dangerous Weapons Act," and adds multiple new sections to that article governing firearms dealers, certain categories of weapons, and enforcement responsibilities. Section 1 creates the short title, while Section 2 adds a detailed definitions section defining key terms used throughout the act, including "dealer," "department" (defined as the Department of Public Safety

(DPS)), “.50 caliber rifle,” “.50 caliber cartridge,” “detachable magazine,” “gas-operated firearm,” “machine gun,” “straw purchase,” and related technical firearm terms, thereby establishing the scope of regulated weapons and regulated entities under the new act.

Section 3 adds a new section, requiring firearms dealers to implement physical security measures to prevent theft and loss of firearms. This section directs DPS, in consultation with the Attorney General (NMG), to promulgate rules no later than July 1, 2026, governing dealer premises and inventory security, with requirements taking effect on December 1, 2026. The statute specifies minimum categories of required security measures, including centrally monitored alarm systems, site-hardening measures such as reinforced doors and window protections, video surveillance at points of sale and entrances and exits with recordings retained for at least two years, and other requirements determined by the department to reduce burglaries and thefts from dealer premises and during shipment.

Section 4 establishes minimum age, background check, and training requirements for firearms dealer employees. This section prohibits a dealer from employing any person under twenty-one years of age to handle, sell, or deliver firearms and requires that such employees not be prohibited from possessing firearms under state, tribal, or federal law. It directs the Department of Public Safety to promulgate rules addressing criminal history checks for dealer employees, including potential use of the federal National Instant Criminal Background Check System where permitted by federal law. The section also requires dealers to ensure all employees receive department-developed training on firearm transfer laws, identifying and reporting straw purchases and unlawful activity, theft prevention, customer gun safety education, and other topics deemed necessary by the department, with initial and annual refresher training requirements and associated recordkeeping obligations.

Section 5 establishes a new recordkeeping requirement, requiring dealers to establish, maintain, and secure detailed records of firearm purchases, sales, acquisitions, and dispositions, consistent with federal law, including 27 CFR Section 478.125. This section requires records to include identifying information for each firearm and to be updated promptly, backed up regularly, and retained for the duration of the dealer’s operation. It further requires monthly inventory checks, retention of ATF Form 4473 records, maintenance of records related to criminal trace requests, and the availability of specified firearm disposition information to law enforcement upon reasonable inquiry. The section provides confidentiality protections for the transferee’s personally identifying information and establishes procedures for transferring records to a successor dealer or to DPS upon discontinuance of business operations.

Section 6 adds a new reporting requirement that requires dealers to report certain transactions and events to DPS and, in some cases, to NMG. This section requires reporting of multiple firearm sales to the same unlicensed purchaser within a five-business-day period, reporting of firearm thefts and losses within forty-eight hours of discovery, timely responses to law enforcement trace and document requests, quarterly reporting of trace request data, notification to the department of federal ATF inspections, and submission of annual summary reports detailing firearm sales and completed federal forms.

Section 7 enacts a new prohibitions section beginning July 1, 2026, which prohibits dealers from selling or transferring specified “extremely dangerous weapons,” including detachable magazines capable of holding more than 10 rounds, .50 caliber rifles and cartridges, certain gas-operated semiautomatic firearms, and machine guns, and prohibits dealers from processing

background checks under Section 30-7-7.1 NMSA 1978 for transfers of those items. The section enumerates multiple exemptions, including for certain low-caliber rimfire firearms, antique firearms, manually operated firearms, specified fixed-magazine firearms, and transfers to law enforcement agencies, military entities, Indian nations, and federally licensed dealers and manufacturers.

Section 8 creates a new inspections and compliance section that requires dealers to annually certify compliance with the act and authorizes DPS to conduct periodic inspections of dealer premises at least once every three years. This section requires the department to prepare and publish annual public reports summarizing inspection activity, compliance rates, and trace data, and establishes a misdemeanor offense for knowingly falsifying compliance reports.

