



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

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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
- State Expenditures
- Local Government

Appropriations. No appropriation is required; the Lottery Distribution Fund is continuously appropriated to the Department of Natural Resources.

Table 1
State Fiscal Impacts

Type of Impact	Budget Year FY 2026-27	Out Year FY 2027-28
State Revenue	\$0	\$0
State Expenditures (Cash Funds)	\$28,000	\$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 the transfer of firearms in this definition and also adds a definition 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 responsible persons of the dealer in addition to the dealer and employees. 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 finger-print 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. Beginning October 1, 2027, a dealer's premises must contain certain security features according to rules adopted by the DOR, with security features for exterior doors or windows and in interior areas where firearms are kept. This includes video surveillance system and an alarm system that is directly connected to local law enforcement or

continuously monitored by a central station. Finally, dealers must report the lost or theft of a firearm from a dealer's inventory within 72 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 for FY 2026-27 is expected to be minimal. This revenue is subject to TABOR.

State Expenditures

For FY 2026-27 only, the bill increases state expenditures by \$28,000 from the continuously appropriated Lottery Distribution Fund in the Department of Natural Resources (DNR). Workload in the DOR and the Department of Public Safety (CDPS) will increase starting in FY 2026-27 as discussed below.

Department of Natural Resources

For FY 2026-27 only, the DNR will have expenditures of \$28,000 to upgrade the Colorado Clays facility in Brighton. This facility is owned by the Colorado Parks and Wildlife (CPW) Division as part of its programming for recreation, but is managed by concessionaires that are licensed

firearms dealers. The total cost to upgrade the facility to comply with the bill is \$28,000, which includes costs for seven windows, three doors, and a commercial grade security system with cameras and lighting.

Department of Revenue

Workload will increase in the DOR to conduct rule-making regarding fine amounts, required security features, and update guidance for dealers to include changes made by the bill. The fiscal note assumes that this additional workload can be absorbed within existing resources. If any additional appropriations are required, they will be addressed through the annual budget process.

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. If any additional appropriations are required, they will be addressed through the annual budget process.

Local Government

Workload and costs may increase for local law enforcement to ensure that alarm systems required for firearms dealers are directly connected to the agency's systems. The exact cost will vary by jurisdiction.

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](#).