
HOUSE BILL 2527

State of Washington

56th Legislature

2000 Regular Session

By Representatives Ogden, Conway, Carlson and Keiser; by request of Department of Labor & Industries

Read first time 01/17/2000. Referred to Committee on Commerce & Labor.

1 AN ACT Relating to consumer protection regarding contractors;
2 amending RCW 18.27.010, 18.27.030, 18.27.040, 18.27.050, 18.27.090,
3 18.27.100, 18.27.110, 18.27.114, and 60.04.031; reenacting and amending
4 RCW 18.27.060; adding a new section to chapter 18.27 RCW; repealing RCW
5 18.27.075; and prescribing penalties.

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

7 **Sec. 1.** RCW 18.27.010 and 1997 c 314 s 2 are each amended to read
8 as follows:

9 Unless the context clearly requires otherwise, the definitions in
10 this section apply throughout this chapter.

11 (1) "Contractor" means any person, firm, or corporation who or
12 which, in the pursuit of an independent business undertakes to, or
13 offers to undertake, or submits a bid to, construct, alter, repair, add
14 to, subtract from, improve, move, wreck or demolish, for another, any
15 building, highway, road, railroad, excavation or other structure,
16 project, development, or improvement attached to real estate or to do
17 any part thereof including the installation of carpeting or other floor
18 covering, the erection of scaffolding or other structures or works in
19 connection therewith or who installs or repairs roofing or siding(†

1 ~~or, who, to do similar work upon his or her own property, employs~~
2 ~~members of more than one trade upon a single job or project or under a~~
3 ~~single building permit except as otherwise provided herein)).~~

4 "Contractor" includes any person, firm, or corporation covered by this
5 subsection, whether or not registered as required under this chapter.

6 (2) "Department" means the department of labor and industries.

7 (3) "Director" means the director of the department of labor and
8 industries or designated representative.

9 (4) "General contractor" means a contractor whose business
10 operations require the use of more than two unrelated building trades
11 or crafts whose work the contractor shall superintend or do in whole or
12 in part. "General contractor" shall not include an individual who does
13 all work personally without employees or other "specialty contractors"
14 as defined in this section. The terms "general contractor" and
15 "builder" are synonymous.

16 ~~((+3))~~ (5) "Partnership" means a business formed under Title 25
17 RCW.

18 (6) "Registration cancellation" means a written recommendation by
19 the director that a contractor's action is in violation of this chapter
20 and that the contractor's registration should be annulled.

21 (7) "Registration suspension" means a written recommendation by the
22 director that a contractor's action is a violation of this chapter and
23 that the contractor's registration should be annulled for a specified
24 time, or until the contractor shows evidence of compliance with this
25 chapter.

26 (8) "Residential homeowner" means an individual person or persons
27 owning real property upon which one single-family residence is to be
28 built or upon which there is a single-family residence to which
29 construction improvements are to be made and in which the owner intends
30 to reside upon completion of any construction.

31 (9) "Specialty contractor" means a contractor whose operations do
32 not fall within the ~~((foregoing))~~ definition of "general contractor"
33 and a contractor who confines his or her work activity to a maximum of
34 two construction trade activities.

35 ~~((+4))~~ (10) "Substantial completion" means the earliest occurrence
36 of either: (a) The date upon which the work of improvement has been
37 completed as specified under the contract; (b) the date upon which the
38 improvement becomes usable or fit for the purposes for which it was
39 intended; (c) the date of issuance of a certificate of occupancy; or

1 (d) the date of occupation or use of the improvement by the owner or an
2 agent of the owner.

3 (11) "Unregistered contractor" means a person, firm, or corporation
4 doing work as a contractor without being registered in compliance with
5 this chapter. "Unregistered contractor" includes contractors whose
6 registration is expired ((for more than thirty days beyond the renewal
7 date or has been)), revoked, or suspended.

8 ~~((5) "Department" means the department of labor and industries.~~

9 ~~(6) "Director" means the director of the department of labor and~~
10 ~~industries.~~

11 ~~(7))~~ (12) "Verification" means the receipt and duplication by the
12 city, town, or county of a contractor registration card that is current
13 on its face, checking the department's contractor registration data
14 base, or calling the department to confirm that the contractor is
15 registered.

16 **Sec. 2.** RCW 18.27.030 and 1998 c 279 s 3 are each amended to read
17 as follows:

18 (1) An applicant for registration as a contractor shall submit an
19 application under oath upon a form to be prescribed by the director and
20 which shall include the following information pertaining to the
21 applicant:

22 (a) Employer social security number.

23 (b) Unified business identifier number, if required by the
24 department of revenue;

25 (c) Evidence of workers' compensation coverage for the applicant's
26 employees working in Washington, as follows:

27 (i) The applicant's industrial insurance account number issued by
28 the department;

29 (ii) The applicant's self-insurer number issued by the department;
30 or

31 (iii) For applicants domiciled in a state or province of Canada
32 subject to an agreement entered into under RCW 51.12.120(7), as
33 permitted by the agreement, filing a certificate of coverage issued by
34 the agency that administers the workers' compensation law in the
35 applicant's state or province of domicile certifying that the applicant
36 has secured the payment of compensation under the other state's or
37 province's workers' compensation law.

38 ~~((e))~~ (d) Employment security department number.

1 (~~(d)~~) (e) State excise tax registration number.

2 (~~(e)~~) (f) Unified business identifier (UBI) account number may be
3 substituted for the information required by (~~(b)~~) (c) of this
4 subsection if the applicant will not employ employees in Washington,
5 and by (~~(e)~~) (d) and (~~(d)~~) (e) of this subsection.

6 (~~(f)~~) (g) Type of contracting activity, whether a general or a
7 specialty contractor and if the latter, the type of specialty.

8 (~~(g)~~) (h) The name and address of each partner if the applicant
9 is a firm or partnership, or the name and address of the owner if the
10 applicant is an individual proprietorship, or the name and address of
11 the corporate officers and statutory agent, if any, if the applicant is
12 a corporation. The information contained in such application is a
13 matter of public record and open to public inspection.

