

# HOUSE BILL REPORT

## SHB 1749

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### As Passed Legislature

**Title:** An act relating to contractor registration requirements for owners of property.

**Brief Description:** Concerning contractor registration requirements for owners of property.

**Sponsors:** House Committee on Labor (originally sponsored by Representatives MacEwen, Manweller and Condotta).

**Brief History:**

**Committee Activity:**

Labor: 2/12/15, 2/19/15 [DPS].

**Floor Activity:**

Passed House: 3/6/15, 98-0.

Passed Senate: 4/9/15, 46-0.

Passed Legislature.

#### Brief Summary of Substitute Bill

- Provides that a property owner who improves and offers to sell property without occupying it for more than one year is not required to register as a contractor if the owner contracts with a general contractor.

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### HOUSE COMMITTEE ON LABOR

**Majority Report:** The substitute bill be substituted therefor and the substitute bill do pass. Signed by 7 members: Representatives Sells, Chair; Gregerson, Vice Chair; Manweller, Ranking Minority Member; G. Hunt, Assistant Ranking Minority Member; McCabe, Moeller and Ormsby.

**Staff:** Joan Elgee (786-7106).

**Background:**

The Contractor Registration Act requires general and specialty contractors to register with the Department of Labor and Industries (Department). Applicants must obtain a bond and insurance to register.

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*This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.*

"Contractor" is defined as including any entity who, in the pursuit of an independent business, undertakes to or submits a bid to construct, improve, develop or take specified other actions with respect to a building, development, or other structure listed in statute. Installation of carpeting or other floor covering is specifically included. Also included in the definition is an owner who offers to sell property without occupying or using the structure, project, development, or improvement for more than one year after it was substantially completed or abandoned.

The exemptions from registration include an owner who contracts with a registered contractor. However, this exemption does not apply to a person who performs the activities of a contractor for the purpose of leasing or selling improved property he or she has owned for less than 12 months.

**Summary of Substitute Bill:**

The provision making an owner a "contractor" if he or she offers to sell improved property without occupying or using it for more than one year is modified. A person is not a contractor under this provision if the person contracts with a registered general contractor and does not superintend the work.

**Appropriation:** None.

**Fiscal Note:** Available.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.

**Staff Summary of Public Testimony:**

(In support) This bill will allow people to buy property and do basic improvements without going through the difficult process of registering as a contractor and obtaining a bond. According to the Department, buying a home as an investor and hiring a general contractor to do the work is breaking the law if the house goes on the market less than one year after acquisition. The fine is \$1,000 and there can be attorney's fees. The purpose of the original law was to level the playing field between registered and unregistered contractors and to protect consumers from unregistered contractors. The bill corrects an unintended consequence in the existing law. The intent was to crack down on flippers. The bill will benefit property owners and consumers. The work will still be done by reputable contractors so consumers get a good product. It should be enough if you hire a general contractor.

The contractor exemption section and the definition section need to be reconciled. Ideas are being considered.

(With concerns) This change would apply to residential and commercial and to new and existing structures. Persons doing only flooring and painting would not be required to register, which could be a problem. It would be better to place the language in a different section.

(Opposed) None.

**Persons Testifying:** (In support) Representative MacEwen, prime sponsor; Jan Himebaugh, Building Industry Association of Washington; Bob Mitchell and Bill Clark, Washington Realtors; and Mike Hancock.

(With concerns) Tammy Fellin, Department of Labor and Industries.

**Persons Signed In To Testify But Not Testifying:** None.