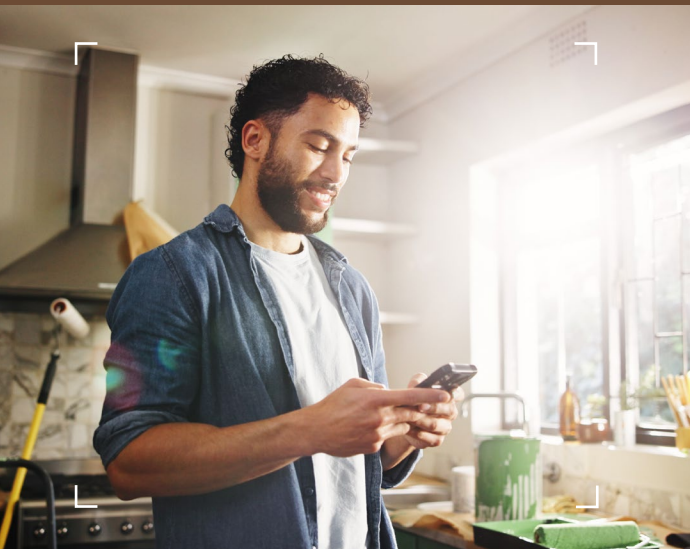


CHECKLIST FOR OWNER-BUILDERS

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

- ✓ Contact your **city** or **county government** to find out if you need to obtain a business license.
- ✓ Contact the state **Employment Development Department** and **Franchise Tax Board** for instructions 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 bid on projects and/or supervise the project hiring subcontractors must be licensed by CSLB. When a project is identified on permits as an owner-builder job, the homeowner is responsible for the project logistics. Be cautious: sometimes the consultant is either someone who has had their 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.

FOR MORE INFORMATION

FEDERAL:

Internal Revenue Service
(800) 829-1040

U.S. Small Business Administration
(800) 827-5722

STATE:

Employment Development Department
(888) 745-3886

Franchise Tax Board
(800) 852-5711



CONTRACTORS STATE LICENSE BOARD

P.O. Box 26000
Sacramento, CA 95826-0026
800-321-CSLB (2752)
cslb.ca.gov

DEPARTMENT OF CONSUMER AFFAIRS

13P-060/1025

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 the person who 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 misrepresenting on the permit application by saying they, as homeowners, will do the work.

Unfortunately, most homeowners do not know they can face very serious legal and financial problems if they choose to be an owner-builder and do not 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 mechanics 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.

HOW DO I KNOW IF MY CONTRACTOR IS LICENSED?

By law, anyone who contracts for or bids on a construction project valued at \$1,000 or more (total labor and materials) must be licensed by CSLB. **Note: Any project needing a permit or workers requires a licensed contractor.** 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 CSLB's website: cslb.ca.gov or toll-free automated line: 1-800-321-CSLB (2752).**



OWNER – BUILDER VERIFICATION FORM

26 Corte Madera Ave., Mill Valley, CA 94941
Phone: (415) 388-4033

Disclosures & Forms for Owner-Builders Applying for Construction Permits

IMPORTANT! NOTICE TO PROPERTY OWNER

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 _____. We are providing you with an Owner-Builder Acknowledgment and Information Verification Form 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.
- ____ 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 following address:

____ 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 issuer of this form immediately of any additions, deletions, or changes to any of the information I have provided on this form. Licensed contractors are regulated by laws designed to protect the public. If you contract with someone who does not have a license, the Contractors' State License Board may be unable to assist you with any financial loss you may sustain as a result of a complaint. Your only remedy against unlicensed Contractors may be in civil court. It is also important for you to understand that if an unlicensed Contractor or employee of that individual or firm is injured while working on your property, you may be held liable for damages. If you obtain a permit as Owner-Builder and wish to hire Contractors, you will be responsible for verifying whether or not those Contractors are properly licensed and the status of their workers' compensation insurance coverage.

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 property 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.

Signature of property owner _____ Date: _____

Note: The following Authorization Form 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

Excluding the Notice to Property Owner, the execution of which I understand is my personal responsibility, 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.

Scope of Construction Project (or Description of Work): _____

Project Location or Address: _____

Name of Authorized Agent: _____ Tel No _____

Address of Authorized Agent: _____

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. 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's Signature: _____ Date: _____



26 Corte Madera Ave., Mill Valley, CA 94941
Phone: (415) 388-4033

OWNER-BUILDER DECLARATION

#1 IDENTIFY YOUR BUILDING PROJECT

Property Location or Address: _____

This permit is to be issued in the name of the Property Owner as the permit holder of record who will be responsible and liable for the construction.

