

Department of Legislative Services
Maryland General Assembly
2018 Session

FISCAL AND POLICY NOTE

Senate Bill 35 (Senator Norman)
Judicial Proceedings

Labor and Employment - Lien for Unpaid Wages - District Court Jurisdiction

This bill gives the District Court concurrent jurisdiction with the circuit court over proceedings related to liens for unpaid wages, and the District Court has the powers of a court in equity in those proceedings. Accordingly, the District Court may issue an order to establish a lien for unpaid wages, and an employer may file a complaint to dispute a lien for unpaid wages in the District Court sitting in the county where property of the employer is located. Further, a wage lien statement may be recorded by the clerk of the District Court sitting in the county where any portion of the property is located. The bill applies only prospectively to cases filed on or after its October 1, 2018 effective date.

Fiscal Summary

State Effect: District Court caseloads may increase minimally beginning in FY 2019; however, general fund revenues and expenditures are not materially affected.

Local Effect: Any decrease in circuit court cases related to liens for unpaid wages is not anticipated to materially affect revenues or expenditures of the circuit courts.

Small Business Effect: Minimal. Small businesses may benefit from filing a dispute of a wage lien in the District Court because the District Court generally adjudicates cases more quickly and is less expensive than the circuit courts.

Analysis

Current Law: An employee may establish a lien for unpaid wages, not including commissions, against an employer. An employer may dispute a lien for unpaid wages by filing a complaint in the circuit court within 30 days after the notice is served. If an

employer files a complaint, the circuit court must determine whether to issue an order establishing a lien for unpaid wages within 45 days of the complaint being filed, based on a “preponderance of the evidence” evidentiary standard in which the employee has the burden of proof to establish the lien. If a circuit court issues an order to establish a lien for unpaid wages, the employee is entitled to court costs and attorney’s fees, but if the court determines the case to be frivolous or made in bad faith, then the court may award court costs and attorney’s fees to the employer.

A lien for unpaid wages is established if no complaint is filed within 30 days after a notice is served or after a circuit court issues an order to establish a lien for unpaid wages. A wage lien for real property may be recorded by filing a wage lien statement with the clerk of the circuit court where the property is located, and a wage lien for personal property is recorded by filing a wage lien statement in the same manner as filing a financing statement. If an employee does not record a wage lien statement within 180 days after the lien is established, the lien is extinguished without prejudice. A lien is released when a payment is made or a bond is filed for the amount of wages and damages stated in the wage lien statement. A lien for unpaid wages is considered a secured claim that has priority from the date of the court order establishing the lien or, if no complaint was filed, from the date that the employee filed the wage lien statement. Subsequent bona fide purchasers of any property subject to a recorded lien for unpaid wages are deemed to have constructive notice of the lien for unpaid wages from the date of recordation of a wage lien statement.

Circuit courts have the authority to consider disputes involving liens for unpaid wages. The District Court does not have the powers of an equity court in civil cases, unless such authority is specifically provided by State law. The “powers of a court in equity” are those powers of a court to grant remedies other than damages to resolve civil disputes. Examples of such remedies include injunctions, declaratory judgments, writs, and orders of specific performance.

Background: In general, civil cases in which the amount claimed is \$30,000 or more – excluding interest, costs, and attorney’s fees – must be brought in the circuit courts. The District Court has exclusive jurisdiction in claims for \$5,000 or less, and concurrent jurisdiction with the circuit courts in claims for amounts above \$5,000 but less than \$30,000. Because litigating in the District Court is generally quicker and less expensive than litigating in the circuit courts, plaintiffs generally prefer to file claims there if possible. However, if the amount in controversy exceeds \$15,000, any party has the right to demand a jury trial. The District Court does not conduct jury trials, so a case that originates in the District Court must be transferred to a circuit court if a party chooses to exercise this right.

Additional Information

Prior Introductions: None.

Cross File: None.

Information Source(s): Judiciary (Administrative Office of the Courts); Department of Labor, Licensing, and Regulation; Department of Legislative Services

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nb/mcr

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