14 (2) The department may verify the workers' compensation coverage
15 information provided by the applicant under subsection (1)(~~(b)~~) (c)
16 of this section, including but not limited to information regarding the
17 coverage of an individual employee of the applicant. If coverage is
18 provided under the laws of another state, the department may notify the
19 other state that the applicant is employing employees in Washington.

20 (3)(a) The department shall deny an application for registration
21 if: (i) The applicant has been previously registered as a sole
22 proprietor, partnership, or corporation and the department has notice
23 that the applicant has an unsatisfied final judgment against him or her
24 in an action based on this chapter that was incurred during a previous
25 registration under this chapter; (ii) the applicant was a principal or
26 officer named on a previous application of a previously registered
27 partnership or corporation that has an unsatisfied final judgment
28 against it in an action based on this chapter that was incurred during
29 a previous registration under this chapter; (iii) the applicant does
30 not have a valid unified business identifier number; or (iv) the
31 applicant owes the department money for penalties assessed or fees due.

32 (b) The department shall suspend an active registration if (i) the
33 department has notice that the registrant is a sole proprietor or a
34 principal or officer named in the application of another registered
35 entity that has an unsatisfied final judgment against it; or (ii) the
36 applicant does not maintain a valid unified business identifier number.

37 (c) The department shall not deny an application or suspend a
38 registration because of an unsatisfied final judgment if the

1 applicant's or registrant's unsatisfied final judgment was the result
2 of the fraud or negligence of another party.

3 (4) For the purposes of this section, "an unsatisfied final
4 judgment" includes a judgment assigned under RCW 19.72.070.

5 **Sec. 3.** RCW 18.27.040 and 1997 c 314 s 5 are each amended to read
6 as follows:

7 (1) Each applicant shall file with the department a surety bond
8 issued by a surety insurer who meets the requirements of chapter 48.28
9 RCW in the sum of (~~six~~) fifteen thousand dollars if the applicant is
10 a general contractor and (~~four~~) eight thousand dollars if the
11 applicant is a specialty contractor. If no valid bond is already on
12 file with the department at the time the application is filed, a bond
13 must accompany the registration application. The bond shall have the
14 state of Washington named as obligee with good and sufficient surety in
15 a form to be approved by the department. The bond shall be continuous
16 and may be canceled by the surety upon the surety giving written notice
17 to the director of its intent to cancel the bond. A cancellation or
18 revocation of the bond or withdrawal of the surety from the bond
19 suspends the registration issued to the registrant until a new bond or
20 reinstatement notice has been filed and approved as provided in this
21 section. The bond shall be conditioned that the applicant will pay all
22 persons performing labor, including employee benefits, for the
23 contractor, will pay all taxes and contributions due to the state of
24 Washington, and will pay all persons furnishing labor or material or
25 renting or supplying equipment to the contractor and will pay all
26 amounts that may be adjudged against the contractor by reason of breach
27 of contract including negligent or improper work in the conduct of the
28 contracting business. A change in the name of a business or a change
29 in the type of business entity shall not impair a bond for the purposes
30 of this section so long as one of the original applicants for such bond
31 maintains partial ownership in the business covered by the bond.

32 (~~(2) (Any contractor registered as of July 1, 1997, who maintains~~
33 ~~such registration in accordance with this chapter shall be in~~
34 ~~compliance with this chapter until the next annual renewal of the~~
35 ~~contractor's certificate of registration. At that time)) At the time
36 of initial registration or renewal, the contractor shall provide a
37 bond, cash deposit, or other security deposit as required by this
38 chapter and comply with all of the other provisions of this chapter~~

1 before the department shall issue or renew the contractor's certificate
2 of registration. Any increase in bond or deposit amounts required by
3 statutory changes to this chapter shall not be required of a currently
4 registered contractor until the next renewal date of the contractor's
5 certificate of registration.

6 (3) The total amount paid from a bond or deposit required by this
7 section to claimants other than residential homeowners must not exceed
8 in the aggregate seven thousand five hundred dollars if provided by a
9 general contractor and four thousand dollars if provided by a specialty
10 contractor.

11 (4) Any person, firm, or corporation having a claim against the
12 contractor for any of the items referred to in this section may bring
13 suit upon the bond or deposit in the superior court of the county in
14 which the work was done or of any county in which jurisdiction of the
15 contractor may be had. The surety issuing the bond shall be named as
16 a party to any suit upon the bond. Action upon the bond or deposit
17 (~~shall be commenced by filing the summons and complaint with the clerk~~
18 ~~of the appropriate superior court within one year from the date of~~
19 ~~expiration of the certificate of registration in force at the time))
20 brought by a residential homeowner for breach of contract by a party to
21 the construction contract shall be commenced by filing the summons and
22 complaint with the clerk of the appropriate superior court within two
23 years from the date the claimed contract work was completed,
24 substantially completed, or abandoned. Action upon the bond or deposit
25 brought by any other authorized party shall be commenced by filing the
26 summons and complaint with the clerk of the appropriate superior court
27 within one year from the date the claimed labor was performed and
28 benefits accrued, taxes and contributions owing the state of Washington
29 became due, materials and equipment were furnished, or the claimed
30 contract work was completed, substantially completed, or abandoned.
31 Service of process in an action against the contractor, the
32 contractor's bond, or the deposit shall be exclusively by service upon
33 the department. Three copies of the summons and complaint and a fee of
34 ten dollars to cover the handling costs shall be served by registered
35 or certified mail upon the department at the time suit is started and
36 the department shall maintain a record, available for public
37 inspection, of all suits so commenced. Service is not complete until
38 the department receives the ten-dollar fee and three copies of the
39 summons and complaint. The service shall constitute service on the~~

1 registrant and the surety for suit upon the bond or deposit and the
2 department shall transmit the summons and complaint or a copy thereof
3 to the registrant at the address listed in the registrant's application
4 and to the surety within forty-eight hours after it shall have been
5 received.

