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THE APPARENT PROBLEM:

Licensed homebuilders have long been frustrated with unlicensed builders obtaining construction contracts from homeowners. Legitimate, licensed builders are subject to various costs of doing business — license fees, unemployment insurance, liability insurance — which unlicensed builders presumably are prone to disregard. Thus, problems with unlicensed contractors are not simply those of homeowners missing out on the protections provided by dealing with licensed individuals; licensed builders suffer unfair competition from those who disregard legal requirements and their accompanying costs. Homebuilders seek legislation that would offer some assurances that builders who obtain building permits or who are hired by homeowners are licensed.

THE CONTENT OF THE BILL:

The bill would amend the State Construction Code Act to require various building tradespeople to include certain identifying information on applications for building permits, and to prohibit homeowners from hiring other than licensed people to do what is the work of a licensed building trade.

Identifying information. Someone licensed or required to be licensed as a residential builder, residential maintenance and alteration contractor, master or journeyman plumber, electrical contractor, master or journeyman electrician, or mechanical contractor would have to provide the following information when applying for a building permit for work on a residential structure belonging to another:

- the number and expiration date of the applicant's occupational license;
- either the name of each carrier providing worker's disability compensation insurance to the applicant or the reasons for exemption from the worker's disability compensation act;
- either the federal employer identification number or the reasons for exemption from the requirement to have a number.

Statement on permit form. Building permits would have to include the following statement immediately above the location for the applicant's signature:

"You should be aware that it is unlawful to hire a contractor who is unlicensed to perform the work of a licensed contractor. A person who knowingly employs an unlicensed person to perform the work of a licensed contractor may be subject to a civil fine of not less than \$100, nor more than \$500. Before you begin a construction project, you should be familiar with the construction laws of this state and of the local unit of government in which you intend to begin construction. You should also be sure that you have the skill and knowledge to complete your project in an appropriate manner. If you are not familiar with the construction laws of this state and of the local unit of government in which you intend to begin construction, or

LICENSE NUMBERS ON BUILDING PERMITS

House Bill 4006 with committee amendments
First Analysis (4-17-89)

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Sponsor: Rep. Sidney Ouwinga
Committee: Urban Affairs

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if you are unsure whether you have the skill and knowledge necessary to complete your construction project, you should consider hiring a licensed contractor to perform the work for you. You may incur personal liability for injury to persons or property for your negligence in completing the construction project."

Homeowners. A homeowner who knowingly hired an unlicensed person to perform the work of one of the above-listed licensed occupations would be subject to a civil fine of between \$100 and \$500.

MCL 125.1510 and 125.1523A

FISCAL IMPLICATIONS:

Fiscal information is not available at this time. (4-17-89)

ARGUMENTS:

For:

By requiring license information on building permits, and by prohibiting homeowners from hiring unlicensed builders, the bill would strengthen construction licensing laws. By making it more difficult for unlicensed builders and contractors to obtain residential construction jobs, the bill would protect legitimate builders from unfair competition and protect homeowners from unregulated work done by unlicensed people.

Against:

The bill would be of limited benefit. People who disregard licensing requirements probably are likely to disregard the requirement to obtain a building permit; the bill may be weakened by its reliance on the building permit as an enforcement mechanism. In addition, the bill apparently would apply only in those jurisdictions which have not exempted themselves from the Construction Code Act by adopting a nationally-recognized alternative code. The act does specify some provisions to be applicable statewide, but the bill's provisions would not be among those unless the act was amended to include them.

POSITIONS:

Associated Builders and Contractors-Michigan supports the bill. (4-17-89)

The Michigan Association of Homebuilders supports the bill. (4-13-89)

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