



Fiscal Note

Legislative Council Staff

Nonpartisan Services for Colorado's Legislature

HB 26-1126: REQUIREMENTS FOR FIREARMS DEALERS

Prime Sponsors:

Rep. Sirota; Woodrow

Sen. Kipp

Fiscal Analyst:

Clayton Mayfield, 303-866-5851

clayton.mayfield@coleg.gov

Published for: House Second Reading

Drafting number: LLS 26-0426

Version: First Revised Note

Date: March 3, 2026

Fiscal note status: This revised fiscal note reflects the introduced bill, as amended by the House State, Civic, Military, and Veterans Affairs Committee.

Summary Information

Overview. The bill clarifies and adds new procedures and requirements for firearms dealers under the state permitting program in the Department of Revenue.

Types of impacts. The bill is projected to affect the following areas on an ongoing basis starting in FY 2026-27:

- Minimal State Revenue
- Minimal State Workload
- Local Government

Appropriations. No appropriation is required.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0
State Expenditures	\$0	\$0
Transferred Funds	\$0	\$0
Change in TABOR Refunds	\$0	\$0
Change in State FTE	0.0 FTE	0.0 FTE

Summary of Legislation

The bill clarifies and adds new procedures and requirements for firearms dealers under the state permitting program in the Department of Revenue (DOR) as discussed below.

Definition Changes

Under current law, a state firearms dealer is a federal firearms licensee who sells firearms at retail to the public. The bill includes all transfers of firearms in this definition and also adds definitions for employee, large-capacity magazine, responsible person, and transfer.

Permit Procedures

The bill clarifies that a state firearm dealer permit is required to transfer firearms other than destructive devices into or out of the state. Under current law, a state permit applicant must not have had adverse action taken against any firearm dealer license held by the applicant or a conviction for a violation of any state or federal law concerning the possession, purchase, or sale of firearms within three years of submitting an application. The bill extends this requirement to each responsible person of a dealer.

The DOR is not currently authorized to impose fines on dealers who commit certain violations. The bill allows the DOR to impose a fine of up to \$100,000 for a second or subsequent violation committed on or after January 1, 2027. The DOR can only impose a fine in accordance with rules it adopts, which must include categories of violations based on severity, fine ranges for each category, and aggravating and mitigating circumstances used to determine fine amounts. All fines accrue to the Firearms Dealer Permit Cash Fund in the DOR.

Dealer Requirements

Under current law, dealers must keep records of sales, rentals, and exchanges of firearms. The bill requires these records to also include transfers of firearms, other than destructive devices. Records may be kept in an electronic format. Also, the requirement that a record include a person's occupation is removed.

Training requirements apply to the dealer, employees, and responsible persons of the dealer who in the course of their duties has access to firearms. A dealer also cannot contract with a person who in the course of their contracted duties has access to firearms unless the contractor has a fingerprint-based background check. Dealers must also secure large-capacity magazines behind a counter in a locked case or in a locked room inaccessible to the public, except when showing these magazines to a customer permitted to purchase them or when the magazines are being repaired. By January 1, 2027, the DOR must adopt rules requiring security measures at a

dealer's premises. Dealers must implement a security plan that meets these requirements and submit a security plan by October 1, 2027. Finally, dealers must report the lost or theft of a firearm from a dealer's inventory within 48 hours after learning of the loss or theft.

Comparable Crime Analysis

Legislative Council Staff is required to include certain analysis in the fiscal note for any bill that creates a new crime, or that either reclassifies or creates a new factual basis for an existing crime. This section identifies comparable crimes and discusses assumptions on future conviction rates resulting from the bill.

Prior Conviction Data and Assumptions

This bill creates a new factual basis for the existing offense of failure to make record of a firearm transaction, a class 2 misdemeanor, by including records of firearm transfers. From FY 2022-23 to FY 2024 25, zero offenders have been sentenced and convicted for this offense; therefore, the fiscal note assumes that there will continue to be minimal or no additional criminal case filings or convictions for this offense under the bill. Because the bill is not expected to have a tangible impact on criminal justice related revenue or expenditures at the state or local levels, these potential impacts are not discussed further in this fiscal note. Visit the [Fiscal Notes website](#) for more information about criminal justice costs in fiscal notes.

State Revenue

Starting in FY 2026-27, state revenue to the Firearms Dealer Permit Cash Fund in the DOR may increase from fines imposed on firearms dealers who commit a second or subsequent violation of dealer requirements. Given the wide range of fines that may be assessed by the DOR, and an assumption that most dealers will follow the law to remain in business, any impact to state revenue is expected to be minimal. This revenue is subject to TABOR.

State Expenditures

The bill impacts state workload for the Departments of Revenue, Natural Resources, and Public Safety as discussed below.

Department of Revenue

Starting in FY 2026-27, workload will increase in the DOR to conduct rulemaking regarding fine amounts, required security features, and to update guidance for dealers to include changes made by the bill. No change in appropriations is required.

Department of Natural Resources

For FY 2026-27 only, the DNR may have expenditures to upgrade facilities owned by the Colorado Parks and Wildlife (CPW) that are operated by licensed dealers. These upgrades would be based on complying with security requirements that the DOR may adopt. However, the fiscal note assumes that since the DOR can adopt standards based on the characteristics of a particular facility, both the DOR and the DNR will coordinate their respective efforts to minimize or eliminate the potential impact to state expenditures in the DNR.

Department of Public Safety

Workload in the InstaCheck Unit of the CDPS may be impacted to the extent the bill impacts criminal history background checks performed as part of firearm transactions. No change in appropriations is required.

Local Government

Depending on security requirement rules adopted by the DOR, workload and costs may increase for local law enforcement agencies if security requirements include an alarm system directly connected to the agency's systems. Similar to the state, it is assumed any cost will be minimal.

Effective Date

The bill takes effect upon signature of the Governor, or upon becoming law without his signature, and applies to retail records made on or after this date.

State and Local Government Contacts

Corrections	Public Defender
District Attorneys	Public Health and Environment
Judicial	Public Safety
Natural Resources	Revenue

The revenue and expenditure impacts in this fiscal note represent changes from current law under the bill for each fiscal year. For additional information about fiscal notes, please visit the [General Assembly website](#).