6 ~~((+4))~~ (5) The surety upon the bond shall not be liable in an
7 aggregate amount in excess of the amount named in the bond nor for any
8 monetary penalty assessed pursuant to this chapter for an infraction.
9 The liability of the surety shall not cumulate where the bond has been
10 renewed, continued, reinstated, reissued or otherwise extended. The
11 surety upon the bond may, upon notice to the department and the
12 parties, tender to the clerk of the court having jurisdiction of the
13 action an amount equal to the claims thereunder or the amount of the
14 bond less the amount of judgments, if any, previously satisfied
15 therefrom and to the extent of such tender the surety upon the bond
16 shall be exonerated but if the actions commenced and pending at any one
17 time exceed the amount of the bond then unimpaired, claims shall be
18 satisfied from the bond in the following order:

19 (a) Employee labor and claims of laborers, including employee
20 benefits;

21 (b) Claims for breach of contract by a party to the construction
22 contract;

23 (c) Registered or licensed subcontractors, material, and equipment;

24 (d) Taxes and contributions due the state of Washington;

25 (e) Any court costs, interest, and attorney's fees plaintiff may be
26 entitled to recover. The surety is not liable for any amount in excess
27 of the penal limit of its bond.

28 A payment made by the surety in good faith exonerates the bond to
29 the extent of any payment made by the surety.

30 ~~((+5))~~ (6) If a final judgment impairs the liability of the surety
31 upon the bond so furnished that there shall not be in effect a bond
32 undertaking in the full amount prescribed in this section, the
33 department shall suspend the registration of the contractor until the
34 bond liability in the required amount unimpaired by unsatisfied
35 judgment claims is furnished. If the bond becomes fully impaired, a
36 new bond must be furnished at the rates prescribed by this section.

37 ~~((+6))~~ (7) In lieu of the surety bond required by this section the
38 contractor may file with the department a deposit consisting of cash or
39 other security acceptable to the department.

1 (~~(7)~~) (8) Any person having filed and served a summons and
2 complaint as required by this section having an unsatisfied final
3 judgment against the registrant for any items referred to in this
4 section may execute upon the security held by the department by serving
5 a certified copy of the unsatisfied final judgment by registered or
6 certified mail upon the department within one year of the date of entry
7 of such judgment. Upon the receipt of service of such certified copy
8 the department shall pay or order paid from the deposit, through the
9 registry of the superior court which rendered judgment, towards the
10 amount of the unsatisfied judgment. The priority of payment by the
11 department shall be the order of receipt by the department, but the
12 department shall have no liability for payment in excess of the amount
13 of the deposit.

14 (~~(8)~~) (9) The director may require an applicant applying to renew
15 or reinstate a registration or applying for a new registration to file
16 a bond of up to five times the normally required amount, up to seventy-
17 five thousand dollars for general contractors or forty thousand dollars
18 for specialty contractors, if the director determines that an
19 applicant, or a previous registration of a corporate officer, owner, or
20 partner of a current applicant, has:

21 (a) A history of unpaid judgments in actions based on this chapter
22 involving a residential owner of a single-family dwelling and
23 consisting of two or more unpaid judgments for longer than thirty days
24 following the date of issuance;

25 (b) Three or more open actions filed on three or more different
26 structures by three or more different owner claimants; or

27 (c) Five or more actions open at one time.

28 (10) The director may adopt rules necessary for the proper
29 administration of the security.

30 **Sec. 4.** RCW 18.27.050 and 1987 c 303 s 1 are each amended to read
31 as follows:

32 (1) At the time of registration and subsequent reregistration, the
33 applicant shall furnish insurance or financial responsibility in the
34 form of an assigned account in the amount of (~~(twenty)~~) fifty thousand
35 dollars for injury or damages to property, and (~~(fifty)~~) one hundred
36 thousand dollars for injury or damage including death to any one
37 person, and (~~(one)~~) two hundred thousand dollars for injury or damage

1 including death to more than one person (~~or financial responsibility~~
2 ~~to satisfy these amounts~~)).

3 (2) A cancellation or revocation of the insurance policy or
4 withdrawal of the insurer from the insurance policy suspends the
5 registration issued to the registrant until a new insurance policy or
6 reinstatement notice has been filed and approved as provided in this
7 section. Failure to maintain insurance or financial responsibility
8 relative to the contractor's activities shall (~~be cause to suspend or~~
9 ~~deny the contractor his or her or their~~) result in denial of the
10 contractor's registration.

11 (3)(a) Proof of financial responsibility authorized in this section
12 may be given by providing, in the amount required by subsection (1) of
13 this section, an assigned account acceptable to the department. The
14 assigned account shall be held by the department to satisfy any
15 execution on a judgment issued against the contractor for damage to
16 property or injury or death to any person occurring in the contractor's
17 contracting operations, according to the provisions of the assigned
18 account agreement. The department shall have no liability for payment
19 in excess of the amount of the assigned account.

20 (b) The assigned account filed with the director as proof of
21 financial responsibility shall be canceled at the expiration of three
22 years after:

23 (i) The contractor's registration has expired or been revoked; or

24 (ii) The contractor has furnished proof of insurance as required by
25 subsection (1) of this section;

26 if, in either case, no legal action has been instituted against the
27 contractor or on the account at the expiration of the three-year
28 period.

29 (c) If a contractor chooses to file an assigned account as
30 authorized in this section, the contractor shall, on any contracting
31 project, notify each person with whom the contractor enters into a
32 contract or to whom the contractor submits a bid that the contractor
33 has filed an assigned account in lieu of insurance and that recovery
34 from the account for any claim against the contractor for property
35 damage or personal injury or death occurring in the project requires
36 the claimant to obtain a court judgment.

37 **Sec. 5.** RCW 18.27.060 and 1997 c 314 s 6 and 1997 c 58 s 817 are
38 each reenacted and amended to read as follows:

1 (1) A certificate of registration shall be valid for one year and
2 shall be renewed on or before the expiration date. The department
3 shall issue to the applicant a certificate of registration upon
4 compliance with the registration requirements of this chapter.

