

Department of Fiscal Services  
Maryland General Assembly

FISCAL NOTE

House Bill 1382 (Delegate Hurson)  
Economic Matters

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**Independent Contractors - Registration**

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This bill requires an independent contractor who works to perform specific services for specific fees (at least \$1,000) and receives payment on a commission basis or by competitive bid to register with the Department of Labor, Licensing, and Regulation (DLLR). At the time of entering into a contract, the independent contractor must be registered; have proof of compliance with the liability insurance requirements as established by the Secretary of Labor, Licensing, and Regulation; and maintain a separate business establishment.

DLLR may establish registration and renewal fees; any money collected must be deposited into the general fund. Revenues generated must be at least equal to the expenses incurred by the department to administer the program. An independent contractor who violates a provision of this bill is guilty of a misdemeanor and on conviction is subject to a fine not to exceed \$5,000.

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**Fiscal Summary**

**State Effect:** General fund revenues would increase by about \$750,000 in fiscal 1997; future year revenues reflect the biennial renewal schedule, turnover, and growth. General fund expenditures would increase by about \$216,000; future year expenditures reflect full salaries, turnover, and inflation.

(in dollars)	FY 1997	FY 1998	FY 1999	FY 2000	FY 2001
GF Revenues	\$750,000	\$52,500	\$818,600	\$54,600	\$851,600
GF Expenditures	216,000	196,000	202,400	209,000	215,900
Net Effect	\$534,000	(\$143,500)	\$616,200	(\$154,400)	\$635,700

Note: ( ) - decrease; GF - general funds; FF - federal funds; SF - special funds

**Local Effect:** Potential minimal increase in revenues due to the bills monetary penalty provisions. No impact on expenditures.

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## Fiscal Analysis

**State Revenues:** It is estimated that at least 50,000 individuals and businesses would need to be registered under the bill's definition of an independent contractor. Assuming that the registration fee is established at \$15, general fund revenues would increase by about \$750,000 in fiscal 1997.

It is assumed that DLLR would adopt regulations to provide for the biennial renewal of the certificates of registration and would establish a renewal fee of \$15. Future year revenues reflect the collection of renewal fees, 5% turnover, and 2% growth.

In addition, general fund revenues could increase under the bill's monetary penalty provision for those cases heard in the District Court, depending upon the number of convictions and fines imposed.

**State Expenditures:** DLLR would need to hire four Office Clerks, and one Administrative Officer to register 50,000 independent contractors and to track liability insurance information. In addition, DLLR would incur a one-time cost of about \$50,000 in computer programming expenses. As a result, general fund expenditures would increase by \$216,050 in fiscal 1997. This figure includes salaries of \$68,007, fringe benefits, ongoing operating costs, one-time start-up costs, and \$50,000 in computer programming costs, and reflects the October 1, 1996 effective date.

Future year expenditures reflect (1) full salaries with 3.5% annual increases and 3% employee turnover; and (2) 2% annual increases in ongoing operating expenses.

**Local Revenues:** Revenues could increase under the bill's monetary penalty provision for those cases heard in the circuit courts, depending upon the number of convictions and fines imposed.

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**Information Source(s):** Department of Labor, Licensing, and Regulation; Department of Fiscal Services

**Fiscal Note History:** First Reader - March 12, 1996

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