



House Bill 1096

Date: February 26, 2025

Committee: Economic Matters

Position: Unfavorable

Founded in 1968, the Maryland Chamber of Commerce (Maryland Chamber) is a statewide coalition of more than 7,000 members and federated partners working to develop and promote strong public policy that ensures sustained economic growth and opportunity for all Marylanders.

HB 1096 establishes joint liability for businesses that outsource a project, creates excessive penalties for inadvertent mistakes, and applies these changes to every industry in Maryland. As a result, HB 1096 will negatively impact every Maryland industry, disproportionately impact small businesses, and negatively disrupt Maryland's economy for businesses and workers.

HB 1096 redefines "general contractor" to include any business in the State that outsources a project and then seeks to hold those businesses financially accountable if a subcontractor misclassifies an employee. When coupled with the bill's broad definition of terms "employee" and worker," this change will create massive disruptions across industries by exposing businesses to untenable financial liability for actions over which the businesses do not have control.

HB 1096's definitions are so broad that businesses could be financially liable under any project that is outsourced to another company. In fact, businesses that are defined as "general contractors" would need to hire whole teams to constantly monitor the human resources and payment mechanisms of subcontractors. That increased cost and liability would result in fewer projects being outsourced to small businesses and subsequently increase the price of goods and services for consumers.

After a final order is issued, the Maryland Department of Labor currently provides businesses who made a non-knowing violation 45 days to achieve compliance. This important cure period allows good faith actors to rectify honest mistakes and ensures that all parties are made whole without fear of excessive and unnecessary reprisal.

HB 1096 seeks to abolish that good faith standard by excessively punishing good faith actors who reasonably believed wages were correctly paid. While the bill does provide a mitigation requirement for actions brought by employees (Pg. 6, Line 28), appears to exclude that good faith mitigation standard from actions brought by the Attorney General. Instead, the bill provides the Attorney General with excessive punishment authority for good faith actors that includes economic damages,



liquidated damages, civil penalties, and attorney fees (Pg. 7, Lines 7-24). Additionally, the bill seeks to establish minimum financial penalties for honest mistakes (Pg. 19, Line 18).

During the 2024 legislative session, the Maryland General Assembly enacted House Bill 465, which increased the penalty for an employer knowingly misclassifying an employee to \$10,000 per violation. With that law in effect for just 5 months, HB 1096 now seeks to increase the same penalty for a knowing violation to not less than \$10,000 and up to \$25,000 per violation. Additionally, HB 1096 seeks to establish that an *un-knowing* violation must be penalized by not less than \$5,000 and up to \$10,000 per violation. The Maryland Chamber is concerned with another increase to the same penalty provision, and we question the need to raise financial penalties and set minimum penalties in the same statute that was amended just 5 months ago.

HB 1096's creation of joint liability for any business that outsources a project and excessive penalties will cause disruption across Maryland's industries, disproportionately impact small businesses, and damage Maryland's economy. For these reasons, the Maryland Chamber respectfully requests an **unfavorable report on HB 1096**.