5 (2) If the department approves an application, it shall issue a
6 certificate of registration to the applicant. The certificate shall be
7 valid for:

8 (a) One year;

9 (b) Until the bond (~~expires~~) is canceled; or

10 (c) Until the insurance expires or is canceled, whichever comes
11 first. The department shall place the expiration date on the
12 certificate.

13 (3) A contractor may supply a short-term bond or insurance policy
14 to bring its registration period to the full one year.

15 (4) If a contractor's surety bond or other security has an
16 unsatisfied judgment against it or is canceled, or if the contractor's
17 insurance policy is canceled, the contractor's registration shall be
18 automatically suspended on the effective date of the impairment or
19 cancellation. The department shall mail notice of the suspension to
20 the contractor's address on the certificate of registration by
21 certified and by first class mail within forty-eight hours after
22 suspension.

23 (5) Renewal of registration is valid on the date the department
24 receives the required fee and proof of bond and liability insurance, if
25 sent by certified mail or other means requiring proof of delivery. The
26 receipt or proof of delivery shall serve as the contractor's proof of
27 renewed registration until he or she receives verification from the
28 department.

29 (6) The department shall immediately suspend the certificate of
30 registration of a contractor who has been certified by the department
31 of social and health services as a person who is not in compliance with
32 a support order or a residential or visitation order as provided in RCW
33 74.20A.320. The certificate of registration shall not be reissued or
34 renewed unless the person provides to the department a release from the
35 department of social and health services stating that he or she is in
36 compliance with the order and the person has continued to meet all
37 other requirements for certification during the suspension.

1 NEW SECTION. **Sec. 6.** A new section is added to chapter 18.27 RCW
2 to read as follows:

3 (1) If a contractor, whether registered or not, defaults in a
4 payment, penalty, or fine due to the department, the director or the
5 director's designee may issue a notice of assessment certifying the
6 amount due. The notice must be served upon the contractor by mailing
7 the notice to the contractor by certified mail to the contractor's last
8 known address or served in the manner prescribed for the service of a
9 summons in a civil action.

10 (2) A notice of assessment becomes final thirty days from the date
11 the notice was served upon the contractor unless a written request for
12 reconsideration is filed with the department or an appeal is filed in
13 superior court in the manner specified in RCW 34.05.510 through
14 34.05.598. The request for reconsideration must set forth with
15 particularity the reason for the contractor's request. The department,
16 within thirty days after receiving a written request for
17 reconsideration, may modify or reverse a notice of assessment, or may
18 hold a notice of assessment in abeyance pending further investigation.
19 If a final decision of a court in favor of the department is not
20 appealed within the time allowed by law, then the amount of the
21 unappealed assessment, or such amount of the assessment as is found due
22 by the final decision of the court, is final.

23 (3) The director or the director's designee may file with the clerk
24 of any county within the state a warrant in the amount of the notice of
25 assessment. The clerk of the county in which the warrant is filed
26 shall immediately designate a superior court cause number for the
27 warrant, and the clerk shall cause to be entered in the judgment docket
28 under the superior court cause number assigned to the warrant, the name
29 of the contractor mentioned in the warrant, the amount of payment,
30 penalty, or fine due on it, and the date when the warrant was filed.
31 The aggregate amount of the warrant as docketed is a lien upon the
32 title to, and interest in, all real and personal property of the
33 contractor against whom the warrant is issued, the same as a judgment
34 in a civil case docketed in the office of the clerk. The sheriff shall
35 proceed upon the warrant in all respects and with like effect as
36 prescribed by law with respect to execution or other process issued
37 against rights or property upon judgment in the superior court. The
38 warrant so docketed is sufficient to support the issuance of writs of
39 garnishment in favor of the state in a manner provided by law in case

1 of judgment, wholly or partially unsatisfied. The clerk of the court
2 is entitled to a filing fee of five dollars, which will be added to the
3 amount of the warrant. A copy of the warrant must be mailed to the
4 contractor within three days of filing with the clerk.

5 (4) The director or the director's designee may issue to any
6 person, firm, corporation, municipal corporation, political subdivision
7 of the state, a public corporation, or any agency of the state, a
8 notice and order to withhold and deliver property of any kind
9 whatsoever when he or she has reason to believe that there is in the
10 possession of the person, firm, corporation, municipal corporation,
11 political subdivision of the state, public corporation, or agency of
12 the state, property that is or will become due, owing, or belonging to
13 a contractor upon whom a notice of assessment has been served by the
14 department for payments, penalties, or fines due to the department.
15 The effect of a notice and order is continuous from the date the notice
16 and order is first made until the liability out of which the notice and
17 order arose is satisfied or becomes unenforceable because of lapse of
18 time. The department shall release the notice and order when the
19 liability out of which the notice and order arose is satisfied or
20 becomes unenforceable by reason of lapse of time and shall notify the
21 person against whom the notice and order was made that the notice and
22 order has been released.

23 The notice and order to withhold and deliver must be served by the
24 sheriff of the county or by the sheriff's deputy, by certified mail,
25 return receipt requested, or by an authorized representative of the
26 director. A person, firm, corporation, municipal corporation,
27 political subdivision of the state, public corporation, or agency of
28 the state upon whom service has been made shall answer the notice
29 within twenty days exclusive of the day of service, under oath and in
30 writing, and shall make true answers to the matters inquired of in the
31 notice and order. Upon service of the notice and order, if the party
32 served possesses any property that may be subject to the claim of the
33 department, the party shall promptly deliver the property to the
34 director or the director's authorized representative. The director
35 shall hold the property in trust for application on the contractor's
36 indebtedness to the department, or for return without interest, in
37 accordance with a final determination of a petition for review. In the
38 alternative, the party shall furnish a good and sufficient surety bond
39 satisfactory to the director conditioned upon final determination of

1 liability. If a party served and named in the notice fails to answer
2 the notice within the time prescribed in this section, the court may
3 render judgment by default against the party for the full amount
4 claimed by the director in the notice, together with costs. If a
5 notice is served upon a contractor and the property subject to it is
6 wages, the contractor may assert in the answer all exemptions provided
7 for by chapter 6.27 RCW to which the wage earner is entitled.

