

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
Third Reader - Revised

House Bill 1351
Economic Matters

(Delegate Amprey, *et al.*)

Education, Energy, and the Environment

Home Improvement Contractors - Disaster Mitigation Services and Fraudulent Insurance Acts - Regulation and Prohibition

This bill expands the definition of “home improvement” to include “disaster mitigation services,” including specified work on trees and water remediation services, thereby requiring any entities providing those services to be licensed and regulated by the Maryland Home Improvement Commission (MHIC). However, the bill exempts specified home improvement contractors providing disaster mitigation services from licensing requirements until November 1, 2028. Each home improvement contract for disaster mitigation services must contain a notice of the owner’s right to rescind the contract, as specified. The bill also authorizes the governing body of a county or Baltimore City to impose certain limitations on in-person solicitation of a victim of a disaster by a contractor offering disaster mitigation services. The bill also makes it a fraudulent insurance act for a contractor to provide specified payments to an insured or claimant.

Fiscal Summary

State Effect: No effect in FY 2027 or 2028 due to the bill’s exemption from licensing requirements until November 1, 2028. Special fund revenues and expenditures may increase minimally beginning in FY 2029 due to additional licensing fee revenues and ongoing administrative costs related to licensing and regulating disaster mitigation contractors. As revenues and expenditures are expected to largely offset, there is no net effect on general fund revenues due to reversions. The increase in special fund licensing revenues may be mitigated to the extent disaster mitigation services are already provided by existing MHIC licensees, which is not known. Nonbudgeted revenues and expenditures may increase minimally beginning in FY 2029 due to additional assessments paid to – and potentially claims paid from – the Home Improvement Guaranty Fund. The bill is not expected to materially affect general fund revenues or expenditures related to licensing of tree experts.

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

Small Business Effect: Potential meaningful.

Analysis

Bill Summary:

Licensing and Regulation of Disaster Mitigation Contractors

The bill defines “disaster mitigation services” to include (1) boarding up windows or doors to secure a building; (2) demolition of a structure to prevent further damage; (3) setting water mitigation equipment; (4) tarping or caulking a roof or building after damage; and (5) securing a wall or roof to prevent further damage. The bill also specifies that “home improvement” includes (1) work done on trees, including removal services and (2) water remediation services that restore, clean, sanitize, or return a property to be safe and habitable.

A home improvement contractor that provides disaster mitigating services is exempt from home improvement licensing requirements until November 1, 2028, if the contractor (1) complies with the contract rescission requirements established by the bill; (2) is substantially working toward a license; and (3) began operating in the State on or before October 1, 2026, as specified.

Rescinding Disaster Mitigation Contracts

Notwithstanding the Maryland Door-to-Door Sales Act, an owner may rescind a home improvement contract for disaster mitigation services within five days after entering into the contract if the owner is under the age of 65 years, or seven days if the owner is at least 65 years old. An owner who rescinds a contract may not be required to pay more than the fair and reasonable value of the necessary work performed under the contract prior to the owner rescinding the contract. A contract must (1) comply with specified provisions of the Maryland Door-to-Door Sales Act and (2) include a notice informing the owner of the right to rescind within five days, as specified.

Solicitation for Disaster Mitigation Services

“Disaster” means a serious event that (1) causes harm to a home, building, or other structure and (2) requires emergency response services. The governing body of a county or the Mayor and City Council of Baltimore City may impose limitations on in-person solicitation of a victim of a disaster by a contractor offering disaster mitigation services, including

limitations on the hours during which (and areas within which) in-person solicitation may occur. These provisions do not apply to a contractor, or a person acting on behalf of a contractor, who is engaged in an ongoing business relationship, other than mere solicitation, with a victim of a disaster before the disaster occurs. Additionally, the existence of a disaster is not contingent on the declaration of a State of Emergency by the federal government or the Governor, or a local disaster declaration, as specified.

Fraudulent Insurance Acts

“Contractor” means a person, other than an employee of an owner, who performs or offers or agrees to perform a home improvement for an owner.

Regardless of intent, it is a fraudulent act for a contractor offering home repair or remodeling services for damages to a private residence, to directly or indirectly pay or otherwise compensate an insured, or offer or promise to pay or compensate an insured, for any part of the insured’s deductible if payment for the services will be made from the proceeds of the policy.

It is also a fraudulent insurance act for a contractor or provider of services for the repair or replacement of a residential structure to provide a payment, referral fee, rebate, gift, or anything of value to an insured or a claimant in connection with a claim. Under current law, a person that violates this provision in which the claim or the act has a value of \$300 or more is guilty of a felony and, on conviction, is subject to liability for restoring to the victim the property taken or the value of the property taken; the bill does not establish additional fines for a violation of this provision. If the act that is subject to fraud is worth less than \$300, the person is guilty of a misdemeanor and must also restore the property or the value of property taken.

The bill does not prohibit a contractor from paying a referral fee or commission to another contractor or business entity.

