



**House  
Legislative  
Analysis  
Section**

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**LICENSE NUMBERS ON BUILDING PERMITS**

**House Bill 4006 as enrolled**  
**Second Analysis (7-10-89)**

**Sponsor: Rep. Sidney Owunga**  
**House Committee: Urban Affairs**  
**Senate Committee: Human Resources and Senior  
Citizens**

***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 — that 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, to provide for the imposition of civil fines, and to explicitly authorize county prosecutors and the attorney general to enforce building permit requirements.

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;
- either the Michigan Employment Security Commission employer number or the reasons for the exemptions from the requirement to make contributions under the Michigan Employment Security Act.

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

"Section 23a of the State Construction Code Act of 1972, Act Number 230 of the Public Acts of 1972, being Section 125.1523a of the Michigan Compiled Laws, prohibits a person from conspiring to circumvent the licensing requirements of this state relating to persons who are to perform work on a residential building or a residential

structure. Violators of Section 23a are subjected to civil fines."

Civil fines. The bill would state that someone who was required to be licensed in one of the specified building trades would be prohibited from working on a residential building or residential structure without first obtaining a license. Violation of this provision would be a civil infraction carrying a fine of between \$100 and \$500.

Enforcement. County prosecutors and the attorney general would be explicitly authorized to enforce building permit requirements.

MCL 125.1508 et al.

***FISCAL IMPLICATIONS:***

According to the Department of Labor, the bill could present minor costs in seeking required information when not provided or in revising permit forms. (7-10-89)

***ARGUMENTS:***

***For:***

By requiring license information on building permits and specifying civil fines, the bill would complement construction licensing laws. Enforcement of licensing requirements would be aided by making failure to be licensed a civil infraction under the construction code; civil infractions often are more effectively enforced than related criminal offenses. By making matters more difficult for unlicensed builders and contractors, the bill would protect legitimate builders from unfair competition and protect homeowners from unregulated work done by unlicensed people.

***Against:***

The bill is weakened by its reliance on the building permit as an enforcement mechanism. Someone who disregards licensing requirements presumably would be likely to disregard permit requirements.

***Against:***

The notice that the bill would require on building permits is misleading. The notice would say that Section 23a (which would be added by the bill) prohibits conspiring to circumvent licensing requirements. In fact, Section 23a would not address conspiracy at all. Rather, the section makes it a civil infraction to fail to be licensed as necessary when doing residential work.

H.B. 4006 (7-10-89)