

Department of Legislative Services
Maryland General Assembly
2020 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 770
Economic Matters

(Delegate Adams, *et al.*)

Business Regulation - Home Improvement Contracts - Deposits

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.

Analysis

Current Law: 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.

Background: The Maryland Home Improvement Commission (MHIC) in the Maryland Department of Labor licenses home improvement contractors and salespersons, subject to specified requirements for licensure and ongoing licensee behavior. 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.

MHIC licenses approximately 21,500 individuals and typically receives several hundred Guaranty Fund claims each year. The Guaranty Fund's fiscal 2019 ending balance was \$3.4 million; total claims paid in that year were \$919,000, and the per claim cap is \$20,000.

Small Business Effect: 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 under the bill, which improves their cash flow.

Additional Information

Prior Introductions: HB 916 of 2018 passed the House but received an unfavorable report from the Senate Education, Health, and Environmental Affairs Committee. HB 1058 of 2017, an identical bill as amended, passed the House but received an unfavorable report from the Senate Education, Health, and Environmental Affairs Committee.

Designated Cross File: None.

Information Source(s): Maryland Department of Labor; Department of Legislative Services

Fiscal Note History: First Reader - February 5, 2020
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