Current Law: MHIC in the Maryland Department of Labor licenses and regulates home improvement contractors and salespersons, subject to specified requirements for licensure and ongoing licensee behavior. MHIC also administers a guaranty fund for the purpose of reimbursing homeowners for actual losses due to the errors and omissions of licensed contractors and their subcontractors, salespersons, and employees.

“Home improvement” means (1) the addition to or alteration, conversion, improvement, modernization, remodeling, repair, or replacement of a building or part of a building that is used or designed to be used as a residence or dwelling place or a structure adjacent to that building or (2) an improvement to land adjacent to the building.

“Home improvement” includes (1) construction, improvement, or replacement, on land adjacent to the building, of a driveway, fall-out shelter, fence, garage, landscaping, deck, pier, porch, or swimming pool; (2) a shore erosion control project for a residential property; (3) connection, installation, or replacement, in the building or structure, of a dishwasher, disposal, or refrigerator with an icemaker to existing exposed household plumbing lines; (4) installation, in the building or structure, of an awning, fire alarm, or storm window; and (5) work done on individual condominium units.

Generally, a person must have a contractor license whenever the person acts as a contractor in the State, or a salesperson license or contractor license whenever the person sells a home improvement in the State. However, this requirement does not apply to (1) specified administrative individuals working on behalf of a licensed contractor; (2) individuals holding specified professional and trade licenses; (3) licensed security systems technicians; or (4) licensed marine contractors.

The Secretary of Labor must calculate the direct and indirect costs attributable to MHIC annually, and MHIC must establish fees based on those calculations. Fees may not be increased annually by more than 12.5% of the existing and corresponding fees. Fee revenues are deposited into the Maryland Home Improvement Commission Special Fund, which covers MHIC’s operating costs. At the end of each fiscal year, any unspent and unencumbered balance in the fund in excess of \$100,000 reverts to the general fund.

Home Improvement Guaranty Fund

MHIC must establish a Guaranty Fund that must be kept at a minimum level of \$1,000,000 to compensate homeowners for an “actual loss” that results from an act or omission by a licensed home improvement contractor or other violations, as discussed in further detail below.

Licensees pay a \$100 fee to the Guaranty Fund as a condition of getting a license; if the balance of the Guaranty Fund is projected to fall below \$1,000,000, the commission must (1) assess each licensed contractor an additional fee of \$50 and (2) submit a report to specified committees of the General Assembly. The report must be made within 30 days of any such projection and must detail actions that are being taking to restore the balance of the fund to a sustainable level.

Tree Expert Licensing

A “tree expert” is a person who represents to the public that the person is skilled in the science of tree care or removal and who otherwise engages in the business or work of the treatment, care, or removal of trees for compensation, as specified. A person may not engage in the work or business of a tree expert without a license issued by the

Department of Natural Resources (DNR). DNR must issue a tree expert license to an applicant who is at least 18 years of age, meets specified experience requirements, passes an examination given by DNR, and pays an examination fee of \$45 and an initial licensing fee of \$55. Every licensee must carry and show proof of liability and property damage insurance, as required by DNR.

Fraudulent Insurance Acts

It is a fraudulent insurance act for a contractor offering home repair or remodeling services for damages to a private residence, to directly or indirectly pay or otherwise compensate an insured, or offer or promise to pay or compensate an insured, *with the intent to defraud an insurer*, for any part of the insured's deductible under the insured's property or casualty insurance policy, if payment for the services will be made from the proceeds of the policy.

A person that violates this provision in which the claim or the act has a value of \$300 or more is guilty of a felony and on conviction is subject to (1) liability for restoring to the victim the property taken or the value of the property taken and (2) a fine up to \$10,000 or imprisonment up to 15 years, or both. If the act that is subject to fraud is worth less than \$300, the person is guilty of a misdemeanor and, on conviction, is subject to (1) liability for restoring the property or the value of property taken and (2) a fine up to \$10,000 or imprisonment up to 18 months, or both.

In addition to the criminal penalties specified above, the Insurance Commissioner may impose an administrative penalty of \$25,000 for each act of insurance fraud and order restitution to an insurer, as specified.

Small Business Effect: Small businesses that provide residential disaster mitigation services will be impacted, as they are subject to MHIC licensing and regulation requirements under the bill beginning November 1, 2028. Additionally, to the extent payouts increase under the bill, MHIC licensees may have to pay higher Guaranty Fund assessments and/or reimbursements to maintain the fund at the appropriate level.

Additional Comment: Although the bill allows an owner to rescind a disaster mitigation contract within seven days if the owner is at least age 65, the notice required by the bill specifies that owners have only five days to rescind a contract.

Additional Information

Recent Prior Introductions: Similar legislation has been introduced within the last three years. See HB 1348 of 2025.

Designated Cross File: SB 929 (Senator Harris) - Education, Energy, and the Environment.

Information Source(s): Anne Arundel, Baltimore, Cecil, Frederick, Montgomery, and Somerset counties; Maryland Association of Counties; Office of the Attorney General (Consumer Protection Division); Maryland Department of Labor; Department of Legislative Services

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