New State Laws Target Used-CD Sellers

Draconian laws passed in Florida and Utah, and pending in Rhode Island and Wisconsin, restrict retail sales of used CDs.

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By Ed Christman

NEW YORK (Billboard) - Independent merchants selling and buying used CDs across the United States say they are alarmed by stepped-up pawn-broker-related laws recently enacted in Florida and Utah and pending in Rhode Island and Wisconsin.

In Florida, the new legislation requires all stores buying second-hand merchandise for resale to apply for a permit and file security in the form of a $10,000 bond with the Department of Agriculture and Consumer Services. In addition, stores would be required to thumb-print customers selling used CDs, and acquire a copy of state-issued identity documents such as a driver's license. Furthermore, stores could issue only store credit -- not cash -- in exchange for traded CDs, and would be required to hold discs for 30 days before reselling them.

At least one Florida town has enforced the law, resulting in the cited merchant pulling used CDs from its store.

The law in Utah and the legislation pending in Wisconsin and Rhode Island are also harsher than typical pawn-shop laws, according to John Mitchell, outside counsel for NARM (National Association of Recording Merchandisers).

Brian Faber, director of operations for the eight-store, Phoenix-based Zia chain, says that while the rules sound onerous and could devalue the used-CD market, "we would comply and the market would ultimately adjust itself."

Faber says about 40 percent of his chain's volume comes from used-CD sales, paying out 80 percent cash and 20 percent store credit. If retailers could only pay out credit, he says, it could negatively affect product flow. The used-CD business' low pricing, he adds, is already being devalued by falling prices of new CDs.

Meanwhile, NARM says it will try to help shape the pending legislation. In Florida, retailers selling previously owned videos and videogames managed to carve out a partial exemption from the law so that they do not need a permit and have to wait only 15 days before reselling the merchandise.

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