HB 535

Department of Legislative Services

Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader

House Bill 535 (Delegate Arentz, *et al.*)
Health Finance

Food Establishments - Cottage Food Businesses - Maximum Annual Revenue

This bill increases the annual maximum revenue for a cottage food business from $50,000 to $100,000.

Fiscal Summary

State Effect: Maryland Department of Health (MDH) general fund expenditures increase by $52,400 in FY 2027 for staff, as discussed below. Future years reflect annualization and ongoing costs. Potential minimal decrease in MDH general fund revenues beginning in FY 2027 to the extent businesses choose to operate as a cottage food business rather than a licensed food manufacturer, as discussed below.

(in dollars)	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
GF Revenue	(-)	(-)	(-)	(-)	(-)
GF Expenditure	$52,400	$59,000	$61,900	$64,800	$67,700
Net Effect	($52,400)	($59,000)	($61,900)	($64,800)	($67,700)

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

Local Effect: Local health departments (LHDs) can likely handle any increase in complaint investigations or inspections with existing budgeted resources. Revenues are not affected.

Small Business Effect: Meaningful.

Analysis

Current Law: A "cottage food business" is a business that (1) produces or packages cottage food products in a residential kitchen; (2) sells the cottage food products; and (3) has annual revenues from the sale of cottage food products in an amount not exceeding $50,000.

A "cottage food product" is a nonhazardous food that is sold in the State (1) directly to a consumer from a residence, at a farmer's market, at a public event, by personal delivery, or by mail delivery, or (2) to a retail food store, including a grocery store or food cooperative.

A cottage food business does not need to be licensed by MDH if it complies with applicable laws and regulations. Before selling cottage food products, the business owner must submit to MDH (1) documentation of successful completion of a food safety course and (2) the label that will be affixed to the cottage food product. MDH provides each cottage food business with a unique identification number, which must be included in their labeling.

State Expenditures: MDH advises that it currently provides free technical assistance to cottage food businesses to ensure proper product labeling and coordinates complaints and food-related illness investigations with LHDs.

In 2022, the maximum revenue for a cottage food business was increased from $25,000 to $50,000. In response, MDH experienced a 12% increase in requests for unique identification numbers and a 19% increase in the number of cottage food businesses seeking to sell their products in retail food stores. Therefore, MDH assumes that increasing the maximum annual revenues permitted for a cottage food business to $100,000 results in a significant number of additional cottage food businesses entering the industry, likely requiring additional staff to handle the requests.

Thus, MDH general fund expenditures increase by $52,434 in fiscal 2027, which accounts for the bill's October 1, 2026 effective date. This estimate reflects the cost of hiring one part-time (50%) registered sanitarian to manage and process additional cottage food business requests and inquiries, issue unique identification numbers, review labels and food safety course completion certifications, and provide guidance to LHDs. It includes a salary, fringe benefits, one-time start-up costs, and ongoing operating expenses.

Position	0.5
Salary and Fringe Benefits	$43,758
Operating Expenses	8,676
Total FY 2027 State Expenditures	**$52,434**

Future year expenditures reflect a full salary with annual increases and employee turnover as well as annual increases in ongoing operating expenses.

State Revenues: MDH advises that, under the bill, an unknown number of businesses that otherwise would have applied for a food manufacturing license may instead opt to be a cottage food business under the increased revenue cap. To the extent that businesses choose to be a cottage food business rather than apply for a food manufacturing license, MDH

general fund revenues decrease beginning in fiscal 2027 due to the loss of license fees. Any such decrease is indeterminate but likely minimal.

Small Business Effect: Cottage food businesses may significantly increase their annual revenue under the bill.

Additional Comments: MDH advises that cottage food businesses operate out of private kitchens, which are not regulated by the State and are typically not designed to accommodate large amounts of food manufacturing like commercial kitchens. Home kitchens operating at a high capacity under the bill may be more likely to have food contamination or other safety concerns.

Additional Information

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

Designated Cross File: None.

Information Source(s): Maryland Association of County Health Officers; Maryland Department of Agriculture; Maryland Department of Health; Department of Legislative Services

Fiscal Note History: First Reader - February 12, 2026
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Analysis by: Eliana R. Prober

Direct Inquiries to:
(410) 946-5510
(301) 970-5510