



## BUILDING SERVICES

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## OWNER-BUILDER NOTICE (Effective January 1, 2009)

Assembly Bill 2335 amends California Health and Safety Code, Section 19825, regarding disclosures and verifications required for all applicants seeking Owner-Builder construction permits. These new application requirements provide an enhanced level of consumer awareness and protection for property owners accepting the risks associated with Owner-Builder construction permits.

“The Legislature hereby finds and declares that there is an urgent and statewide public interest in assuring that building contractors comply with the Contractors License Law...and provisions of law relating to Workers' Compensation Insurance for building construction, that property owners are informed about, and protected from, fraudulent representations, liability for worker's injuries, liability for material and labor costs unpaid by contractors, licensing requirements, and employer's tax liabilities when improving their property as owner-builders”

**Important information you need to know BEFORE your permit is issued**

**The term “Owner-Builder” can mean three different things:  
“Owner as *Worker*”, “Owner as *Contractor*” or “Owner as *Employer*”**

**Understand each has Benefits or Risk, and it is possible to combine them!**

**Hiring a California Licensed Contractor** means you do not personally perform any of the construction work, the permit is not taken out in your name, you are not personally responsible for the construction and you are *not* an Owner-Builder. Instead, you become a “Customer” and California law provides you the benefit of protection from poor workmanship, failure to finish the job and financial risk due to worker injury.

**Benefit/Risk: Highest Benefits and the Least amount of Risk**

**Owner-as-Worker** is a type of Owner-Builder where you *personally perform* the construction work, the permit is taken out in your name and you are *personally responsible* for the construction management, knowledge, workmanship, and completion of the job. You benefit by not paying others to perform this work for you and your risk depends on your own ability to complete the job successfully.

**Benefit/Risk: Possible Benefit with Low Financial Risk**

**Owner-as-Contractor** is a type of Owner-Builder where you personally act as your own General Contractor, the permit is taken out in your name and you hire California licensed sub-contractors to perform portions of the construction work. **WARNING:** The benefit of protection provided by law when you hire only California licensed sub-contractors can turn to serious financial risk if you hire *unlicensed* contractors to perform *any* of the work.

**Benefit/Risk: Possible Benefit and Significant Financial Risk**

**Owner-as-Employer** is a type of Owner-Builder where you pay *any* unlicensed individual to perform *any* construction work valued at more than \$500.00, the permit is taken out in your name and you are personally responsible for their employment requirements, supervision, performance, safety and welfare while on your property. **WARNING:** Cost savings benefit can turn to serious financial risk if you fail to deduct *payroll taxes* or provide *workers compensation insurance* for each worker.

**Benefit/Risk: Possible Benefit with Significant Financial Risk**

**Over 20,000 consumer complaints are filed each year.** Many complaints relate to owner/builder projects and include workmanship and workers' compensation issues. Homeowners suffer financial harm due to defective workmanship and injured employees.

**Following are alarming examples of what has occurred with Owner-Builder permits:**

**Example 1:** Homeowner received insurance money to rebuild burned-down home.

- Owner/Builder permit pulled to rebuild structure.
- Unlicensed contractor built substandard structure – must be torn down and replaced.
- Estimated financial injury is \$225,000.
- Additional financial injury - IRS threatened to tax insurance payout if house not completed by the end of the year.

**Example 2:** Brother-in-law had active license but filed an exemption from Workers Comp.

- Owner-Builder hires brother-in-law to install a new roof.
- Employee falls and sustains multiple spinal and extremity fractures as well as a head injury and remains in a coma to this day.
- The Owner-Builder, who has sold the home, is now a defendant in a lawsuit for reimbursement for benefits paid to the injured worker.

**Example 3:** Employee of contractor without Workers Comp is hired by Owner-Builder to install septic system and suffers injury that results in permanent disability.

- The Owner-Builder did not have a homeowner's insurance policy on the house against which to submit a claim.
- The Owner-Builder is now a defendant in a lawsuit for reimbursement for benefits paid to the injured worker.

**Did you know** – unlicensed persons frequently have the property owner obtain an "Owner-Builder" building permit which erroneously implies that the property owner is providing his or her own labor and material personally?

**Did you know** – your homeowner's insurance may not provide coverage for injuries sustained on your property by an unlicensed contractor and his/her employees?

**Did you know** – if you are considered an "employer" under state and federal law, you must register with the state and federal government, withhold payroll taxes, provide workers compensation and disability insurance and contribute to unemployment compensation for each "employee"?

**Did you know** – that if you fail to abide by these laws you may be subjected to serious financial risk?

**OWNERS BEWARE AND CONSIDER THE RISK BEFORE ACCEPTING FULL RESPONSIBILITY FOR YOUR CONSTRUCTION PERMIT**