

Owner/builders take note!

A word of caution from the Contractors State License Board

*Hiring an unlicensed
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*By hiring a licensed
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Anyone who talks you into being your own general contractor, or “owner/builder,” may be doing you no favor.

“Owner/builder” describes a situation in which the homeowner becomes the general contractor. As an owner/builder, *you* (not the person you hire) assume responsibility for the overall job.

Your responsibilities may include such things as state and federal taxes, workers’ compensation insurance, and other legal liabilities. You may be required to hire various subcontractors for your project, scheduling their work and supervising the job. If a worker is injured while working on your property, you could be asked to pay for injuries and rehabilitation through your homeowner’s insurance policy.

By signing a building permit application as an owner/builder, you assume full responsibility for all phases of your project and its integrity.

Hiring an unlicensed “consultant” to manage the project does not save you money in the long run. By hiring a licensed experienced contractor for your project to hire licensed knowledgeable tradespersons, the contractor becomes responsible for all phases of construction.

Unless you are very experienced in construction, it is best to leave these matters to your licensed contractor.

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 submit a bid to construct any structure or portion of a structure and/or supervise all of the construction and hiring of subcontractors are acting in the capacity of a contractor and must have a state contractor license. When a project is identified on permits as an owner-builder job, consultants do not take over the legal responsibility for the job; the homeowner still holds all responsibility. Be cautious: 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. 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 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 on the CSLB website: 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 • CheckTheLicenseFirst.com

DEPARTMENT OF CONSUMER AFFAIRS

13P-060/0710

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 the general contractor on the job, and either does the work or has employees (or licensed subcontractors) work 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, 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 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 the contractor license 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



**DEVELOPMENT SERVICES
BUILDING DIVISION**
32400 PASEO ADELANTO
SAN JUAN CAPISTRANO, CA 92675
(949) 443-6347
building@sanjuancapistrano.org
www.sanjuancapistrano.org/building

PERMIT #: _____

OWNER-BUILDER ACKNOWLEDGEMENT

Dear Property Owner:

An application for a building permit has been submitted in your name listing yourself as the builder of the property improvements specified at:

The City of San Juan Capistrano is providing you with an Owner-Builder Acknowledgment and Verification of Information to make you aware of your responsibilities and possible risk you may incur by having this permit issued in your name as the Owner-Builder.

We will not issue a building permit until you have read, initialed your understanding of each provision, signed, and returned this form to us at our official address indicated. An agent of the owner cannot execute this notice unless you, the property owner, obtain the prior approval of the permitting authority.

OWNER'S ACKNOWLEDGMENT AND VERIFICATION OF INFORMATION

DIRECTIONS: *Read and initial each statement below to signify you understand or verify this information.*

- _____ 1. I understand a frequent practice of unlicensed persons is to have the property owner obtain an Owner-Builder building permit that erroneously implies that the property owner is providing his or her own labor and material personally. I, as an Owner-Builder, may be held liable and subject to serious financial risk for any injuries sustained by an unlicensed person and his or her employees while working on my property. My homeowner's insurance may not provide coverage for those injuries. I am willfully acting as an Owner-Builder and am aware of the limits of my insurance coverage for injuries to workers on my property.
- _____ 2. I understand building permits are not required to be signed by property owners unless they are *responsible* for the construction and are not hiring a licensed Contractor to assume this responsibility.
- _____ 3. I understand as an Owner-Builder I am the responsible party of record on the permit. I understand that I may protect myself from potential financial risk by hiring a licensed Contractor and having the permit filed in his or her name instead of my own.
- _____ 4. I understand Contractors are required by law to be licensed and bonded in California and to list their license numbers on permits and contracts.
- _____ 5. I understand if I employ or otherwise engage any persons, other than California licensed Contractors, and the total value of my construction is at least five hundred dollars (\$500), including labor and materials, I may be considered an "employer" under state and federal law.
- _____ 6. I understand if I am considered an "employer" under state and federal law, I must register with the state and federal government, withhold payroll taxes, provide workers' compensation disability insurance, and contribute to unemployment compensation for each "employee." I also understand my failure to abide by these laws may subject me to serious financial risk.
- _____ 7. I understand under California Contractors' State License Law, an Owner-Builder who builds single-family residential structures cannot legally build them with the intent to offer them for sale, unless *all* work is performed by licensed subcontractors and the number of structures does not exceed four within any calendar year, or all of the work is performed under contract with a licensed general building Contractor.
- _____ 8. I understand as an Owner-Builder if I sell the property for which this permit is issued, I may be held liable for any financial or personal injuries sustained by any subsequent owner(s) that result from any latent construction defects in the workmanship or materials.

OWNER-BUILDER ACKNOWLEDGEMENT

9. I understand I may obtain more information regarding my obligations as an "employer" from the Internal Revenue Service, the United States Small Business Administration, the California Department of Benefit Payments, and the California Division of Industrial Accidents. I also understand I may contact the California Contractors' State License Board (CSLB) at 1-800-321-CSLB (2752) or www.cslb.ca.gov for more information about licensed contractors.
10. I am aware of and consent to an Owner-Builder building permit applied for in my name, and understand that I am the party legally and financially responsible for proposed construction activity at the address listed on this form.
11. I agree that, as the party legally and financially responsible for this proposed construction activity, I will abide by all applicable laws and requirements that govern Owner-Builders as well as employers.
12. I agree to notify the City of San Juan Capistrano immediately of any additions, deletions, or changes to any of the information I have provided on this form and any other forms, plans or documents associated with this permit application.
13. I understand that Licensed contractors are regulated by laws designed to protect the public. If I contract with someone who does not have a license, the Contractors' State License Board may be unable to assist me with any financial loss I may sustain as a result of a complaint. My only remedy against unlicensed Contractors may be in civil court.
14. I understand that if I obtain a permit as Owner-Builder and wish to hire Contractors, I will be responsible for verifying whether or not those Contractors are properly licensed and the status of their workers' compensation insurance coverage. Further, I am advised that each contractor or subcontractor must have a current and valid City of San Juan Capistrano business license in order to perform work in the City and in which we may ask you to verify.

Before a building permit can be issued, this form must be completed and signed by the property owner and returned to the agency responsible for issuing the permit.

NOTE: A copy of the owner's driver's license, form notarization, or other verification acceptable to the agency is required to be presented when the permit is issued to verify the property owner's signature.

PROPERTY OWNER NAME (PRINT): _____

PROPERTY OWNER SIGNATURE: _____

DATE: _____

NOTE: The following Authorization is required to be completed by the property owner only when designating an agent of the property owner to apply for a construction permit for the Owner-Builder.

AUTHORIZATION OF AGENT TO ACT ON PROPERTY OWNER'S BEHALF

I hereby authorize the following person(s) to act as my agent(s) to apply for, sign, and file the documents necessary to obtain an Owner-Builder Permit for my project. Only I, as property owner, or properly licensed contractor(s), contracted by my agent on my behalf, may perform the actual work.

**SCOPE OF CONSTRUCTION PROJECT
OR DESCRIPTION OF WORK:** _____

PROJECT LOCATION OR ADDRESS: _____

AUTHORIZED AGENT NAME: _____

PHONE: _____

AUTHORIZED AGENT ADDRESS: _____

EMAIL: _____

I declare under penalty of perjury that I am the property owner for the address listed above and I personally filled out the above information and certify its accuracy.

PROPERTY OWNER SIGNATURE: _____

DATE: _____

NOTE: A copy of the owner's driver's license, form notarization, copy of the trust documents showing the trustee and executor, or other documentation acceptable to the agency, are required to be presented when the permit is issued to verify the property owner or trustee's signature.