Property Owner Information: Name _____ Tel No _____

Mailing Address _____

E-mail Address _____

Licensed Design Professional (Architect or engineer in charge of the project) Information:

Name _____ License No. _____ Tel No _____

Mailing Address _____

E-mail Address _____

Description and valuation of work to be performed: _____

#2 IDENTIFY WHO WILL PERFORM THE WORK

OWNER-BUILDER'S DECLARATION

I hereby affirm under penalty of perjury that I am exempt from the Contractors' State License Law for the reason(s) indicated below by the checkmark(s) I have placed next to the applicable item(s) (Section 7031.5, Business and Professions Code: Any city or county that requires a permit to construct, alter, improve, demolish, or repair any structure, prior to its issuance, also requires the applicant for the permit to file a signed statement that he or she is licensed pursuant to the provisions of the Contractors' State License Law (Chapter 9 (commencing with Section 7000) of Division 3 of the Business and Professions Code) or that he or she is exempt from licensure and the basis for the alleged exemption. Any violation of Section 7031.5 by any applicant for a permit subjects the applicant to a civil penalty of not more than five hundred dollars (\$500).):

☐ I, as owner of the property, or my employees with wages as their sole compensation, will do ☐ all of or ☐ portions of the work, and the structure is not intended or offered for sale (Section 7044, Business and Professions Code: The Contractors' State License Law does not apply to an owner of property who, through employees' or personal effort, builds or improves the property, provided that the improvements are not intended or offered for sale. If, however, the building or improvement is sold within one year of completion, the Owner-Builder will have the burden of proving that it was not built or improved for the purpose of sale.).

☐ I, as owner of the property, am exclusively contracting with licensed Contractors to construct the project (Section 7044, Business and Professions Code: The Contractors' State License Law does not apply to an owner of property who builds or improves thereon, and who contracts for the projects with a licensed Contractor pursuant to the Contractors' State License Law.).

☐ I am exempt from licensure under the Contractors' State License Law for the following reason:

DECLARATION

By my signature below I acknowledge that, except for my personal residence in which I must have resided for at least one year prior to completion of the improvements covered by this permit, I cannot legally sell a structure that I have built as an owner-builder if it has not been constructed in its entirety by licensed contractors. I understand that a copy of the applicable law, Section 7044 of the Business and Professions Code, is available at the following Web site: <http://www.leginfo.ca.gov/calaw.html>.

Property Owner or Authorized Agent signature _____ Date _____

#3 IDENTIFY WORKERS' COMPENSATION COVERAGE AND LENDING AGENCY

WARNING: FAILURE TO SECURE WORKERS' COMPENSATION COVERAGE IS UNLAWFUL, AND SHALL SUBJECT AN EMPLOYER TO CRIMINAL PENALTIES AND CIVIL FINES UP TO ONE HUNDRED THOUSAND DOLLARS (\$100,000), IN ADDITION TO THE COST OF COMPENSATION, DAMAGES AS PROVIDED FOR IN SECTION 3706 OF THE LABOR CODE, INTEREST, AND ATTORNEY'S FEES.

WORKERS' COMPENSATION DECLARATION

I hereby affirm under penalty of perjury one of the following declarations:

☐ I have and will maintain a certificate of consent to self-insure for workers' compensation, issued by the Director of Industrial Relations as provided for by Section 3700 of the Labor Code, for the performance of the work for which this permit is issued. Policy No. _____

☐ I have and will maintain workers' compensation insurance, as required by Section 3700 of the Labor Code, for the performance of the work for which this permit is issued. My workers' compensation insurance carrier and policy number are:

Carrier _____ Policy No _____ Expiration Date _____

Name of Agent _____ Tel No _____

☐ I certify that, in the performance of the work for which this permit is issued, I shall not employ any person in any manner so as to become subject to the workers' compensation laws of California, and agree that, if I should become subject to the workers' compensation provisions of Section 3700 of the Labor Code, I shall forthwith comply with those provisions.

DECLARATION REGARDING CONSTRUCTION LENDING AGENCY

I hereby affirm under penalty of perjury that there is a construction lending agency for the performance of the work for which this permit is issued (Section 3097, Civil Code).

Lender's Name and Address _____

#4 DECLARATION BY CONSTRUCTION PERMIT APPLICANT

By my signature below, I certify to each of the following:

I am ☐ the property owner* or ☐ authorized to act on the property owner's behalf**.

I have read this construction permit application and the information I have provided is correct.

I agree to comply with all applicable city and county ordinances and state laws relating to building construction. I authorize representatives of this city or county to enter the above-identified property for inspection purposes.

Property Owner* or Authorized Agent**, *requires separate verification form, **requires separate authorization form

Signature _____ Date _____