June 10, 2026

POLICY ANALYSIS AND FISCAL IMPACT STATEMENT

TO: Committee of the Whole (COW)

THRU: Kenny Battle
Committee Director

FROM: Alex Hirtle
Legislative Budget and Policy Analyst

RE: Policy Analysis and Fiscal Impact Statement
CB-048-2026 Prohibited Home Business

CB-048-2026 (*proposed by*: Council Member Dernoga)

Referred to the Transportation, Infrastructure, Energy and Environment Committee (TIEE)

AN ACT CONCERNING PROHIBITED HOME BUSINESS, for the purpose of providing for certain definitions; providing for certain civil monetary fines and citations for a Prohibited Home Business; providing for a certain notice and tax lien for a Prohibited Home Business; providing for certain District Court proceedings; providing for a certain revised definition of neighborhood nuisance; and generally regarding Prohibited Home Business.

Fiscal Summary

Direct Impact

Expenditures: Probable modest administrative costs.

Revenues: Possible increased revenue due to higher fines.

Indirect Impact

Potentially favorable.

Legislative Summary

CB-048-2026 was presented on May 26, 2026, and was referred to the Transportation, Infrastructure, Energy and Environment Committee (TIEE). This bill will protect communities from illegal business activities of Prohibited Home Businesses. The legislation includes the definition of Prohibited Home Business and Rebuttable Presumption- this definition means a presumption established under Zoning Ordinance 27-5203 (b) (6) (J) that certain observable facts constitute prima facie (at first glance) evidence of a violation. When the presumption is established, the burden of production shifts to the responsible party to demonstrate the activity is not in violation.

The legislation provides for increased civil monetary fines specific to Prohibited Home Business, the first violation being $1,000, second violation being $2,500, and third and any subsequent violation being $5,000. These fines are mandatory minimums. The provisions of Section 28-132 (b) allowing courts to reduce or suspend such fines would not apply to this subsection.

The civil fine, penalties, and costs of abatement could be recorded as a lien upon the property, and collectable in the same manner as property taxes, bearing the same interest rate as delinquent taxes. If after 15 days the citation is not paid or satisfied, the Office of Finance can place a lien on the property.

Finally, the Bill also adds to the definition of Nuisances (Subtitle 14): it includes text that defines Neighborhood Nuisance as engages in, permits, or fails to abate a Prohibited Home Business after issuance of three or more final, uncorrected notices of violations/citations for the same or similar activity by the Department of Permitting, Inspections, and Enforcement (DPIE) within a 24 month period.

Current Law/Background:

The legislation refers to Subtitle 28, Civil Monetary Fines or Penalties, and Subtitle 14, Morals and Conduct (Nuisances). It adds definitions, increases monetary fines specific to Prohibited Home Business and creates mandatory minimum fines, allowing for liens to be placed on property for unpaid fines, to be paid like property taxes, and shifts the burden of proof on the property owner if there is visual evidence of a violation.

Resource Personnel:

- Kathy Canning, Legislative Officer
- Michelle Garcia, Chief of Staff, District 1

Discussion/Policy Analysis:

Prohibited Home Businesses can consist of everything from unauthorized commercial car repair work in a residential garage to illegal commercial food operations in a small apartment. The Department of Permitting, Inspections, and Enforcement (DPIE) currently inspects and writes citations for such violations.

The Department has been challenged by property inspections (which includes inspecting for illegal home businesses) in that they issued 4,360 violations in FY 2026 (Estimated), and Projected violations issued in FY 2027 will be 5,706.[1] Of these violations, on average only 66% of them will be resolved upon a reinspection, meaning about one in every three will have sustained a violation.[2] Even with increased resources such as Step-Up Enforcement and After Hours initiatives, the County Executive has made the decision to move DPIE's Enforcement Division to the Office of Homeland Security (OHS) to streamline enforcement duties in more effectively carrying out these challenging tasks through CB-056-2026.

Other local jurisdictions have used various methods to enforce such violations of Prohibited Home Businesses: Montgomery County, Maryland has strict regulations on home-based businesses, including limiting the number of customers or clients that can enter a residential-based business (20 times a week or less) to maintain the residential character of the area; additionally, home-based businesses can only have two spaces for parking.[3] Also, lawn maintenance companies that are registered in a residential neighborhood can only have one single-axle trailer or truck parked on the residential street.[4]

Questions for the Committee members:

- Will the Enforcement Division's move to OHS provide the resources needed to lower the sustained violations of prohibited home businesses?
- Does the Office of Law expect the court system to honor Rebuttable Presumption, given an alleged violation can still be argued, possibly successfully on behalf of a defendant?
- Does the Committee and Council reasonably expect the County Executive to direct the Office of Finance to enforce unpaid violations through the prescribed lien system outlined in this legislation, given past administrations have been reluctant to do so possibly because of political backlash?

[1] Office of Management & Budget FY 2027 Operating Budget Book, page 613.
[2] IBID
[3] https://www.montgomerycountymd.gov/office-public-information/special-programs/being-good-neighbors-maintaining-residential-character-county-neighborhoods

[4] IBID

Fiscal Impact:

- *Direct Impact*

Adoption of CB-048-2026 should have a modest negative fiscal impact on the County by the mandated administrative duties cited in the legislation. Additionally, if the County is successful in issuing more fines to violators at the increased rates (and have the ability to recover them), this impact may result in an eventual positive fiscal impact for the County.

- *Indirect Impact*

Adoption of CB-048-2026 should have a favorable indirect impact- by providing additional deterrents to violators for prohibited home businesses, these violations may eventually be reduced, thus improving the quality of life in residential communities within the County.

- *Appropriated in the Current Fiscal Year Budget*

No.

Policy Implementation Resource/Project Timeline:
(note- timeline drafted by PAFI Analyst- DPIE did not respond at time of report completion)

Legislative Initiative
Milestone 1 (July/August 2026) – legislation passed and signed by County Executive.
Milestone 2 (Summer 2026) – DPIE releases Enforcement Division to OHS.
Milestone 3 (Autumn 2026) – 45 days after becoming law, Bill takes effect.

Disclaimer - *Relative timeline based on County Agency and OMB input at a point in time.*

Effective Date of Proposed Legislation:

The proposed Bill shall be effective forty-five (45) calendar days after it becomes law.

If you require additional information, or have questions about this fiscal impact statement, please reach me via phone or email.