

Department of Legislative Services
Maryland General Assembly
2025 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 264

(Chair, Economic Matters Committee)(By Request -
Departmental - Labor)

Economic Matters

**Business Occupational and Professional Licenses - Suspension and Revocation
for Workplace Fraud**

This departmental bill requires, under specified circumstances, the Commissioner of Labor and Industry within the Maryland Department of Labor (MD Labor) to notify a licensing authority when a licensee is found in violation of workplace fraud provisions. Upon receiving notice, licensing authorities must suspend or revoke the licenses of licensees who are reported. The bill also establishes appeal and license reinstatement procedures.

Fiscal Summary

State Effect: MD Labor can implement the bill with existing budgeted resources. No effect on revenues.

Local Effect: None.

Small Business Effect: MD Labor has determined that this bill has minimal or no impact on small business (attached). The Department of Legislative Services concurs with this assessment.

Analysis

Bill Summary: “License” means a license, certificate, registration, permit, or other authorization that meets certain criteria (*i.e.*, is issued by a licensing authority, is subject to suspension, revocation, forfeiture, or termination by a licensing authority, and is necessary for a person to practice or engage in a particular business, occupation, or profession).

“Licensee” means an employer holding a valid license.

“Licensing authority” means a unit of the Division of Occupational and Professional Licensing within MD Labor, as specified.

The Commissioner of Labor and Industry must notify the applicable licensing authority when a licensee is found in violation of provisions of State law that prohibit failure to properly classify employees by a final order of a court (or an administrative unit) and has not paid (1) all penalties assessed for those violations and (2) within 45 days after issuance of the final order of a court (or an administrative unit), all restitution owed for failing to properly classify an employee. Upon receiving the notification, the licensing authority must suspend or revoke the license of the licensee. However, before suspending or revoking a license, a licensing authority must send written notice of the proposed action to the licensee – including notice of the licensee’s right to contest the identity of the licensee whose license is to be suspended or revoked. A licensee may appeal a decision to suspend or revoke a license in accordance with the Administrative Procedures Act. At a hearing initiated pursuant to this authorization, the issue must be limited to whether the Commissioner of Labor and Industry has mistaken the identity of the licensee.

A licensing authority may not reinstate a license that has been suspended pursuant to the bill’s authorization until the commissioner provides required notice. The commissioner must notify the licensing authority within 10 days after the commissioner first receives (1) a court order to reinstate the license or (2) with respect to a licensee who is subject to a final order of a court (or an administrative unit) to pay penalties or restitution for a violation of improperly classifying employees, notice that the licensee has paid all penalties and restitution in full. A licensing authority must immediately reinstate any license suspended or revoked if (1) notified by the commissioner that the license should be reinstated and (2) the licensee otherwise qualifies for the license.

Adverse licensing actions may be imposed *in addition to* any other workplace fraud enforcement actions. Adverse licensing actions taken under the bill must be in effect against (1) any successor corporation or business entity that meets specified requirements and (2) any individual licensee that was an officer, director, controlling shareholder, partner, or manager of the employer against whom the adverse action was taken unless the individual did not or (with the exercise of reasonable due diligence) could not have known of the violation for which the adverse action was taken.

Current Law/Background: State law prohibits an employer from failing (including *knowingly* failing) to properly classify an individual who performs work for remuneration paid by the employer. An employer has failed to properly classify an individual when an employer-employee relationship exists (as determined by specified criteria) but the

employer has not classified (or *knowingly* failed to properly classify) the individual as an employee.

MD Labor advises that, currently, the various occupational and professional boards within the department are limited in how they can report workplace fraud, as there is not a statutory requirement that allows the information to be collected holistically. Under current procedures, the Division of Occupational and Professional Licensing must work with the Division of Labor and Industry to enforce instances of workplace fraud by directing workers with such claims to their office for further assistance. MD Labor further advises that codifying worker misclassification as grounds for disciplinary action against an individual (or business's) license will allow the licensing boards to collaborate with broader enforcement efforts.

Additional Information

Recent Prior Introductions: Similar legislation has not been introduced within the last three years.

Designated Cross File: SB 218 (Chair, Finance Committee)(By Request - Departmental - Labor) - Finance.

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

Fiscal Note History: First Reader - January 20, 2025
km/mcr

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ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Business Occupational and Professional Licenses - Suspension and Revocation for Workplace Fraud

BILL NUMBER: HB 264

PREPARED BY: Sarah McDermott, Matt McKinney, Ken Sigman

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

X WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES

OR

 WILL HAVE A MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL BUSINESSES