
SUBSTITUTE HOUSE BILL 2544

State of Washington

54th Legislature

1996 Regular Session

By House Committee on Commerce & Labor (originally sponsored by Representatives Cairnes, Conway, Benton, Thompson, D. Schmidt, Sterk, Chandler and Cooke)

Read first time 02/02/96.

1 AN ACT Relating to registration of contractors; amending RCW
2 18.27.010, 18.27.020, 18.27.030, 18.27.040, 18.27.060, 18.27.070,
3 18.27.090, 18.27.100, 18.27.104, 18.27.110, 18.27.114, 18.27.117,
4 18.27.200, 18.27.230, 18.27.270, and 18.27.340; reenacting and amending
5 RCW 51.12.020; adding a new section to chapter 18.27 RCW; repealing RCW
6 18.27.140; and prescribing penalties.

7 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

8 NEW SECTION. **Sec. 1.** A new section is added to chapter 18.27 RCW
9 to read as follows:

10 The purposes of this chapter are to protect the general welfare of
11 the residents of this state who purchase construction services and the
12 general economic welfare of businesses in compliance with this chapter,
13 to enhance state revenue collections, and to promote compliance and
14 enforcement of this chapter by providing swift and meaningful penalties
15 for those failing to register as required by this chapter.

16 This chapter shall be strictly enforced to accomplish these
17 purposes. Therefore, the doctrine of substantial compliance shall not
18 be used by the department in the application and construction of this

1 chapter. Anyone engaged in the activities of a contractor is presumed
2 to know the requirements of this chapter.

3 **Sec. 2.** RCW 18.27.010 and 1993 c 454 s 2 are each amended to read
4 as follows:

5 Unless the context clearly requires otherwise, the definitions in
6 this section apply throughout this chapter.

7 (1) "Contractor" means any person, firm, or corporation who or
8 which, in the pursuit of an independent business undertakes to, or
9 offers to undertake, or submits a bid to, construct, alter, repair, add
10 to, subtract from, improve, move, wreck or demolish, for another, any
11 building, highway, road, railroad, excavation or other structure,
12 project, development, or improvement attached to real estate or to do
13 any part thereof including the installation of carpeting or other floor
14 covering, the erection of scaffolding or other structures or works in
15 connection therewith or who installs or repairs roofing or siding; or,
16 who, to do similar work upon his or her own property, employs members
17 of more than one trade upon a single job or project or under a single
18 building permit except as otherwise provided herein. "Contractor"
19 includes any person, firm, or corporation covered by this subsection,
20 whether or not registered as required under this chapter.

21 (2) "General contractor" means a contractor whose business
22 operations require the use of more than two unrelated building trades
23 or crafts whose work the contractor shall superintend or do in whole or
24 in part. "General contractor" shall not include an individual who does
25 all work personally without employees or other "specialty contractors"
26 as defined (~~herein~~) in this section. The terms "general contractor"
27 and "builder" are synonymous.

28 (3) "Specialty contractor" means a contractor whose operations (~~as~~
29 ~~such~~) do not fall within the foregoing definition of "general
30 contractor".

31 (4) "Unregistered contractor" means a person, firm, or corporation
32 doing work as a contractor without being registered in compliance with
33 this chapter. "Unregistered contractor" includes contractors whose
34 registration is expired for more than thirty days beyond the renewal
35 date or has been suspended.

36 (5) "Department" means the department of labor and industries.

37 (~~(5)~~) (6) "Director" means the director of the department of
38 labor and industries.

1 (~~(6)~~) (7) "Verification" means the receipt and duplication by the
2 city, town, or county of a contractor registration card that is current
3 on its face.

4 **Sec. 3.** RCW 18.27.020 and 1993 c 454 s 6 are each amended to read
5 as follows:

6 (1) Every contractor shall register with the department.

