

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 242

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

Economic Matters

Unemployment Insurance - Confidentiality of Information

This departmental bill updates the existing framework for the protection of sensitive unemployment insurance (UI) information to comply with federal requirements. The bill requires that (1) the Maryland Department of Labor (MD Labor) maintain the confidentiality of specified claimant and employer records and (2) confidentiality provisions in State law related to UI data be interpreted in a manner that ensures compliance with federal law. It authorizes the Secretary of Labor to disclose certain information under specified circumstances to comply with federal regulations. Additionally, the bill expands criminal penalties for the unauthorized disclosure of information to former MD Labor employees and third-party recipients.

Fiscal Summary

State Effect: The bill likely has a beneficial operational impact on MD Labor and can be implemented with existing budgeted resources. Revenues are not affected.

Local Effect: The bill does not materially affect local government finances or operations.

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:

Definition

“Confidential unemployment insurance information,” is defined as any information in MD Labor records that reveals the name or identifying information of an individual or an employing unit and could foreseeably be combined with other publicly available information to reveal identifying information about an individual, employer, or employing unit. “Confidential unemployment insurance information” includes both wage and UI claim information.

Federal Conformity and Disclosure Limits

MD Labor must disclose confidential information for the proper administration of the UI program and as required by federal law. Furthermore, the Secretary of Labor is granted discretionary authority to disclose information to, among other persons:

- any individual or employer requesting their own records;
- public officials in the performance of their official duties;
- attorneys representing a claimant or employer; or
- any person or entity with the claimant or employer’s informed, written consent.

Data Safeguards and Penalties

In general, any recipient of confidential UI information must use the information only for the purposes for which it was disclosed and safeguard the information against unauthorized access as specified, including (1) storing and processing information electronically and physically to protect the data from unauthorized access or disclosure and (2) properly disposing of the records once the authorized purpose for the disclosure has been served. Additionally, the bill prohibits elected officials from using confidential UI information for the solicitation of contributions for political candidates or parties.

The Secretary of Labor may authorize a recipient of confidential UI information in accordance with federal law to redisclose the information under specified circumstances, including (1) to an attorney representing the individual or employer; (2) for any administrative, civil, or criminal proceeding on behalf of the recipient; (3) to any agent of a child support enforcement unit, as specified; or (4) when specifically authorized by a written release, as specified.

The bill expands existing criminal penalties for the unauthorized disclosure of protected information to apply to former MD Labor employees and to third-party recipients who redisclose data without permission or for unauthorized purposes.

Current Law: For a general overview of the State's UI program, see the **Appendix – Unemployment Insurance**.

Each employer must keep accurate employment records, which are confidential. The Secretary of Labor and Board of Appeals are prohibited from allowing public inspection of UI records that reveal the identity of an employer, except to public employees in the performance of their official duties or to agents of child support enforcement units, as specified. To the extent necessary, the Secretary of Labor or Board Appeals must provide UI information to a claimant at a hearing before a special examiner, hearing examiner, the Secretary, or the Board of Appeals.

On request, MD Labor must provide to the chief elected official of a county specified demographic and occupational data of UI recipients who live in the county. Any such disclosure is subject to regulations designed to protect personally identifiable information of UI recipients.

An employee of the Secretary of Labor or Board of Appeals who violates confidentiality requirements in current law is guilty of a misdemeanor and on conviction is subject to a fine of up to \$1,000 or a prison term of up to one year, or both.

Background: MD Labor advises that the bill is necessary to modernize State UI confidentiality laws to ensure full compliance with federal law (20 C.F.R. § 603) and to codify authorized exceptions to confidentiality requirements. MD Labor reports that Maryland's existing laws are more restrictive than federal law requires.

The bill consolidates various confidentiality provisions, including those for employer records, claim information, and child support enforcement into one section of the code. The U.S. Department of Labor previous raised conformity concerns regarding 2021 legislation; this bill clarifies that data disclosure will be conducted in a manner consistent with federal law to protect Maryland's federal UI funding.

Additional Information

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

Designated Cross File: SB 216 (Chair, Finance Committee)(By Request - Departmental - Labor) - Finance.

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

Fiscal Note History: First Reader - January 27, 2026
sj/mcr

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Appendix – Unemployment Insurance

Program Overview

Unemployment Insurance (UI) provides temporary, partial wage replacement benefits of up to \$430 per week to individuals who are unemployed through no fault of their own and who are willing to work, able to work, and actively seeking employment. Both the federal and state governments have responsibilities for UI programs. Generally, funding for the program is provided by employers through UI taxes paid to both the federal government for administrative and other expenses and to the states for deposit in their UI trust funds. Using federal tax revenues, the UI program is administered pursuant to state law by state employees. The Maryland Department of Labor's (MD Labor) Division of Unemployment Insurance administers the State's UI program.

Each state law prescribes the tax structure, qualifying requirements, benefit levels, and disqualification provisions. These laws must, however, conform to broad federal guidelines.

Employer Contributions

Most Maryland employers pay State UI taxes, although State and local governments and some nonprofit organizations reimburse the Unemployment Insurance Trust Fund (UITF) for claims paid in lieu of paying taxes. Therefore, for most Maryland employers, the State UI tax rate is a function of:

- the employer's specific unemployment claims history; and
- the applicable tax table, which is based on the State's UITF balance and applies to most taxable employers.