Section 9 adds a new posting requirement mandating that retail firearms dealers conspicuously post department-prescribed legal and safety notices at points of sale and at gun show entrances, including notices regarding safe storage requirements under Section 30-7-4.1 NMSA 1978, background check requirements under Section 30-7-7.1 NMSA 1978, prohibitions on straw purchases under Section 30-7-7.2 NMSA 1978, and suicide prevention resources. Section 10 establishes penalties, providing that violations of the prohibited weapons section constitute a misdemeanor and that other violations of the act or implementing rules are subject to escalating civil penalties. Section 11 includes a severability clause to preserve the remainder of the act if any provision is held invalid.

This bill does not contain an effective date and, as a result, would go into effect 90 days after the Legislature adjourns, which is May 20, 2026.

FISCAL IMPLICATIONS

Implementation of SB17 is likely to create new administrative and enforcement workload for DPS and, to a lesser extent, NMAG. The bill directs DPS to develop and administer rules for dealer security standards, employee-related requirements, recordkeeping, reporting, and periodic inspections, and it establishes new reporting streams that DPS would need to receive, review, store, and make available for enforcement purposes. These duties could require additional staff time for rulemaking, technical assistance to dealers, inspection scheduling and travel, data management, and follow-up for noncompliance. To the extent the committee substitute narrows premises access to what is necessary for an inspection and requires rules limiting discretion for unannounced inspections, those provisions could reduce some operational burden relative to broader access language, but DPS would still need capacity to complete inspections at least once every three years and to process time-sensitive notifications and documents related to federal inspections and trace requests.

The bill's enforcement framework could also increase workload for state and local justice-system agencies. To the extent alleged violations are investigated and referred for prosecution, misdemeanor enforcement for prohibited transactions involving "extremely dangerous weapons" could increase caseloads for law enforcement agencies, district attorneys, the courts, and the Law Offices of the Public Defender, with associated impacts to case processing, pretrial supervision, indigent defense workload, and local detention. Separately, the bill authorizes civil penalties and civil enforcement actions for violations of specified dealer requirements and related rules; these provisions may generate additional NMAG or local government legal workload depending on how frequently enforcement is pursued. Civil penalty collections could produce revenues, but the

timing and magnitude are uncertain and would depend on compliance rates, enforcement activity, and collection outcomes; any such revenue may not align with the location and timing of enforcement costs.

The bill may also have information technology and records management implications. DPS would likely need secure processes to receive and retain dealer submissions and federally generated inspection-related documents and to support retrieval for authorized enforcement purposes. In its analysis of the introduced bill, DPS estimated implementation would require \$1.6 million in recurring general fund support annually and \$874 thousand in nonrecurring general fund support in FY26, reflecting costs DPS associated with establishing and operating a statewide rulemaking, training, inspection, and secure data and reporting program. DPS indicated the recurring estimate assumes approximately 6.75 additional FTE and ongoing operating and indirect costs associated with inspections, training delivery, and the maintenance of secure information systems. The fiscal impact on DPS between the original bill and this committee substitute is, in the LFC's estimation, unlikely to have changed.

Overall, the bill's fiscal effects are expected to depend on the level of implementation activity, particularly the number of inspections completed, the volume of dealer reports received, and the number of investigations, civil actions, and misdemeanor cases initiated. Because those drivers depend on future agency practice and compliance patterns, the magnitude of expenditures and any offsetting civil penalty revenue is indeterminate, but may increase the likelihood of additional administrative workload at DPS and potential increases in court, prosecution, defense, and detention activity if the new prohibitions and requirements are actively enforced.

SIGNIFICANT ISSUES

Significant implementation issues center on the scope and clarity of the new duties and on how DPS will translate statutory direction into administrable rules. The bill assigns DPS a central role in developing standards, setting procedures, and conducting periodic inspections; agencies and regulated entities may need time and guidance to align practices with new requirements, including how compliance will be measured and documented. SB17's direction to adopt rules limiting discretion in unannounced inspections also raises implementation questions about how DPS will balance predictability for regulated entities with the operational goal of verifying compliance.