8 (5) In addition to the procedure for collection of a payment,
9 penalty, or fine due to the department as set forth in this section,
10 the department may recover civil penalties imposed under this chapter
11 in a civil action in the name of the department brought in the superior
12 court of the county where the violation is alleged to have occurred.

13 **Sec. 7.** RCW 18.27.090 and 1997 c 314 s 8 are each amended to read
14 as follows:

15 This chapter does not apply to:

16 (1) An authorized representative of the United States government,
17 the state of Washington, or any incorporated city, town, county,
18 township, irrigation district, reclamation district, or other municipal
19 or political corporation or subdivision of this state;

20 (2) Officers of a court when they are acting within the scope of
21 their office;

22 (3) Public utilities operating under the regulations of the
23 utilities and transportation commission in construction, maintenance,
24 or development work incidental to their own business;

25 (4) Any construction, repair, or operation incidental to the
26 discovering or producing of petroleum or gas, or the drilling, testing,
27 abandoning, or other operation of any petroleum or gas well or any
28 surface or underground mine or mineral deposit when performed by an
29 owner or lessee;

30 (5) The sale or installation of any finished products, materials,
31 or articles of merchandise which are not actually fabricated into and
32 do not become a permanent fixed part of a structure;

33 (6) Any construction, alteration, improvement, or repair of
34 personal property, except this chapter shall apply to all
35 mobile/manufactured housing. A mobile/manufactured home may be
36 installed, set up, or repaired by the registered or legal owner, by a
37 contractor registered under this chapter, or by a mobile/manufactured
38 home retail dealer or manufacturer licensed under chapter 46.70 RCW who

1 shall warranty service and repairs under chapter 46.70 RCW.
2 Registration is not required when a mobile/manufactured home dealer or
3 manufacturer subcontracts installation, set-up, or repair work to
4 actively registered contractors. This exemption does not apply to work
5 other than the installation, set-up, or repair of the
6 mobile/manufactured home itself;

7 (7) Any construction, alteration, improvement, or repair carried on
8 within the limits and boundaries of any site or reservation under the
9 legal jurisdiction of the federal government;

10 (8) Any person who only furnished materials, supplies, or equipment
11 without fabricating them into, or consuming them in the performance of,
12 the work of the contractor;

13 (9) Any work or operation on one undertaking or project by one or
14 more contracts, the aggregate contract price of which for labor and
15 materials and all other items is less than five hundred dollars, such
16 work or operations being considered as of a casual, minor, or
17 inconsequential nature. The exemption prescribed in this subsection
18 does not apply in any instance wherein the work or construction is only
19 a part of a larger or major operation, whether undertaken by the same
20 or a different contractor, or in which a division of the operation is
21 made into contracts of amounts less than five hundred dollars for the
22 purpose of evasion of this chapter or otherwise. The exemption
23 prescribed in this subsection does not apply to a person who advertises
24 or puts out any sign or card or other device which might indicate to
25 the public that he or she is a contractor, or that he or she is
26 qualified to engage in the business of contractor;

27 (10) Any construction or operation incidental to the construction
28 and repair of irrigation and drainage ditches of regularly constituted
29 irrigation districts or reclamation districts; or to farming, dairying,
30 agriculture, viticulture, horticulture, or stock or poultry raising; or
31 to clearing or other work upon land in rural districts for fire
32 prevention purposes; except when any of the above work is performed by
33 a registered contractor;

34 (11) An owner who contracts for a project with a registered
35 contractor;

36 (12) Any person working on his or her own property, whether
37 occupied by him or her or not, and any person working on his or her
38 personal residence, whether owned by him or her or not but this
39 exemption shall not apply to any person otherwise covered by this

1 chapter who constructs an improvement on his or her own property with
2 the intention and for the purpose of selling the improved property;

3 (13) Owners of commercial properties who use their own employees to
4 do maintenance, repair, and alteration work in or upon their own
5 properties;

6 (14) A licensed architect or civil or professional engineer acting
7 solely in his or her professional capacity, an electrician licensed
8 under the laws of the state of Washington, or a plumber licensed under
9 the laws of the state of Washington or licensed by a political
10 subdivision of the state of Washington while operating within the
11 boundaries of such political subdivision. The exemption provided in
12 this subsection is applicable only when the licensee is operating
13 within the scope of his or her license;

14 (15) Any person who engages in the activities herein regulated as
15 an employee of a registered contractor with wages as his or her sole
16 compensation or as an employee with wages as his or her sole
17 compensation;

18 (16) Contractors on highway projects who have been prequalified as
19 required by RCW 47.28.070, with the department of transportation to
20 perform highway construction, reconstruction, or maintenance work.

21 **Sec. 8.** RCW 18.27.100 and 1997 c 314 s 9 are each amended to read
22 as follows:

23 (1) Except as provided in RCW 18.27.065 for partnerships and joint
24 ventures, no person who has registered under one name as provided in
25 this chapter shall engage in the business, or act in the capacity, of
26 a contractor under any other name unless such name also is registered
27 under this chapter.

28 (2) All advertising and all contracts, correspondence, cards,
29 signs, posters, papers, and documents which show a contractor's name or
30 address shall show the contractor's name or address as registered under
31 this chapter.

32 (3)(a) All advertising that shows the contractor's name or address
33 shall show the contractor's current registration number. The
34 registration number may be omitted in an alphabetized listing of
35 registered contractors stating only the name, address, and telephone
36 number: PROVIDED, That signs on motor vehicles subject to RCW
37 46.16.010 and on-premise signs shall not constitute advertising as
38 provided in this section. All materials used to directly solicit

1 business from retail customers who are not businesses shall show the
2 contractor's current registration number. A contractor shall not use
3 a false or expired registration number in purchasing or offering to
4 purchase an advertisement for which a contractor registration number is
5 required. Advertising by airwave transmission shall not be subject to
6 this subsection (3)(a).