7 (2) It is a misdemeanor for any contractor to:

8 (a) Advertise, offer to do work, submit a bid, or perform any work
9 as a contractor without being registered as required by this chapter;

10 (b) Advertise, offer to do work, submit a bid, or perform any work
11 as a contractor when the contractor's registration is suspended or
12 revoked;

13 (c) Use a false or expired registration number in purchasing or
14 offering to purchase an advertisement for which a contractor
15 registration number is required; or

16 (d) Transfer a valid registration to an unregistered contractor or
17 allow an unregistered contractor to work under a registration issued to
18 another contractor.

19 (3) All misdemeanor actions under this chapter shall be prosecuted
20 in the county where the (~~infraction~~) violation occurs.

21 (4) Each day beyond the date of citation that a person works
22 without being registered as required by this chapter, works while his
23 or her contractor's registration is suspended or revoked, or works
24 under a registration issued to another contractor is a separate
25 misdemeanor. Each worksite at which a person works without being
26 registered as required by this chapter, works while his or her
27 contractor's registration is suspended or revoked, or works under a
28 registration issued to another contractor is a separate misdemeanor.

29 (5) The director by rule shall establish a two-year audit and
30 monitoring program for a contractor not registered under this chapter
31 who becomes registered after receiving an infraction or conviction
32 under this chapter as an unregistered contractor. The director shall
33 notify the departments of revenue and employment security of the
34 infractions or convictions and shall cooperate with these departments
35 to determine whether any taxes or registration, license, or other fees
36 or penalties are owed the state.

1 **Sec. 4.** RCW 18.27.030 and 1992 c 217 s 1 are each amended to read
2 as follows:

3 (1) An applicant for registration as a contractor shall submit an
4 application under oath upon a form to be prescribed by the director and
5 which shall include the following information pertaining to the
6 applicant:

7 (a) Employer social security number.

8 (b) As applicable: (i) The industrial insurance account number
9 covering employees domiciled in Washington; and (ii) evidence of
10 workers' compensation coverage in the applicant's state of domicile for
11 the applicant's employees working in Washington who are not domiciled
12 in Washington.

13 (c) Employment security department number.

14 (d) State excise tax registration number.

15 (e) Unified business identifier (UBI) account number may be
16 substituted for the information required by (b), (c), and (d) of this
17 subsection.

18 (f) Type of contracting activity, whether a general or a specialty
19 contractor and if the latter, the type of specialty.

20 (g) The name and address of each partner if the applicant be a firm
21 or partnership, or the name and address of the owner if the applicant
22 be an individual proprietorship, or the name and address of the
23 corporate officers and statutory agent, if any, if the applicant be a
24 corporation. The information contained in such application shall be a
25 matter of public record and open to public inspection.

26 (2) The department may verify the workers' compensation coverage
27 information provided by the applicant under subsection (1)(b) of this
28 section, including but not limited to information regarding the
29 coverage of an individual employee of the applicant. If coverage is
30 provided under the laws of another state, the department may notify the
31 other state that the applicant is employing employees in Washington.

32 (3) The department shall deny an application for registration
33 ~~((shall be denied))~~ if the applicant has been previously registered as
34 a sole proprietor, partnership, or corporation ~~((, and was a principal~~
35 ~~or officer of the corporation,))~~ and ~~((if))~~ the applicant has an
36 unsatisfied final judgment against him or her in an action based on RCW
37 18.27.040 ~~((,))~~ that was incurred during a previous registration under
38 this chapter. In addition, the department shall check for an
39 applicant's past noncompliance with this chapter, including checking

1 for evidence of violations of this chapter, suspended or revoked
2 registrations, or misdemeanors or infractions under this chapter
3 relating to the construction industry. Multiple instances of past
4 noncompliance may be grounds for application denial.

