

# Owner-Builder Overview

## Who is considered an owner-builder?

Any individual or group of individuals who own the property on which they plan to construct, alter, repair, improve, or remodel a building or structure is considered an owner-builder.

## Is an owner-builder required to have a license?

An owner-builder is exempt from licensure, but there are limitations.

A license is not required if:

- The owner-builder does the work himself or herself or through his or her own employees with wages as their sole compensation and the structure(s) is/are not intended for sale.
- The owner-builder contracts with properly licensed subcontractor(s). (This exemption applies to the construction of a single-family residential structure and limits the number of structures intended or offered for sale to four or fewer in a calendar year.)
- The owner-builder contracts with a General Building ("B") contractor. (The number of structures is then unlimited.)

## Is a homeowner required to obtain a license if he/she wants to improve his/her home?

A homeowner improving his or her principal place of residence is exempt from licensure if all of the following exist:

- The work is performed prior to sale;
- The homeowner resides in the residence for the 12 months prior to completion of the work; and,
- The homeowner has not taken advantage of this exemption on more than two structures during any three-year period.

## Are there any trades that property owners are prohibited from performing themselves?

Property owners are prohibited from performing well-drilling work covered under the Well Drilling (C-57) classification.

## Does the owner-builder exemption apply to an individual who builds homes for resale (spec homes) and are there any limitations?

Yes.

The owner-builder exemption would apply to an individual who builds homes for resale under any of the following conditions:

- Licensed tradesmen are hired to perform all work on the project (provided no more than four structures per calendar year are intended for resale).
- A licensed general contractor is hired to perform and/or subcontract the completion of all work on the project. (No restriction on the number of structures completed per calendar year.)
- The owner-builder performs the work, all or in part, and resides in the completed structure for one year prior to resale. (Applies to not more than two structures in a three-year period.)


(For more information regarding owner-builder, see Section [7044](#) of the Business and Professions Code or [The Risks of Being an Owner-Builder](#) under the "Consumers" section of this website.)

[http://www.cslb.ca.gov/Consumers/Building\\_Officials/Owner\\_Builder\\_Overview.aspx](http://www.cslb.ca.gov/Consumers/Building_Officials/Owner_Builder_Overview.aspx)

## What is an Owner-Builder?

**This section defines what an owner-builder is and the laws surrounding the practice.**

- An owner-builder is what the term indicates: a person owns the property and acts as their own general contractor on the job, and either does the work themselves or has employees (or subcontractors) working on the project.
- The work site must be their principal place of residence that they have occupied for 12 months prior to completion of the work.
- The homeowner cannot construct and then sell more than two structures during any three-year period.

 **LAWS AND REGULATIONS** Business & Professions Code section [7044](#) has more information about owner-builders.

## Owner-Builder Responsibilities


**This section outlines the job responsibilities of a property owner when they decide to handle their own construction projects as an owner-builder.**

When you sign a building permit application as an owner-builder, you assume full responsibility for all phases of your project and its integrity. You must pull all [building permits](#). Your project must pass codes and building inspections.

The owner-builder is responsible for ordering materials and making sure all suppliers are paid.

An owner-builder also is responsible for supervising, scheduling, and paying subcontractors. If you use anyone other than a licensed subcontractor for work, you may be considered an "employer."

Employers must register with the state and federal governments and are obligated to participate in state and federal income tax withholding, federal Social Security taxes, workers' compensation insurance, disability insurance costs, and unemployment compensation contributions.

 **TIP:** For more specific information about your obligations under federal law, contact the Internal Revenue Service at (800) 829-1040, and the U.S. Small Business Administration at (800) 359-1833. For more specific information about your obligations under state law, contact the Employment Development Department at (916) 653-0707, the Department of Industrial Relations at (415) 703-5070, and the Franchise Tax Board at (800) 852-5711.

## Owner-Builder Risks

Unless you are knowledgeable about construction, mistakes can be costly and take additional time to repair or correct.

Subcontractors and suppliers who are not paid on schedule may file mechanics liens against your property. Educate yourself about [mechanics liens](#) and how to prevent them.

If your workers are injured, or your subcontractors are not licensed or do not carry liability insurance or workers' compensation insurance and they are injured, you could be asked to pay for injuries and rehabilitation through your homeowner's insurance policy or face lawsuits.

You should be cautious of unlicensed individuals claiming to be contractors who prey upon homeowners. They may promise to guide you through the owner-builder process for a consulting fee, but [they are breaking the law](#).

### **REMEMBER:**

As an owner-builder, you assume full responsibility for all phases of your project and its integrity.

Licensed contractors must demonstrate knowledge of their craft, be tested, fingerprinted, bonded, and undergo an FBI background check before they are licensed to work in California.

Illegal contractors can botch a job or leave with the down payment, leaving the owner-builder to deal with the consequences.

# Owner/builders take note!

## *A word of caution from the Contractors State License Board*

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*Hiring an unlicensed  
“consultant” to manage  
the project does not  
save you money  
in the long run.*

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*By hiring a licensed  
experienced contractor  
for your project to hire  
licensed knowledgeable  
tradespersons, the  
contractor becomes  
responsible for all  
phases of construction.*

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Anyone who talks you into being your own general contractor, or “owner/builder,” may be doing you no favor.

“Owner/builder” describes a situation in which the homeowner becomes the general contractor. As an owner/builder, *you* (not the person you hire) assume responsibility for the overall job.

Your responsibilities may include such things as state and federal taxes, workers’ compensation insurance, and other legal liabilities. You may be required to hire various subcontractors for your project, scheduling their work and supervising the job. If a worker is injured while working on your property, you could be asked to pay for injuries and rehabilitation through your homeowner’s insurance policy.

By signing a building permit application as an owner/builder, you assume full responsibility for all phases of your project and its integrity.

Hiring an unlicensed “consultant” to manage the project does not save you money in the long run. By hiring a licensed experienced contractor for your project to hire licensed knowledgeable tradespersons, the contractor becomes responsible for all phases of construction.

Unless you are very experienced in construction, it is best to leave these matters to your licensed contractor.

## OWNER BUILDER VERIFICATION

Attention Property Owner:

An "owner-builder" building permit has been applied for in your name and bearing your signature. Please complete the information provided. No building permit will be issued until this verification is complete.

1. I personally plan to provide the major labor and materials for construction of the proposed property improvement (yes or no) \_\_\_\_\_
2. I (have/have not) \_\_\_\_\_ signed an application for a building permit for the proposed work.
3. I have contracted with the following person (firm) to provide the proposed construction:

Name: \_\_\_\_\_

Street Address \_\_\_\_\_

City: \_\_\_\_\_

Phone: \_\_\_\_\_ Contractors License No. \_\_\_\_\_

4. I plan to provide portions of the work, but I have hired the following person to coordinate, supervise, and provide the major work:

Name: \_\_\_\_\_

Street Address: \_\_\_\_\_

City: \_\_\_\_\_

Phone: \_\_\_\_\_ Contractors License No. \_\_\_\_\_

Signed :

Property Owner: \_\_\_\_\_ Date: \_\_\_\_\_

Property Address: \_\_\_\_\_

Phone: \_\_\_\_\_