Any person licensed as a dealer-gunsmit who repairs, modifies, embellishes, refurbishes, or installs parts in or on firearms (frames, receivers, or otherwise) for, or on behalf of a licensed importer or licensed manufacturer, is not required to be licensed as a manufacturer under the Gun Control Act, provided the firearms for which such services are rendered are: (1) not owned, in whole or in part, by the dealer-gunsmit; (2) returned by the dealer-gunsmit to the importer or manufacturer upon completion of the manufacturing processes, and not sold or distributed to any person outside the manufacturing process; and (3) already properly identified/marked by the importer or manufacturer in accordance with Federal law and regulations.

ATF Rul. 2010-10

The Bureau of Alcohol, Tobacco, Firearms and Explosives (ATF) has received inquiries from firearms industry members asking whether licensed dealer-gunsmit who would be engaged in the business of repairing, modifying, embellishing, refurbishing, or installing parts in or on firearms for, or on behalf of a licensed importer or manufacturer are required to be licensed as manufacturers and abide by the requirements imposed on manufacturers.

In recent years, licensed firearms importers and manufacturers have contracted certain firearms manufacturing activities on their behalf to specialized licensed firearms manufacturers. Such activities include applying special coatings and treatments to firearms (e.g., bluing, anodizing, powder-coating, plating, polishing, heat/chemical treating). This has caused confusion over which importers and manufacturers are required to identify/mark firearms and maintain permanent records of importation or manufacture. For this reason, licensed importers and manufacturers have asked whether licensed dealer-gunsmit, who are not required to mark firearms and keep production records, may engage in such manufacturing activities on their behalf.
The Gun Control Act of 1968 (GCA), Title 18, United States Code (U.S.C.), section 923(a), provides, in part, that no person shall engage in the business of importing, manufacturing, or dealing in firearms until he has filed an application with and received a license to do so from the Attorney General. A “firearm” is defined by 18 U.S.C. 921(a)(3) to include any weapon (including a starter gun) which will or is designed to or may readily be converted to expel a projectile by the action of an explosive, and the frame or receiver of any such weapon. The term “manufacturer” is defined by 18 U.S.C. 921(a)(10) as any person engaged in the business of manufacturing firearms or ammunition for purposes of sale or distribution. As applied to a manufacturer of firearms, the term “engaged in the business” is defined by 18 U.S.C. 921(a)(21)(A) and 27 CFR 478.11, as a “person who devotes time, attention, and labor to manufacturing firearms as a regular course of trade or business with the principal objective of livelihood and profit through the sale or distribution of the firearms manufactured.” The term “dealer” is defined by 18 U.S.C. 921(a)(11)(B) and 27 CFR 478.11 to include “any person engaged in the business of repairing firearms or of making or fitting special barrels, stocks, or trigger mechanisms to firearms …” (i.e., a gunsmith). As applied to a gunsmith, the term “engaged in the business” is defined by 18 U.S.C. 921(a)(21)(D) and 27 CFR 478.11 as a “person who devotes time, attention, and labor to engaging in such activity as a regular course of trade or business with the principal objective of livelihood and profit …”

In Revenue Ruling 55-342 (C.B. 1955-1, 562), ATF’s predecessor agency interpreted the meaning of the terms “manufacturer” and “dealer” for the purpose of firearms licensing under the Federal Firearms Act, the precursor statute to the GCA. It was determined that a licensed dealer could assemble firearms from component parts on an individual basis, but could not engage in the business of assembling firearms from component parts in quantity lots for purposes of sale or distribution without a manufacturer’s license. Since then, ATF has similarly and consistently interpreted the term “manufacturer” under the GCA to mean any person who engages in the business of making firearms, by casting, assembly, alteration, or otherwise, for the purpose of sale or distribution. Such persons must have a manufacturer’s license under the GCA, maintain permanent records of manufacture, and submit annual manufacturing reports. The Revenue Ruling did not address whether dealer-gunsmiths who engage in the business of repairing, modifying, embellishing, refurbishing, or installing parts in or on firearms for, or on behalf of an importer or manufacturer are engaged in the business of manufacturing firearms requiring a manufacturer’s license.

Manufacturing

ATF’s long-standing position is that any activities that result in the making of firearms for sale or distribution, to include installing parts in or on firearm frames and receivers, and processes that primarily enhance a firearm’s durability, constitute firearms manufacturing that may require a manufacturer’s license. In contrast, some activities are not firearms manufacturing processes, and do not require a manufacturer’s license. For example, ATF Ruling 2009-1 (approved January 12, 2009) explained that performing a cosmetic process or activity, such as camouflaging or engraving, that primarily adds to or changes the appearance or decoration of a firearm is not manufacturing. Likewise, ATF Ruling 2009-2 (approved January 12, 2009) stated that installing “drop-in” replacement parts in or on existing, fully assembled firearms does not result in any alteration to the original firearms. Persons engaged in the business of these activities that do not constitute firearms manufacturing need only obtain a dealer’s license.

Although installing parts in or on firearms, and applying special coatings and treatments to firearms are manufacturing activities, the definition of “manufacturer” in 18 U.S.C. 921(a)(10) and 27 CFR 478.11 also requires that a person be “engaged in the business” before the manufacturer’s license requirement of section 923(a) applies. Thus, a person who manufactures a firearm will require a manufacturer’s license if he/she devotes time, attention, and labor to such manufacture as a regular course of trade or business with the principal objective of livelihood and profit through the sale or distribution of the firearms.
manufactured. If the person is performing such services only for a customer on firearms provided by that customer, and is not selling or distributing the firearms manufactured, the person would be a “dealer” as defined by 18 U.S.C. 921(a)(11)(B) and 27 CFR 478.11, requiring a dealer’s license, assuming the person is “engaged in the business” as defined in 18 U.S.C. 921(a)(21)(D) and 27 CFR 478.11 (i.e., “gunsmithing”).