7 (b) The director may issue a subpoena to any person or entity
8 selling any advertising subject to this section for the name, address,
9 and telephone number provided to the seller of the advertising by the
10 purchaser of the advertising. The subpoena must have enclosed a
11 stamped, self-addressed envelope and blank form to be filled out by the
12 seller of the advertising. If the seller of the advertising has the
13 information on file, the seller shall, within a reasonable time, return
14 the completed form to the department. The subpoena must be issued
15 before forty-eight hours after the expiration of the issue or
16 publication containing the advertising or after the broadcast of the
17 advertising. The good-faith compliance by a seller of advertising with
18 a written request of the department for information concerning the
19 purchaser of advertising shall constitute a complete defense to any
20 civil or criminal action brought against the seller of advertising
21 arising from such compliance. Advertising by airwave or electronic
22 transmission is subject to this subsection (3)(b).

23 ~~(4) ((No contractor shall advertise that he or she is bonded and~~
24 ~~insured because of the bond required to be filed and sufficiency of~~
25 ~~insurance as provided in this chapter.~~

26 ~~(5))~~ A contractor shall not falsify a registration number and use
27 it, or use an expired registration number, in connection with any
28 solicitation or identification as a contractor. All individual
29 contractors and all partners, associates, agents, salesmen, solicitors,
30 officers, and employees of contractors shall use their true names and
31 addresses at all times while engaged in the business or capacity of a
32 contractor or activities related thereto.

33 ~~((6))~~ (5) Any advertising by a person, firm, or corporation
34 soliciting work as a contractor when that person, firm, or corporation
35 is not registered pursuant to this chapter is a violation of this
36 chapter.

37 ~~((7))~~ (6)(a) The finding of a violation of this section by the
38 director at a hearing held in accordance with the Administrative
39 Procedure Act, chapter 34.05 RCW, shall subject the person committing

1 the violation to a penalty of not more than (~~five~~) ten thousand
2 dollars as determined by the director.

3 (b) Penalties under this section shall not apply to a violation
4 determined to be an inadvertent error.

5 **Sec. 9.** RCW 18.27.110 and 1997 c 314 s 11 are each amended to read
6 as follows:

7 (1) No city, town or county shall issue a construction building
8 permit for work which is to be done by any contractor required to be
9 registered under this chapter without verification that such contractor
10 is currently registered as required by law. When such verification is
11 made, nothing contained in this section is intended to be, nor shall be
12 construed to create, or form the basis for any liability under this
13 chapter on the part of any city, town or county, or its officers,
14 employees or agents. However, failure to verify the contractor
15 registration number results in liability to the city, town, or county
16 to a penalty to be imposed according to RCW 18.27.100(~~(+7)~~) (6)(a).

17 (2) At the time of issuing the building permit, all cities, towns,
18 or counties are responsible for:

19 (a) Printing the contractor registration number on the building
20 permit; and

21 (b) Providing a written notice to the building permit applicant
22 informing them of contractor registration laws and the potential risk
23 and monetary liability to the homeowner for using an unregistered
24 contractor.

25 (3) If a building permit is obtained by an applicant or contractor
26 who falsifies information to obtain an exemption provided under RCW
27 18.27.090, the building permit shall be forfeited.

28 (4) Registration is not required when a mobile/manufactured home
29 dealer or manufacturer subcontracts installation, set-up, or repair
30 work to actively registered contractors. This exemption does not apply
31 to work other than the installation, set-up, or repair of the
32 mobile/manufactured home itself.

33 **Sec. 10.** RCW 18.27.114 and 1997 c 314 s 12 are each amended to
34 read as follows:

35 (1) Any contractor agreeing to perform any contracting project:
36 (a) For the repair, alteration, or construction of four or fewer
37 residential units or accessory structures on such residential property

1 when the bid or contract price totals one thousand dollars or more; or
2 (b) for the repair, alteration, or construction of a commercial
3 building when the bid or contract price totals one thousand dollars or
4 more but less than sixty thousand dollars, must provide the customer
5 with the following disclosure statement in substantially the following
6 form using lower case and upper case twelve-point and bold type where
7 appropriate, prior to starting work on the project:

8 "NOTICE TO CUSTOMER

9 (~~((This contractor is registered with the state of Washington,
10 registration no., as a general/specialty contractor and
11 has posted with the state a bond or cash deposit of
12 \$6,000/\$4,000 for the purpose of satisfying claims against the
13 contractor for negligent or improper work or breach of contract
14 in the conduct of the contractor's business. The expiration
15 date of this contractor's registration is This
16 bond or cash deposit may not be sufficient to cover a claim
17 which might arise from the work done under your contract. If
18 any supplier of materials used in your construction project or
19 any employee of the contractor or subcontractor is not paid by
20 the contractor or subcontractor on your job, your property may
21 be liened to force payment. If you wish additional protection,
22 you may request the contractor to provide you with original
23 "lien release" documents from each supplier or subcontractor on
24 your project. The contractor is required to provide you with
25 further information about lien release documents if you request
26 it. General information is also available from the department
27 of labor and industries."))~~)

28 This contractor is registered with the state of Washington,
29 registration no., and has posted with the state a bond or
30 cash deposit of for the purpose of satisfying claims
31 against the contractor for breach of contract including
32 negligent or improper work in the conduct of the contractor's
33 business. The expiration date of this contractor's
34 registration is

35 **THIS BOND OR CASH DEPOSIT MIGHT NOT BE SUFFICIENT TO COVER A**
36 **CLAIM THAT MIGHT ARISE FROM THE WORK DONE UNDER YOUR CONTRACT.**

1 This bond or deposit is not for your exclusive use because it
2 covers all work performed by this contractor. The bond or
3 deposit is intended to pay valid claims up to that
4 you and other customers, suppliers, subcontractors, or taxing
5 authorities may have.