The bill's "extremely dangerous weapons" provision is likely to be a focal point for interpretation and enforcement. The committee substitute removes language that tied the prohibition to whether a transferee is federally licensed, which may broaden the prohibition's reach and require additional clarity on how the restriction applies across transaction types. The definition of covered items, and any cross-references to federal definitions or commonly used terms, may affect how consistently dealers can identify prohibited items and how consistently enforcement agencies can apply the law. To the extent the prohibition is enforced through dealer conduct (sale/transfer and background check processing), questions may arise about how the bill interacts with existing state requirements governing firearms transfers and the federal background check framework.

SB17 also raises data-handling and confidentiality considerations. Dealers would provide DPS with periodic information on trace requests and time-sensitive notifications and documents related to federal inspections, and DPS would need processes for securing, retaining, and

disclosing records consistent with public records law and investigative needs. SB17 removes manufacturer access to dealer disposition information and limits certain record access to reasonable inquiry tied to a criminal investigation or prosecution of someone other than the dealer, which may narrow third-party access but also creates an implementation question about how agencies will document and apply the “reasonable inquiry” standard across jurisdictions and cases.

The bill uses both misdemeanor enforcement for prohibited transactions involving extremely dangerous weapons and civil penalty authority for specified dealer requirements and related rules. That mixed approach may require agencies to develop clear referral and coordination practices to determine when conduct will be handled as a criminal matter, a civil matter, or both, and to ensure consistent application across the state. In addition, civil enforcement typically depends on rule clarity, notice, and process for alleging and resolving violations; the bill’s reliance on DPS rulemaking for key operational details may shape how predictable and uniform enforcement is over time.

SB17’s effect on regulated entities may vary by dealer size, location, and current business practices. Compliance may require changes in physical security practices, staff policies, internal record systems, and reporting procedures, and some provisions are time-sensitive (for example, notifications associated with federal inspections and certain multiple-sale reporting). The substitute’s narrowed inspection and record-access provisions may affect how dealers experience oversight and how quickly enforcement partners can obtain information for investigations, which could influence compliance behavior and investigatory practice without changing the bill’s underlying statutory requirements.

OTHER SUBSTANTIVE ISSUES

SB17 relies on DPS rulemaking for key operational details, including security standards and inspection procedures, and the bill’s effective date and any transitional provisions may affect how quickly dealers and agencies can align practices with the new requirements. To the extent the bill contemplates periodic inspections at least once every three years, implementation may also depend on whether DPS establishes inspection protocols, training materials, and compliance documentation standards before beginning routine inspections.

SB17’s definitions and cross-references may affect consistency in administration. Several provisions depend on defined terms such as “firearms dealer,” “employee,” and the list of “extremely dangerous weapons,” and the bill’s practical reach will depend on how clearly those terms map to federal licensing concepts and to items dealers routinely categorize in inventory and sales records. If terms incorporate federal references or commonly used labels without further specification, agencies and regulated entities may face interpretive questions until DPS issues rules or guidance, and those interpretations may influence how uniformly the bill is applied across jurisdictions.

SB17’s enforcement framework also raises procedural and coordination issues beyond fiscal effects. The bill uses a misdemeanor penalty for prohibited “extremely dangerous weapons” transactions and a civil penalty structure for other compliance requirements, which may require agencies to establish clear processes for referrals, evidentiary standards, and resolution pathways. Civil enforcement, in particular, may require DPS and the attorney general to define how violations are identified, how notice is provided, how disputes are resolved, and how penalties

are assessed and collected, consistent with applicable administrative and civil procedures.

Finally, the bill creates new streams of dealer-submitted information and federally generated documents that DPS would receive and retain for enforcement purposes. Beyond the administrative workload addressed elsewhere, agencies may need to address questions about confidentiality, public records treatment, and information-sharing parameters among state and local law enforcement, especially when information is connected to investigations or includes business-sensitive records. The committee substitute's narrower record-access language may reduce certain third-party access, but DPS may still need clear internal standards for responding to requests and for documenting the basis for disclosures in a way that is consistent across cases.

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