Gunsmithing

A dealer is “engaged in the business” of gunsmithing, as defined in 18 U.S.C. 921(a)(21)(D) and 27 CFR 478.11, when he/she receives firearms (frames, receivers, or otherwise) provided by a customer for the purpose of repairing, modifying, embellishing, refurbishing, or installing parts in or on those firearms. Once the work is completed, the gunsmith returns the firearms, and charges the customer for labor and parts. As with an individual customer, a licensed dealer-gunsmith may receive firearms (properly identified with a serial number and other information required by 27 CFR 478.92) and conduct gunsmithing services for a customer who is a licensed importer or manufacturer. A dealer-gunsmith is not “engaged in the business” of manufacturing firearms because the firearms being produced are not owned by the dealer-gunsmith, and he/she does not sell or distribute the firearms manufactured. Once the work is completed, the dealer-gunsmith returns the firearms to the importer or manufacturer upon completion of the manufacturing processes, and does not sell or distribute them to any person outside the manufacturing process. Under these circumstances, the licensed dealer-gunsmith is not “engaged in the business” of manufacturing firearms requiring a manufacturer’s license.

In contrast, a dealer-gunsmith may make or acquire his/her own firearms, and repair, modify, embellish, refurbish, or install parts in or on those firearms. If the dealer-gunsmith then sells or distributes those firearms for livelihood and profit, the dealer-gunsmith is engaged in his/her own business of manufacturing firearms. A person engaged in the business of manufacturing firearms for sale or distribution is required to be licensed as a manufacturer, identify/mark all firearms manufactured, maintain permanent records of manufacture, submit annual manufacturing reports, and pay any taxes imposed on firearm manufacturers. A licensed dealer-gunsmith who becomes licensed as a manufacturer must also segregate all firearms manufactured for that business separately from firearms for which gunsmithing services are being performed.

To facilitate inspection and ensure that ATF can determine that a licensed dealer-gunsmith is not engaged in the business of manufacturing firearms for his own sale or distribution without a manufacturer’s license, licensees may take the following steps:

(1) maintain a copy of the current, active license of all contracted licensees;

(2) maintain a copy of the contract and all instructions for gunsmithing services rendered;

(3) maintain a copy of the invoices for gunsmithing services;

(4) timely and accurately reflect all firearms acquisitions and dispositions consistent with the contract for gunsmithing services rendered; and

(5) in the case of a licensed dealer-gunsmith, maintain required bound acquisition and disposition records for all gunsmithing activities separate from other dealer’s records.

Unless licensees take these steps, ATF may presume that a particular dealer-gunsmith is engaged in his own business of manufacturing firearms for sale or distribution without a manufacturer’s license, and take corrective administrative or other enforcement action.
Identification of Firearms

The GCA at 18 U.S.C. 923(i) provides, in part, that licensed manufacturers and importers must “identify” each firearm manufactured or imported by a serial number in the manner prescribed by regulation. Federal regulations at 27 CFR 478.92(a)(1) further require importers and manufacturers to identify each firearm by engraving, casting, stamping (impressing), or otherwise conspicuously placing the individual serial number and certain additional information - the model (if designated), caliber/gauge, manufacturer’s name, and place of origin on the frame, receiver, or barrel - at a minimum depth. Section 478.92(a)(2) specifies that a “firearm frame or receiver that is not a component part of a complete weapon at the time it is sold, shipped, or otherwise disposed of … must be identified as required by this section.”

Because dealer-gunsmiths are not required to identify firearms manufactured, it is incumbent upon the importer or manufacturer, prior to shipping firearms to a dealer-gunsmith for gunsmithing services, to mark them with a serial number and other required information. With regard to frames and receivers shipped separately, section 478.92(a)(2) provides, in part, that the manufacturer or importer must mark all frames and receivers prior to shipment with all information required by section 478.92 (i.e., serial number, model (if designated), caliber/gauge, manufacturer’s name, and place of origin). This will ensure that the frames and receivers can be traced by ATF in the event they are lost or stolen during the manufacturing process.

Held, any person licensed as a dealer-gunsmith who repairs, modifies, embellishes, refurbishes, or installs parts in or on firearms (frames, receivers, or otherwise) for, or on behalf of a licensed importer or licensed manufacturer, is not required to be licensed as a manufacturer under the Gun Control Act, provided the firearms for which such services are rendered are: (1) not owned, in whole or in part, by the dealer-gunsmith; (2) returned by the dealer-gunsmith to the importer or manufacturer upon completion of the manufacturing processes, and not sold or distributed to any person outside the manufacturing process; and (3) already properly identified/marked by the importer or manufacturer in accordance with Federal law and regulations.

This ruling is limited to an interpretation of the requirements imposed upon importers, manufacturers, and dealer-gunsmiths under the Gun Control Act of 1968, and does not apply to persons making or manufacturing firearms subject to the National Firearms Act, 26 U.S.C. 5801 et. seq.

Revenue Ruling 55-342, C.B. 1955-1, 562, is hereby clarified. To the extent this ruling may be inconsistent with any prior letter rulings, they are hereby superseded.

Date approved: December 27, 2010

Kenneth E. Melson
Acting Director