



Arizona State Senate Issue Brief

November 10, 2022

Note to Reader:

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SCRAP METAL

INTRODUCTION

Beginning in 2005, there was an increase in metal theft occurrences that led many states to regulate or further regulate transactions involving scrap metal. Various entities, from utility companies and state and local governments to home builders, agricultural companies and breweries, report being victims of metal theft.

Although metal theft includes various metals, a significant majority of that is theft of copper. According to the National Insurance Crime Bureau (NICB), law enforcement agencies across the country and around the globe began to see increased metal theft in the years leading up to the Great Recession, when record high copper prices increased the attractiveness of the metal as a target for theft. Insurance claims for metal theft leveled off in 2012 and then began decreasing. However, a rapid increase in motor vehicle catalytic converter thefts beginning in 2020 has once again led many states to pass or consider related legislation. NICB reports that metal thieves affect a range of industries, weaken vital infrastructure and can endanger themselves and the surrounding community. Additionally, damage caused by metal thefts can be several times the value of the stolen property.¹ In 2007, the U.S. Department of Energy estimated that total annual value of damages from copper wire theft across U.S. industries was nearly \$1 billion.²

The Institute of Scrap Recycling Industries, which represents over 1,600 manufacturers, brokers and consumers of scrap commodities, created an online theft alert system that allows law enforcement to send descriptions of stolen items to scrap metal dealers and other law enforcement agencies. The website also allows dealers to alert law enforcement when offered suspicious materials.³ All 50 states have passed laws intended to combat the growth in metals theft over recent years.⁴

¹ [NCSL 2013 Legislative Update](#)

[NICB: Metal Theft Claims and Questionable Claim Referrals from January 1, 2012 to December 31, 2014; Metal Theft Claims and from January 1, 2014 through December 31, 2017; Catalytic Converter Thefts Skyrocket Across the Nation](#)

² [U.S. Department of Energy: An Assessment of Copper Wire Thefts from Electric Utilities, April 2007](#)

³ <https://www.isri.org/>

⁴ [ISRI: State Metals Theft Statutes](#)

SCRAP METAL REGULATION IN ARIZONA

Arizona has regulated the purchase of scrap metal since 1968, when the Legislature first required scrap metal dealers to maintain transaction records. Since then, Arizona has enacted additional requirements for scrap metal dealers and sellers and expanded the aggravated criminal damage statute to address damage caused by metal theft.

SCRAP METAL DEALERS

A scrap metal dealer is a person or business, except an automotive recycler, that is engaged in the business of purchasing, trading, bartering or receiving secondhand or castoff material of any kind that is commonly known as scrap metal.⁵ Statute regulates scrap metal dealers and prohibits counties, cities and towns from enacting or enforcing ordinances, rules or regulations that conflict with the statutory provisions.⁶

Registration

Dealers must register with the Department of Public Safety (DPS) in order to conduct business in Arizona, and DPS must post scrap metal dealers' names, addresses and locations of business on the DPS website. Every two years, dealers must submit the following information to DPS for registration: 1) the dealer's name and address; 2) the name of any person who owns at least 10 percent of the business; 3) full personal identification information on the owners of the business, including a copy of their driver licenses; 4) the location of each principal and branch office in Arizona; and 5) the name and address of any wholly-owned subsidiary of the dealer.⁷ At each place of business, dealers must maintain and make available for law enforcement inspection proof of registration and statutory compliance information. A violation of these requirements could subject the dealer to a penalty

of: 1) \$500 for an initial violation; 2) \$2000 for a second violation; or 3) \$2000 more than the previous penalty for a third or subsequent violation. On a second violation, a licensing jurisdiction, must suspend the person's business license or the person's business activity if a business license is not required.⁸

Recordkeeping

For a transaction involving the receipt of scrap metal, a dealer must keep a record that includes: 1) the date, time and place of the transaction; 2) a photograph and an identifying description of the scrap metal received; 3) the dollar amount of the transaction; 4) the seller's name, physical description, physical address, date of birth and signature; 5) a photocopy of the seller's current government issued identification; 6) the seller's transaction privilege tax number; 7) the number and state of issuance of the license plate on the seller's vehicle; 8) a photograph, video record or digital record of the seller; and 9) a right index fingerprint of the seller.⁹ Dealers must retain these records and make them open for inspection during regular business hours for two years. Failure to comply with the recordkeeping requirements is a class 1 misdemeanor.¹⁰

Payment for Scrap Metal

Scrap metal dealers may not provide payment onsite, and must instead mail a check or money order to the seller's physical address for transactions involving: 1) industrial accounts; 2) copper; 3) aluminum wire with a diameter of at least 3/8 of an inch; 4) air conditioner cooling coils, except that a check may be made payable to an industrial account; and 5) payments of \$300 or more. There are certain exceptions to this requirement, including if the transaction is with an industrial account that preregisters employees as authorized sellers. Scrap metal dealers must provide a receipt to each seller at the time of the

⁵ [A.R.S. § 44-1641](#)

⁶ [A.R.S. § 44-1645](#)

⁷ [A.R.S. §§ 44-1641.03](#) and [44-1641.04](#)

⁸ [A.R.S. § 44-1641.05](#)

