

Department of Legislative Services
Maryland General Assembly
2021 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 408

(Delegate D.E. Davis)

Economic Matters

Business Regulation – Home Improvement Contracts – Payments

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. However, the bill also prohibits a person from receiving the remaining amount of the contract price (*i.e.*, the balance owed after the deposit) until the home improvement specified in the contract is complete.

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. Current law does not place a limitation on the timing or amount of payments made after an initial deposit.

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.

Small Business Effect: The bill has both positive and negative effects on the cash flow of small home improvement businesses. Under the bill, such businesses benefit from the ability to receive up to one-half (instead of one-third) of a home improvement contract price up front, which improves their cash flow. Conversely, the bill's prohibition against receiving the balance of the contract price prior to completion of the agreed-upon home improvement potentially delays the receipt of funds. For example, with a deposit of 25%, the remaining 75% would not be payable until completion of the project. The effect on any particular small business is unknown, but could be significant.

Additional Information

Prior Introductions: HB 770 of 2020, a similar bill, received a hearing from the House Economic Matters Committee, but no further action was taken. HB 916 of 2018, a similar bill, passed the House but received an unfavorable report from the Senate Education, Health, and Environmental Affairs Committee. HB 1058 of 2017, a similar 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 - January 13, 2021
rh/mcr

Analysis by: Stephen M. Ross

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