6 **FOR GREATER PROTECTION YOU MAY REQUEST YOUR CONTRACTOR TO**
7 **PROVIDE YOU WITH A PAYMENT AND PERFORMANCE BOND FOR YOUR JOB.**

8 Your contractor may obtain a payment and performance bond for
9 an additional fee to guarantee payment of suppliers and
10 subcontractors and performance of your construction project.

11 Other methods of protecting yourself include: Employing the
12 services of an attorney, a construction contract control
13 professional, or other construction professional; entering into
14 a joint check arrangement with your contractor and his or her
15 subcontractors and suppliers to insure that payment is made to
16 those parties; and withholding a contractually defined
17 percentage of your construction contract as retainage for a
18 stated period of time to provide protection to you and help
19 insure that your project will be completed as required by your
20 contract.

21 **YOUR PROPERTY MAY BE LIENED.**

22 If a supplier of materials used in your construction project or
23 an employee or subcontractor of your contractor or
24 subcontractors is not paid, your property may be liened to
25 force payment and you could pay twice for the same work.

26 **FOR ADDITIONAL PROTECTION, YOU SHOULD MAKE CHECKS PAYABLE**
27 **JOINTLY TO THE CONTRACTOR AND SUPPLIERS OR SUBCONTRACTORS AND**
28 **REQUIRE THE CONTRACTOR TO PROVIDE YOU WITH ORIGINAL "LIEN**
29 **RELEASE" DOCUMENTS FROM EACH SUPPLIER OR SUBCONTRACTOR ON YOUR**
30 **PROJECT.**

31 The contractor is required to provide you with further
32 information about lien release documents if you request it.
33 General information is also available from the state Department
34 of Labor and Industries."

1 (2) A contractor subject to this section shall notify any consumer
2 to whom notice is required under subsection (1) of this section if the
3 contractor's registration has expired or is revoked or suspended by the
4 department prior to completion or other termination of the contract
5 with the consumer.

6 (3) No contractor subject to this section may bring or maintain any
7 lien claim under chapter 60.04 RCW based on any contract to which this
8 section applies without alleging and proving that the contractor has
9 provided the customer with a copy of the disclosure statement as
10 required in subsection (1) of this section.

11 (4) This section does not apply to contracts authorized under
12 chapter 39.04 RCW or to contractors contracting with other contractors.

13 (5) Failure to comply with this section shall constitute an
14 infraction under the provisions of this chapter.

15 (6) The department shall produce model disclosure statements, and
16 public service announcements detailing the information needed to assist
17 contractors and contractors' customers to comply under this section.
18 As necessary, the department shall periodically update these education
19 materials.

20 **Sec. 11.** RCW 60.04.031 and 1992 c 126 s 2 are each amended to read
21 as follows:

22 (1) Except as otherwise provided in this section, every person
23 furnishing professional services, materials, or equipment for the
24 improvement of real property shall give the owner or reputed owner
25 notice in writing of the right to claim a lien. If the prime
26 contractor is in compliance with the requirements of RCW 19.27.095,
27 60.04.230, and 60.04.261, this notice shall also be given to the prime
28 contractor as described in this subsection unless the potential lien
29 claimant has contracted directly with the prime contractor. The notice
30 may be given at any time but only protects the right to claim a lien
31 for professional services, materials, or equipment supplied after the
32 date which is sixty days before:

33 (a) Mailing the notice by certified or registered mail to the owner
34 or reputed owner; or

35 (b) Delivering or serving the notice personally upon the owner or
36 reputed owner and obtaining evidence of delivery in the form of a
37 receipt or other ((acknowledgement)) acknowledgment signed by the owner
38 or reputed owner or an affidavit of service.

1 In the case of new construction of a single-family residence, the
2 notice of a right to claim a lien may be given at any time but only
3 protects the right to claim a lien for professional services,
4 materials, or equipment supplied after a date which is ten days before
5 the notice is given as described in this subsection.

6 (2) Notices of a right to claim a lien shall not be required of:

7 (a) Persons who contract directly with the owner or the owner's
8 common law agent;

9 (b) Laborers whose claim of lien is based solely on performing
10 labor; or

11 (c) Subcontractors who contract for the improvement of real
12 property directly with the prime contractor, except as provided in
13 subsection (3)(b) of this section.

14 (3) Persons who furnish professional services, materials, or
15 equipment in connection with the repair, alteration, or remodel of an
16 existing owner-occupied single-family residence or appurtenant garage
17 or in connection with the new construction of a single-family residence
18 for a residential homeowner:

19 (a) Who contract directly with the (~~owner-occupier~~) owner or
20 (~~their~~) the owner's common law agent shall not be required to send a
21 written notice of the right to claim a lien and shall have a lien for
22 the full amount due under their contract, as provided in RCW 60.04.021;
23 or

24 (b) Who do not contract directly with the (~~owner-occupier~~) owner
25 or (~~their~~) the owner's common law agent shall give notice of the
26 right to claim a lien to the (~~owner-occupier~~) owner. Liens of
27 persons furnishing professional services, materials, or equipment who
28 do not contract directly with the (~~owner-occupier~~) owner or (~~their~~)
29 the owner's common law agent may only be satisfied from amounts not yet
30 paid to the prime contractor by the owner at the time the notice
31 described in this section is received, regardless of whether amounts
32 not yet paid to the prime contractor are due. For the purposes of this
33 subsection "received" means actual receipt of notice by personal
34 service, or registered or certified mail, or three days after mailing
35 by registered or certified mail, excluding Saturdays, Sundays, or legal
36 holidays.

37 (4) The notice of right to claim a lien described in subsection (1)
38 of this section, shall include but not be limited to the following

1 information and shall substantially be in the following form, using
2 lower-case and upper-case ten-point type where appropriate.