⁹ [A.R.S. § 44-1642](#)

¹⁰ [A.R.S. § 44-1643](#)

transaction. Transactions involving materials consisting of a metal product in its original manufactured form composed of no more than 20 percent by weight of nonferrous metal are also exempt from records, payment and receipt requirements.¹¹

Transaction Reports

Within 24 hours of a scrap metal transaction requiring a record, dealers must submit a report to DPS that includes: 1) the date, time and place of the transaction; 2) an identifying description of the scrap metal; 3) a description of the seller; 4) a photocopy of the seller's current government issued identification; and 5) the number and state of issuance of the license plate of the seller's vehicle. The identifying description must include unique identifying numbers and markings on catalytic converters or any nonferrous parts of catalytic converters. Dealers must also submit to DPS a record of receipt of each purchase of a used catalytic converter or any nonferrous parts of catalytic converters from an industrial account or another scrap metal dealer that includes: 1) the name, address and transaction privilege tax number of the seller; 2) the date, time and place of the transaction; 3) the number of catalytic converters purchased; and 4) any unique identifying numbers or markings on catalytic converters or nonferrous parts of catalytic converters. Failure to file a report is a class 1 misdemeanor.

Dealers must keep copper, aluminum wire of a certain size, and metal worth over \$100 on its business premises and in the same size, shape and condition as received for seven days after filing the report. There are specified exceptions to this requirement, such as transactions between dealers.¹²

Miscellaneous

Statute prohibits the purchase or receipt of wire that has been burned or had the insulation removed and restricts the removal of insulation

by scrap metal dealers.¹³ Dealers are also prohibited from purchasing certain types of scrap metal, such as municipal sewer or storm drain manhole covers; water meters; kegs; catalytic converters or any nonferrous parts of catalytic converters, except under specified circumstances; and metal municipal storm grates used for water drainage from municipal streets or alleys. Doing so is a class 1 misdemeanor.¹⁴

If a dealer keeps required records and reports to DPS, the dealer may purchase or possess the prohibited types of scrap metal if acquired in a transaction with industrial accounts, with other dealers or after released by a peace officer. A dealer must retain a used catalytic converter or the nonferrous parts of the catalytic converter in their original form for at least seven business days after the original purchase date at the dealer's place of business.¹⁵

Finally, all dealers and law enforcement in Arizona must register on a free theft notification website that allows for information sharing.¹⁶

SCRAP METAL SELLERS

Arizona regulates not only the purchase of scrap metal, but also its sale. A scrap metal seller must be at least 16 years old. Furthermore, a scrap metal seller may not conduct a series of transactions for one vehicle load of scrap metal in order to avoid the recordkeeping and payment requirements and may not participate in more than one cash transaction per day.¹⁷

UNLAWFUL SALE OF CATALYTIC CONVERTERS

A person may not purchase, solicit, advertise, possess or sell a used catalytic converter or any nonferrous parts of a catalytic converter. Exceptions to the prohibition include: 1) a licensed automotive recycler; and 2) the purchase

¹¹ [A.R.S. § 44-1642](#)

¹² [A.R.S. § 44-1644](#)

¹³ [A.R.S. § 44-1646](#)

¹⁴ [A.R.S. § 44-1642.01](#)

¹⁵ [A.R.S. § 4-1641.02](#)

¹⁶ [A.R.S. § 44-1641.02](#)

¹⁷ [A.R.S. § 44-1642](#)

or sale by a scrap metal dealer of a used catalytic converter that is acquired in a transaction with an industrial account, with another scrap metal dealer or after the used catalytic converter is authorized for release by a peace officer of the jurisdiction in which the transaction occurs. A violation is a class 1 misdemeanor.¹⁸

PENALTIES FOR METAL THEFT

Theft

In Arizona, the classification of theft depends on the value of the property, but varies from a class 1 misdemeanor for theft of property valued at less than \$1,000 to a class 2 felony for theft of property with a value of \$25,000 or more.¹⁹

Aggravated Criminal Damage

Damage to property that occurs when theft is committed is also addressed in statute. Aggravated criminal damage includes intentionally or recklessly, without the express permission of the owner, defacing, damaging or tampering with any utility or agricultural infrastructure or property, construction site or existing structure for the purpose of obtaining nonferrous metals. This form of aggravated criminal damage is: 1) a class 3 felony if the damage to the property is in an amount of \$10,000 or more; 2) a class 4 felony if the damage to the property is in an amount of at least \$1,500 but less than \$10,000; and 3) a class 5 felony in all other cases.²⁰

ADDITIONAL RESOURCES

- Scrap Metal Dealer Statutes: [A.R.S. Title 44, Chapter 11, Article 3.1](#)
- Arizona Department of Public Safety: [Scrap Metal Reporting and Registration](#)
- Institute of Scrap Recycling Industries <https://www.isri.org/>
- Scrap Metal Theft Alert Website <http://www.scraptheftalert.com/>
- National Conference of State Legislatures [Metal Theft | 2013 Legislative Update](#)

¹⁸ [A.R.S. § 13-3728](#)

¹⁹ [A.R.S. § 13-1802](#)

²⁰ [A.R.S. § 13-1604](#)