

Department of Legislative Services
Maryland General Assembly
2026 Session

FISCAL AND POLICY NOTE
First Reader

House Bill 1499
Economic Matters

(Delegate Adams, *et al.*)

Business Regulation - Home Improvement Contracts - Deposits

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.

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.

Maryland Home Improvement Commission

The Maryland Home Improvement Commission (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.

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.

Small Business Effect: Many businesses in the home improvement industry are small businesses and benefit from the ability to receive up to one-half of a home improvement contract price up front under the bill, which improves their cash flow. Additionally, a new small home improvement business may overcome initial funding obstacles and increase working capital by taking a larger up-front deposit.

Additional Information

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

Cross File: None.

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

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me/mcr

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