



Senate Fiscal Agency
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BILL ANALYSIS



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Senate Bill 986 (as introduced 6-25-20)
Sponsor: Senator Ed McBroom
Committee: Regulatory Reform

Date Completed: 7-28-20

CONTENT

The bill would amend the Occupational Code to specify that certain general contractors, design-builders, or construction managers, or those who engage in the business of performing work and services under contract with general contractors, design-builders, or construction managers, would be allowed to engage in the business of or act in the capacity of a residential builder or a residential maintenance and alteration contractor or salesperson in Michigan without a license.

Section 2403 of the Code specifies that, notwithstanding Article 6 (Violations and Penalties), a person may engage in the business of or act in the capacity of a residential builder or a residential maintenance and alteration contractor or salesperson in Michigan without a license, if the person is one of certain individuals specified in the Code.

Under the bill, the following individuals also would be allowed to engage in the business of or act in the capacity of a residential builder or a residential maintenance and alteration contractor or salesperson in Michigan without a license:

- Beginning on the bill's effective date, a general contractor, design-builder, or construction manager engaged in the construction of a residential group R-1, R-2, R-3, R-4 structure, or a mixed occupancy structure, as those terms are defined in the Michigan Building Code.
- Beginning on the bill's effective date, a person that engaged in the business of performing work and services under contract with a general contractor, design-builder, or construction manager that was engaged in the construction of a residential group R-1, R-2, R-3, R-4 structure, or a mixed occupancy structure.

The above provisions would be retroactive for a period of six years immediately preceding the bill's effective date.

The Code defines "residential builder" as a person engaged in the construction of a residential structure or a combination residential and commercial structure who, for a fixed sum, price, fee, percentage, valuable consideration, or other compensation, other than wages for personal labor only, undertakes with another or offers to undertake or purports to have the capacity to undertake with another for the erection, construction, replacement, repair, alteration, or an addition to, subtraction from, improvement, wrecking of, or demolition of, a residential structure or combination residential and commercial structure. The term also means a person who manufactures, assembles, constructs, deals in, or distributes a residential or combination residential and commercial structure that is prefabricated, preassembled, precut, packaged, or shell housing; or a person who erects a residential

structure or combination residential and commercial structure except for the person's own use and occupancy on the person's property.

"Residential maintenance and alteration contractor" means a person that, for a fixed sum, price, fee, percentage, valuable consideration, or other compensation, other than wages for personal labor only, does any of the following:

- Undertakes with another repair, alteration, or addition to, subtraction from, improvement of, wrecking of, or demolition of a residential structure, or combination residential and commercial structure, or building of a garage, or laying of concrete on residential property.
- Engages in the purchase, substantial rehabilitation or improvement, and resale of a residential structure or property and engages in that activity on the same structure more than twice in one calendar year, except in certain circumstances.

"Wages" means money paid or to be paid on an hourly or daily basis by an owner, lessor, or occupant of a residential structure or combination residential and commercial structure as consideration for the performance of personal labor on the structure by an individual who does not perform or promise to perform the labor for any other fixed sum, price, fee, percentage, valuable consideration, or other compensation and who does not furnish or agree to furnish the material or supplies required to be used in the performance of the labor or an act performed by a residential builder or a residential maintenance and alteration contractor.

The bill would delete from the definitions of "residential builder", "residential maintenance and alteration contractor", and "wages" references to "combination residential and commercial structure".

The bill states that it is the intent of the Legislature that the bill would apply retroactively for the six-year period immediately preceding the bill's effective date.

MCL 339.2401 & 339.2403

Legislative Analyst: Stephen Jackson

FISCAL IMPACT

The bill likely would have a negative fiscal impact on the Department of Licensing and Regulatory Affairs and no fiscal impact on local units of government. The exemptions from licensure proposed in the bill could result in fewer individuals seeking to obtain or renew a license. This would result in a decrease in revenue used to administer licensing and regulations for the Bureau of Construction Codes.

Fiscal Analyst: Elizabeth Raczkowski

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.