3 NOTICE TO OWNER

4 IMPORTANT: READ BOTH SIDES OF THIS NOTICE
5 CAREFULLY.

6 PROTECT YOURSELF FROM PAYING TWICE

7 To: Date:

8 Re: (description of property: Street address or general
9 location.)

10 From:

11 AT THE REQUEST OF: (Name of person ordering the professional
12 services, materials, or equipment)

13 THIS IS NOT A LIEN--THIS NOTICE IS MEANT TO PROVIDE YOU WITH
14 INFORMATION NECESSARY TO PROPERLY MANAGE YOUR CONSTRUCTION PROJECT:
15 This notice is sent to you to tell you who is providing professional
16 services, materials, or equipment for the improvement of your property
17 and to advise you of the rights of these persons and your
18 responsibilities. Also take note that laborers on your project may
19 claim a lien without sending you a notice.

20 OWNER/OCCUPIER OF EXISTING
21 RESIDENTIAL PROPERTY AND/OR
22 NEW RESIDENTIAL PROPERTY

23 Under Washington law, those who furnish labor, professional services,
24 materials, or equipment for the repair, remodel, or alteration of your
25 owner-occupied principal residence and who are not paid, have a right
26 to enforce their claim for payment against your property. This claim
27 is known as a construction lien.

28 The law limits the amount that a lien claimant can claim against your
29 property. If the improvement to your property is the construction of
30 a new single-family residence, a lien may be claimed for all
31 professional services, materials, or equipment furnished during the ten
32 days preceding the date this notice was given to you or mailed to you
33 and thereafter. Claims may only be made against that portion of the
34 contract price you have not yet paid to your prime contractor as of the

1 time this notice was given to you or three days after this notice was
2 mailed to you. Review the back of this notice for more information and
3 ways to avoid lien claims.

4 COMMERCIAL ((~~AND/OR NEW~~
5 RESIDENTIAL)) PROPERTY

6 We have or will be providing professional services, materials, or
7 equipment for the improvement of your commercial ((~~or new residential~~))
8 project. In the event you or your contractor fail to pay us, we may
9 file a lien against your property. A lien may be claimed for all
10 professional services, materials, or equipment furnished after a date
11 that is sixty days before this notice was given to you or mailed to
12 you((~~, unless the improvement to your property is the construction of~~
13 ~~a new single-family residence, then ten days before this notice was~~
14 ~~given to you or mailed to you~~)).

15 Sender:
16 Address:
17 Telephone:

18 Brief description of professional services, materials, or equipment
19 provided or to be provided:

20 IMPORTANT INFORMATION
21 ON REVERSE SIDE

22 IMPORTANT INFORMATION
23 FOR YOUR PROTECTION

24 This notice is sent to inform you that we have or will provide
25 professional services, materials, or equipment for the improvement of
26 your property. We expect to be paid by the person who ordered our
27 services, but if we are not paid, we have the right to enforce our
28 claim by filing a construction lien against your property.

29 LEARN more about the lien laws and the meaning of this notice by
30 discussing them with your contractor, suppliers, Department of Labor
31 and Industries, the firm sending you this notice, your lender, or your
32 attorney.

33 COMMON METHODS TO AVOID CONSTRUCTION LIENS: There are several methods
34 available to protect your property from construction liens. The
35 following are two of the more commonly used methods.

1 DUAL PAYCHECKS (Joint Checks): When paying your contractor for
2 services or materials, you may make checks payable jointly to
3 the contractor and the firms furnishing you this notice.

4 LIEN RELEASES: You may require your contractor to provide lien
5 releases signed by all the suppliers and subcontractors from
6 whom you have received this notice. If they cannot obtain lien
7 releases because you have not paid them, you may use the dual
8 payee check method to protect yourself.

9 YOU SHOULD TAKE APPROPRIATE STEPS TO PROTECT YOUR PROPERTY FROM LIENS.

10 YOUR PRIME CONTRACTOR AND YOUR CONSTRUCTION LENDER ARE REQUIRED BY LAW
11 TO GIVE YOU WRITTEN INFORMATION ABOUT LIEN CLAIMS. IF YOU HAVE NOT
12 RECEIVED IT, ASK THEM FOR IT.

13 * * * * *

14 (5) Every potential lien claimant providing professional services
15 where no improvement as defined in RCW 60.04.011(5) (a) or (b) has been
16 commenced, and the professional services provided are not visible from
17 an inspection of the real property may record in the real property
18 records of the county where the property is located a notice which
19 shall contain the professional service provider's name, address,
20 telephone number, legal description of the property, the owner or
21 reputed owner's name, and the general nature of the professional
22 services provided. If such notice is not recorded, the lien claimed
23 shall be subordinate to the interest of any subsequent mortgagee and
24 invalid as to the interest of any subsequent purchaser if the mortgagee
25 or purchaser acts in good faith and for a valuable consideration
26 acquires an interest in the property prior to the commencement of an
27 improvement as defined in RCW 60.04.011(5) (a) or (b) without notice of
28 the professional services being provided. The notice described in this
29 subsection shall be substantially in the following form:

30 NOTICE OF FURNISHING
31 PROFESSIONAL SERVICES

32 That on the ____ (day) ____ day of ____ (month and year) ____, ____ (name of
33 provider) ____ began providing professional services upon or for the
34 improvement of real property legally described as follows:

1 [Legal Description
2 is mandatory]

3 The general nature of the professional services provided is . . .
4
5 The owner or reputed owner of the real property is
6

7
8 (Signature)

9
10 (Name of Claimant)

11
12 (Street Address)

13
14 (City, State, Zip Code)

15
16 (Phone Number)

17 (6) A lien authorized by this chapter shall not be enforced unless
18 the lien claimant has complied with the applicable provisions of this
19 section.

20 (7) For the purposes of this section "commercial property" includes
21 residential property that is not owned by a residential homeowner.

22 NEW SECTION. Sec. 12. RCW 18.27.075 (Limit on fees for issuing or
23 renewing certificate of registration) and 1983 c 74 s 2 are each
24 repealed.

--- END ---