5 **Sec. 5.** RCW 18.27.040 and 1988 c 139 s 1 are each amended to read
6 as follows:

7 (1) Each applicant shall(~~(, at the time of applying for or renewing~~
8 ~~a certificate of registration, file with the department a surety bond~~
9 ~~issued by a surety insurer who meets the requirements of chapter 48.28~~
10 ~~RCW in a form acceptable to the department running to the state of~~
11 ~~Washington if a general contractor, in the sum of six thousand dollars;~~
12 ~~if a specialty contractor, in the sum of four thousand dollars,))
13 accompany the registration application with a surety bond or
14 continuation certificate issued by a surety insurer who meets the
15 requirements of chapter 48.28 RCW in the sum of six thousand dollars if
16 the applicant is a general contractor and four thousand dollars if the
17 applicant is a specialty contractor. The bond shall have the state of
18 Washington named as obligee with good and sufficient surety in a form
19 to be approved by the department. The bond shall be continuous and may
20 be canceled by the surety upon the surety giving written notice to the
21 director of its intent to cancel the bond. A cancellation or
22 revocation of the bond or withdrawal of the surety from the bond
23 suspends the registration until a new bond or reinstatement notice has
24 been filed and approved as provided in this section. Whether or not
25 the bond is renewed, continued, reinstated, reissued, or otherwise
26 extended, replaced, or modified, including increases or decreases in
27 the penal sum, it shall be considered one continuous obligation, and
28 the surety upon the bond shall not be liable in an aggregate or
29 cumulative amount exceeding the penal sum set forth on the face of the
30 bond. In no event shall the penal sum, or a portion thereof, at two or
31 more points in time be added together in determining the surety's
32 liability. The bond shall be conditioned that the applicant will pay
33 all persons performing labor, including employee benefits, for the
34 contractor, will pay all taxes and contributions due to the state of
35 Washington, and will pay all persons furnishing labor or material or
36 renting or supplying equipment to the contractor and will pay all
37 amounts that may be adjudged against the contractor by reason of
38 ~~((negligent or improper work or))~~ breach of contract including~~

1 negligent or improper work in the conduct of the contracting business.
2 A change in the name of a business or a change in the type of business
3 entity shall not impair a bond for the purposes of this section so long
4 as one of the original applicants for such bond maintains partial
5 ownership in the business covered by the bond.

6 (2) Any contractor registered as of (~~the effective date of this~~
7 ~~1983 act~~) July 1, 1996, who maintains such registration in accordance
8 with this chapter shall be in compliance with this chapter until the
9 next annual renewal of the contractor's certificate of registration.
10 At that time, the contractor shall provide a bond, cash deposit, or
11 other security deposit as required by this chapter and comply with all
12 of the other provisions of this chapter before the department shall
13 renew the contractor's certificate of registration.

14 (3) Any person, firm, or corporation having a claim against the
15 contractor for any of the items referred to in this section may bring
16 suit upon (~~such~~) the bond or deposit in the superior court of the
17 county in which the work was done or of any county in which
18 jurisdiction of the contractor may be had. The surety issuing the bond
19 shall be named as a party to any suit upon the bond. Action upon
20 (~~such~~) the bond or deposit shall be commenced by filing the summons
21 and complaint with the clerk of the appropriate superior court within
22 one year from the date of expiration of the certificate of registration
23 in force at the time the claimed labor was performed and benefits
24 accrued, taxes and contributions owing the state of Washington became
25 due, materials and equipment were furnished, or the claimed contract
26 work was completed or abandoned. Service of process in an action
27 against the contractor, the contractor's bond, or the deposit shall be
28 exclusively by service upon the department. Three copies of the
29 summons and complaint and a fee of ten dollars to cover the handling
30 costs shall be served by registered or certified mail upon the
31 department at the time suit is started and the department shall
32 maintain a record, available for public inspection, of all suits so
33 commenced. Service is not complete until the department receives the
34 ten-dollar fee and three copies of the summons and complaint. (~~Such~~)
35 The service shall constitute service on the registrant and the surety
36 for suit upon the bond or deposit and the department shall transmit the
37 summons and complaint or a copy thereof to the registrant at the
38 address listed in his or her application and to the surety within
39 forty-eight hours after it shall have been received.

