

CHECKLIST

FOR OWNER-BUILDERS

If you choose not to hire licensed contractors, the following checklist may help you comply with your responsibilities:

- Contact your local city hall or county finance office to find out if you need to obtain a business license.
- Contact the state Employment Development Department and Franchise Tax Board for instruction on registering as an employer.
- Contact the Internal Revenue Service for information on registering as an employer.
- Check with your insurance company about purchasing workers' compensation coverage, and any need to increase your liability coverage.



Should I Hire a Consultant to Oversee the Job?

Consultants who contract to direct the project and supervise workers must have a state contractor license. Consultants do not take over the legal responsibility for the job; the homeowner still holds all responsibility. In addition, sometimes the consultant is either someone who has had his or her CSLB license suspended or revoked, is not qualified to get a license, or couldn't pass the criminal background check needed to get a license. The CSLB urges you to **only hire state-licensed contractors** to perform work on your property.

How Do I Know if My Contractor is Licensed?

By law, anyone who contracts for or bids on a construction project valued at \$500 or more (total labor and materials) must be licensed by the CSLB. To qualify for a license, a contractor must pass a criminal background check, verify four years of journey-level experience in the trade, pass both a trade and license law examination, and post a license bond. Contractors are required by law to put their CSLB license number in all advertisements. Unlicensed operators are required to say they are not licensed in their advertisements.

- Ask to see the contractor's plastic pocket license and a photo identification.
- Verify the license and its status via the CSLB Web site: www.cslb.ca.gov or toll-free automated line: 800.321.CSLB (2752).



CONTRACTORS STATE LICENSE BOARD

P.O. Box 26000
Sacramento, CA 95826-0026
800.321.CSLB (2752)
www.cslb.ca.gov

DEPARTMENT OF CONSUMER AFFAIRS

OWNER-BUILDERS

Beware!

*Know Your Responsibilities
as an Owner-Builder*



CONTRACTORS STATE
LICENSE BOARD

Department of Consumer Affairs





What is an Owner-Builder?

An owner-builder is what the term indicates: the person owns the property and acts as their own general contractor on the job, and either does the work themselves or has employees (or licensed subcontractors) working on the project.

Some homeowners believe they can save money by not hiring a licensed general contractor to oversee property improvements. Or, they try to save money by hiring unlicensed individuals and lying on the permit application by saying they, as homeowners, will do the work.

Unfortunately, most homeowners don't know they can face very serious legal and financial problems if they choose to be an owner-builder and don't follow the law.

Responsibilities of an Owner-Builder

When you sign a building permit application as an owner-builder, you assume full responsibility for all phases of your project and its integrity. You may be considered an employer if you hire unlicensed contractors to do the work. This could make you responsible for:

- Registering with the state and federal government as an employer;
- Withholding state and federal income taxes, federal Social Security taxes, paying disability insurance and making employment compensation contributions; and
- Providing workers' compensation insurance.

Owner-builders are also responsible for:

- Supervising the job, including scheduling workers and obtaining building permits and requesting inspections;
- Correcting the work and getting it re-inspected if any of the construction doesn't pass building inspections; and
- Making sure all workers and material suppliers are paid, or face the possibility of mechanic's liens against their home or property.

Qualifications for Owner-Builders

For home improvements

- The work site must be your principal place of residence that you have occupied for 12 months prior to completion of the work;
- The work must be performed prior to the sale of the home; and

- You cannot take advantage of this exemption on more than two structures during any three-year period.

For construction of new single family residences

- You are limited to selling four or fewer residential structures in one calendar year; and
- The work necessary to complete the project(s) must be performed by licensed subcontractors.

Note: The limitation on the number of structures that can be sold is not applicable if the owner contracts with a General Building (B) contractor for the performance of the work.

FOR MORE INFORMATION

FEDERAL

Internal Revenue Service
800.829.1040

U.S. Small Business Administration
800.359.1833

STATE

Employment Development Department
916.653.0707

Department of Industrial Relations
415.703.5070

Franchise Tax Board
800.852.5711