Exhibit 1 shows the range of State UI taxes a typical employer owes based on the tax table in effect; there are other rates for new employers and in other limited circumstances. State UI taxes and reimbursements are typically due quarterly. As UI taxes are applied to the *first* \$8,500 earned by each employee, each calendar year, the first two quarterly tax payments are typically the largest.

Exhibit 1

Tax Tables and Applicable Employer Tax Rates

| Tax Table | As of Sept. 30, if the Trust Fund Balance, As a Percentage of Taxable Wages | | Trust Fund Balance (\$ in Millions) | | Then Next Year's Tax Rates Range from | | Annual Tax Per Employee (Rate x \$8,500) | | | |
|-----------|---|-------|-------------------------------------|-----------|---------------------------------------|--------------|--|-----------|--------------|----------|
| | Exceeds | Up to | Exceeds | Up to | No Claims | Single Claim | Up to | No Claims | Single Claim | Up to |
| A | 5.00% | n/a | \$1,043.8 | n/a | 0.30% | 0.60% | 7.50% | \$25.50 | \$51.00 | \$637.50 |
| B | 4.50% | 5.00% | 939.4 | \$1,043.8 | 0.60% | 0.90% | 9.00% | 51.00 | 76.50 | 765.00 |
| C | 4.00% | 4.50% | 835.0 | 939.4 | 1.00% | 1.50% | 10.50% | 85.00 | 127.50 | 892.50 |
| D | 3.50% | 4.00% | 730.6 | 835.0 | 1.40% | 2.10% | 11.80% | 119.00 | 178.50 | 1,003.00 |
| E | 3.00% | 3.50% | 626.3 | 730.6 | 1.80% | 2.60% | 12.90% | 153.00 | 221.00 | 1,096.50 |
| F | 0.00% | 3.00% | 0.0 | 626.3 | 2.20% | 3.10% | 13.50% | 187.00 | 263.50 | 1,147.50 |

n/a: not applicable

Notes: Fund balance threshold dollar amounts are based on the 2024 taxable wage base and are subject to modest changes each year. State law also generally requires a federal solvency goal to be met prior to moving to a tax table with lower rates (*i.e.*, from Table F to Table A). The federal solvency goal, which is designed to ensure the State's ability to pay claims during periods of high unemployment, is approximately \$1.7 billion and varies with the total wages paid in the State and benefits paid during recent recessions.

A "single claim" represents the tax rate applicable to the lowest possible rate associated with nonzero (.0001 to .0027) benefit ratios. Taxes are applied to the first \$8,500 earned by each employee, each year; compensation less than that amount reduces taxes owed accordingly.

Table F was in effect in 2021 due to the COVID-19 pandemic; prior to that, Table A had been in effect since 2016. Table C was in effect in 2022 and 2023 pursuant to Chapter 73 of 2021, which also resulted in an \$830 million infusion of federal funds into the trust fund in 2021. Table A went into effect starting in 2024 and will remain in effect through 2026.

As of January 1, 2026, the trust fund balance was \$1.9 billion.

Source: Department of Legislative Services

Benefit Payments

Generally, the weekly benefit amount a claimant is eligible for is based on the quarterly wages that the claimant was paid for covered employment in the calendar quarter of the claimant's base period in which those wages were highest. The base period is the first four of the last five completed calendar quarters immediately preceding the start of the benefit year, or, if the individual does not qualify under that definition, the four most recently completed calendar quarters immediately preceding the start of the benefit year.

Weekly benefit amounts range from \$50 to \$430 per week, based on earnings in the base period. There is also a dependent allowance of \$8 per dependent, for up to five dependents, although the allowance cannot raise the weekly benefit amount above \$430. The first \$50 of any wages earned by an individual receiving UI benefits in a given week is disregarded for purposes of calculating the weekly benefit amount, after which the benefit payment is reduced dollar for dollar. These amounts do not adjust for inflation. Generally, during a benefit year, a claimant is entitled to 26 times the claimant's weekly benefit amount. During periods of high unemployment, extended benefits may also be available.

2021 Legislation Enhanced and Required Evaluation of the State Unemployment Insurance System

The unprecedented volume of claims and benefit payments due to COVID-19 strained the State UI system to its limit, which raised numerous concerns about the system's ability to effectively meet the needs of claimants and employers. Consequently, during the 2021 legislative session, the General Assembly required several system reforms, including an [MD Labor-led study](#) regarding various longer-term reforms.

2025 Legislation Established Administrative Fee, Reducing Future Trust Fund Revenues

Chapter 604 of 2025 (the Budget Reconciliation and Financing Act) established, beginning January 1, 2026, an administrative fee of 0.15% on each taxable employer, while generally reducing the UI tax rate assigned to each taxable employer by the same amount. The administrative fee accrues to a special fund and is to be used by MD Labor for specified administrative expenses. While there is generally no effect on the total amount each taxable employer pays to MD Labor each year, the reallocation was estimated to reduce UITF revenues by approximately \$33.0 million annually.

ANALYSIS OF ECONOMIC IMPACT ON SMALL BUSINESSES

TITLE OF BILL: Unemployment Insurance - Confidentiality of Information

BILL NUMBER: HB 242

PREPARED BY: Sabrina Steel

PART A. ECONOMIC IMPACT RATING

This agency estimates that the proposed bill:

WILL HAVE MINIMAL OR NO ECONOMIC IMPACT ON MARYLAND
SMALL
BUSINESS

OR

WILL HAVE MEANINGFUL ECONOMIC IMPACT ON MARYLAND SMALL
BUSINESSES

PART B. ECONOMIC IMPACT ANALYSIS