

Department of Legislative Services
Maryland General Assembly
2017 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1058
Economic Matters

(Delegates W. Miller and Adams)

Education, Health, and Environmental Affairs

Business Regulation - Home Improvement Contracts

This bill authorizes a person to receive a deposit of up to one-half (instead of one-third) of a home improvement contract price before or at the time of execution of the contract.

Fiscal Summary

State Effect: The bill does not materially affect State finances or operations.

Local Effect: None.

Small Business Effect: Meaningful. Many businesses in the home improvement industry are small businesses and benefit from the ability to receive up to one-half of a home improvement contract price up front, which improves their cash flow.

Analysis

Current Law/Background: A person may not demand or receive any payment for a home improvement before the home improvement contract is signed. A person may not receive a deposit of more than one-third of the home improvement contract price before or at the time of execution of the contract.

The Maryland Home Improvement Commission (MHIC) in the Department of Labor, Licensing, and Regulation issues licenses to home improvement contractors and salespersons. To obtain a contractor's license, an individual must submit the required application, pass the licensing examination, pay a Guaranty Fund assessment, provide proof of \$50,000 in liability insurance, and pay MHIC a licensing fee. MHIC has approximately 28,000 licensees. MHIC typically receives several hundred Guaranty Fund

claims each year. An average of 160 claims were paid annually from fiscal 2014 through 2016, with an average payment of approximately \$8,000.

MHIC is mandated to pursue violators of the home improvement laws and effect remedies or file criminal charges on behalf of the public. Timely complaint resolution is critical due to the nature of the work performed. Home improvement contractors, in particular, often perform complex residential services. Many complaints involve damage to a residence that requires immediate attention.

Additional Information

Prior Introductions: None.

Cross File: None.

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

Fiscal Note History: First Reader - February 26, 2017
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