1 (4) The surety upon the bond shall not be liable in an aggregate
2 amount in excess of the amount named in the bond nor for any monetary
3 penalty assessed pursuant to this chapter for an infraction. The
4 liability of the surety shall not cumulate where the bond has been
5 renewed, continued, reinstated, reissued or otherwise extended. The
6 surety upon the bond may, upon notice to the department and the
7 parties, tender to the clerk of the court having jurisdiction of the
8 action an amount equal to the claims thereunder or the amount of the
9 bond less the amount of judgments, if any, previously satisfied
10 therefrom and to the extent of such tender the surety upon the bond
11 shall be exonerated but if the actions commenced and pending at any one
12 time exceed the amount of the bond then unimpaired, claims shall be
13 satisfied from the bond in the following order:

14 (a) Employee labor, including employee benefits;

15 (b) Claims for breach of contract by a party to the construction
16 contract;

17 (c) Material and equipment;

18 (d) Taxes and contributions due the state of Washington;

19 (e) Any court costs, interest, and attorney's fees plaintiff may be
20 entitled to recover. The prevailing party in a bond claim action
21 against the contractor and the contractor's bond, as required by this
22 section, for breach of a construction contract is entitled to costs,
23 interest, and reasonable attorneys' fees. In no event, however, may
24 the combined costs, interest, attorneys' fees, and bond loss exceed the
25 penal limit of the bond.

26 A payment made by the surety in good faith shall exonerate the bond
27 to extent of any payment made by the surety.

28 (5) ~~((In the event that any))~~ If a final judgment ~~((shall))~~ impairs
29 the liability of the surety upon the bond so furnished that there shall
30 not be in effect a bond undertaking in the full amount prescribed in
31 this section, the department shall suspend the registration of ~~((such))~~
32 the contractor until the bond liability in the required amount
33 unimpaired by unsatisfied judgment claims ~~((shall have been))~~ is
34 furnished. If ~~((such))~~ the bond becomes fully impaired, a new bond
35 must be furnished at the ~~((increased))~~ rates prescribed by this section
36 ~~((as now or hereafter amended)).~~

37 (6) In lieu of the surety bond required by this section the
38 contractor may file with the department a deposit consisting of cash or
39 other security acceptable to the department.

1 (7) Any person having filed and served a summons and complaint as
2 required by this section having an unsatisfied final judgment against
3 the registrant for any items referred to in this section may execute
4 upon the security held by the department by serving a certified copy of
5 the unsatisfied final judgment by registered or certified mail upon the
6 department within one year of the date of entry of such judgment. Upon
7 the receipt of service of (~~such~~) the certified copy the department
8 shall pay or order paid from the deposit, through the registry of the
9 superior court which rendered judgment, towards the amount of the
10 unsatisfied judgment. The priority of payment by the department shall
11 be the order of receipt by the department, but the department shall
12 have no liability for payment in excess of the amount of the deposit.

13 (8) The director may (~~promulgate~~) adopt rules necessary for the
14 proper administration of the security.

15 **Sec. 6.** RCW 18.27.060 and 1983 1st ex.s. c 2 s 19 are each amended
16 to read as follows:

17 (1) A certificate of registration shall be valid for one year and
18 shall be renewed on or before the expiration date. The department
19 shall issue to the applicant a certificate of registration upon
20 compliance with the registration requirements of this chapter.

21 (2) If the department approves an application, it shall issue a
22 certificate of registration to the applicant. The certificate shall be
23 valid for:

24 (a) One year;

25 (b) Until the bond expires; or

26 (c) Until the insurance expires, whichever comes first. The
27 department shall place the expiration date on the certificate.

28 (3) A contractor may supply a short-term bond or insurance policy
29 to bring its registration period to the full one year.

