

Important Changes in the Licensing Law

Effective July 1, 2020

SUMMARY OF CHANGES:

- Subcontractors of Properly Licensed Contractors will be able to work with a Registration instead of a full license.
- Licensed Contractors will have the option of providing a bond instead of the currently required financial statement.
- It will be a Class “A” misdemeanor to work without a license where one is required.
- Temporary Licenses are now available in limited circumstances.
- Enhanced criminal background checks.

REGISTRATION:

Subcontractors of PROPERLY LICENSED contractors can work with a REGISTRATION instead of a full license. The Registration process will be discussed below. It is critical to keep in mind that as far as the ability to work as a Registered contractor as opposed to a Licensed contractor, the term “Subcontractor” is a legal term. “Subcontractor” is NOT what a contractor does, it is its legal contractual relationship. You may think of a roofing contractor or a framing contractor, etc. as a “subcontractor.” However, on a given project they may or may not be a subcontractor to a properly licensed contractor. If they have a contract with a properly licensed contractor, they are in fact a subcontractor. If they are in contract with the owner (written, verbal, otherwise, it does not matter) they are a PRIME contractor, not a subcontractor to a licensed contractor. If they are a prime contractor or a subcontractor to a contractor who is not a properly licensed contractor, they will still need a license.

For projects that are “Construction Management” projects. At times each contractor enters into a contract with the owner. If that is the case, each of those contractors is a Prime Contractor, not a subcontractor. Other times, the contractors enter into contracts with the construction manager. If the construction manager is a properly licensed contractor, then those contractors are “subcontractors” and could perform the work with a Registration as opposed to a license.

If you have any question as to if you can perform a project with only a Registration, please contact us.

What is the Registration process?

Complete the Registration Application (available July 1, 2020), provide the \$10,000 contractors bond, provide proof of Workers Compensation Insurance if the contractor has any employees. The contractor completing the Registration Application must certify that it is the proper training, skills and financing to perform the type of work for which it is Registering. Please note that if the contractor is Registering for a classification that requires a license or certification from another agency (electrical, plumbing, HVARC, etc.) proof of that license or certification must be submitted. What is NOT required is important to note: No test; No Financial Statement; No proof of experience (again, please note that when Registering, a contractor certifies that it has the proper training, skills and financing to perform the work for which it is Registering).

Registrations will be for one year. Like a license, a Registration must be renewed annually.

BOND IN LIEU OF FINANCIAL STATEMENT

Licensed Contractors (or contractors applying for a license) will have the OPTION to file a Bond with Board in lieu of the currently required financial statement. The Bond Form provided by the Board must be used. Please note this optional bond is a different bond than the \$10,000 contractors bond that all licensed and registered contractors must have on file. This new optional bond must be 10 times the minimum net worth requirement for the classification held or applied for.

The new optional bond can be claimed on by customers, other contractors, suppliers, and the State. This new bond may or may not be more cost effective than the traditional financial statement, but it could help those who are having difficulty timely obtaining a financial statement.

CRIMINAL OFFENSE

It has long been a crime to work without a license where one was required, however that has been increased to a Class "A" misdemeanor.

TEMPORARY LICENSE

Temporary licenses are now available in limited circumstances. Temporary licenses are designed for first time applicants who have an equivalent license from a different state. There are two types: First, those who are members of the military (or their spouses) (or recently discharged from the military) who have an equivalent license in another state; and, second, all other applicants who have an equivalent license in another state. For

details on temporary licenses, see the appropriate temporary license application on our website.

ENHANCED CRIMINAL BACKGROUND CHECKS

Pursuant to Act 990 of 2019, all applicants for a license or registration are now subject to a more stringent criminal background review. There are now some criminal offenses which are “unforgivable” and applicants who have been convicted of one of those offenses cannot be issued a license or registration. Other criminal offenses will require a request to the Board or Committee to be waived.