30 (4) If a contractor's surety bond or other security has an
31 unsatisfied judgment against it or is canceled, or if the contractor's
32 insurance policy is canceled, the contractor's registration shall be
33 automatically suspended on the effective date of the impairment or
34 cancellation. The department shall (~~give~~) mail notice of the
35 suspension to the (~~contractor~~) contractor's address on the
36 certificate of registration by certified and by first class mail within
37 forty-eight hours after suspension.

1 (5) Renewal of registration is valid on the date the department
2 receives the required fee and proof of bond and liability insurance, if
3 sent by certified mail or other means requiring proof of delivery. The
4 receipt or proof of delivery shall serve as the contractor's proof of
5 renewed registration until he or she receives verification from the
6 department.

7 **Sec. 7.** RCW 18.27.070 and 1983 c 74 s 1 are each amended to read
8 as follows:

9 The department shall charge fees for issuance, renewal, and
10 reinstatement of certificates of registration; and changes of name,
11 address, or business structure. The department shall set the fees by
12 rule.

13 The fees shall cover the full cost of issuing certificates, filing
14 papers and notices, consumer education activities, and administering
15 and enforcing this chapter. The costs shall include reproduction,
16 travel, per diem, and administrative and legal support costs.

17 No less than twenty percent of yearly revenues derived from
18 registration fees shall be committed to consumer education activities
19 administered by the department.

20 **Sec. 8.** RCW 18.27.090 and 1987 c 313 s 1 are each amended to read
21 as follows:

22 This chapter (~~shall~~) does not apply to:

23 (1) An authorized representative of the United States government,
24 the state of Washington, or any incorporated city, town, county,
25 township, irrigation district, reclamation district, or other municipal
26 or political corporation or subdivision of this state;

27 (2) Officers of a court when they are acting within the scope of
28 their office;

29 (3) Public utilities operating under the regulations of the
30 utilities and transportation commission in construction, maintenance,
31 or development work incidental to their own business;

32 (4) Any construction, repair, or operation incidental to the
33 discovering or producing of petroleum or gas, or the drilling, testing,
34 abandoning, or other operation of any petroleum or gas well or any
35 surface or underground mine or mineral deposit when performed by an
36 owner or lessee;

1 (5) The sale or installation of any finished products, materials,
2 or articles of merchandise which are not actually fabricated into and
3 do not become a permanent fixed part of a structure;

4 (6) Any construction, alteration, improvement, or repair of
5 personal property, except this chapter shall apply to all
6 mobile/manufactured housing. A mobile/manufactured home may be
7 installed, set up, or repaired by the registered or legal owner, by a
8 contractor (~~licensed~~) registered under this chapter, or by a
9 mobile/manufactured home retail dealer or manufacturer licensed under
10 chapter 46.70 RCW who shall warranty service and repairs under chapter
11 46.70 RCW;

12 (7) Any construction, alteration, improvement, or repair carried on
13 within the limits and boundaries of any site or reservation under the
14 legal jurisdiction of the federal government;

15 (8) Any person who only furnished materials, supplies, or equipment
16 without fabricating them into, or consuming them in the performance of,
17 the work of the contractor;

18 (9) Any work or operation on one undertaking or project by one or
19 more contracts, the aggregate contract price of which for labor and
20 materials and all other items is less than five hundred dollars, such
21 work or operations being considered as of a casual, minor, or
22 inconsequential nature. The exemption prescribed in this subsection
23 does not apply in any instance wherein the work or construction is only
24 a part of a larger or major operation, whether undertaken by the same
25 or a different contractor, or in which a division of the operation is
26 made into contracts of amounts less than five hundred dollars for the
27 purpose of evasion of this chapter or otherwise. The exemption
28 prescribed in this subsection does not apply to a person who advertises
29 or puts out any sign or card or other device which might indicate to
30 the public that he or she is a contractor, or that he or she is
31 qualified to engage in the business of contractor;

32 (10) Any construction or operation incidental to the construction
33 and repair of irrigation and drainage ditches of regularly constituted
34 irrigation districts or reclamation districts; or to farming, dairying,
35 agriculture, viticulture, horticulture, or stock or poultry raising; or
36 to clearing or other work upon land in rural districts for fire
37 prevention purposes; except when any of the above work is performed by
38 a registered contractor;

1 (11) An owner who contracts for a project with a registered
2 contractor;

3 (12) Any person working on his or her own property, whether
4 occupied by him or her or not, and any person working on his or her
5 personal residence, whether owned by him or her or not but this
6 exemption shall not apply to any person otherwise covered by this
7 chapter who constructs an improvement on his or her own property with
8 the intention and for the purpose of selling the improved property;

9 (13) Owners of commercial properties who use their own employees to
10 do maintenance, repair, and alteration work in or upon their own
11 properties;

12 (14) A licensed architect or civil or professional engineer acting
13 solely in his or her professional capacity, an electrician licensed
14 under the laws of the state of Washington, or a plumber licensed under
15 the laws of the state of Washington or licensed by a political
16 subdivision of the state of Washington while operating within the
17 boundaries of such political subdivision. The exemption provided in
18 this subsection is applicable only when the licensee is operating
19 within the scope of his or her license;

20 (15) Any person who engages in the activities herein regulated as
21 an employee of a registered contractor with wages as his or her sole
22 compensation or as an employee with wages as his or her sole
23 compensation;

24 (16) Contractors on highway projects who have been prequalified as
25 required by (~~chapter 13 of the Laws of 1961,~~) RCW 47.28.070, with the
26 department of transportation to perform highway construction,
27 reconstruction, or maintenance work.

28 **Sec. 9.** RCW 18.27.100 and 1993 c 454 s 3 are each amended to read
29 as follows:

30 (1) Except as provided in RCW 18.27.065 for partnerships and joint
31 ventures, no person who has registered under one name as provided in
32 this chapter shall engage in the business, or act in the capacity, of
33 a contractor under any other name unless such name also is registered
34 under this chapter.

35 (2) All advertising and all contracts, correspondence, cards,
36 signs, posters, papers, and documents which show a contractor's name or
37 address shall show the contractor's name or address as registered under
38 this chapter.

1 (3)(a) (~~The alphabetized listing of contractors appearing in the~~
2 ~~advertising section of telephone books or other directories and~~) All
3 advertising that shows the contractor's name or address shall show the
4 contractor's current registration number. The registration number may
5 be omitted in an alphabetized listing of registered contractors stating
6 only the name, address, and telephone number: PROVIDED, That signs on
7 motor vehicles subject to RCW 46.16.010 and on-premise signs shall not
8 constitute advertising as provided in this section. All materials used
9 to directly solicit business from retail customers who are not
10 businesses shall show the contractor's current registration number. A
11 contractor shall not use a false or expired registration number in
12 purchasing or offering to purchase an advertisement for which a
13 contractor registration number is required. Advertising by airwave
14 transmission shall not be subject to this subsection (3)(a) (~~if the~~
15 ~~person selling the advertisement obtains the contractor's current~~
16 ~~registration number from the contractor~~)).

17 (b) (~~A person selling advertising should not accept advertisements~~
18 ~~for which the contractor registration number is required under (a) of~~
19 ~~this subsection if the contractor fails to provide the contractor~~
20 ~~registration number.~~) The director may issue a subpoena to any person
21 or entity selling any advertising subject to this section for the name,
22 address, and telephone number provided to the seller of the advertising
23 by the purchaser of the advertising. The subpoena must have enclosed
24 a stamped, self-addressed envelope and blank form to be filled out by
25 the seller of the advertising. If the seller of the advertising has
26 the information on file, the seller shall, within a reasonable time,
27 return the completed form to the department. The subpoena must be
28 issued before forty-eight hours after the expiration of the issue or
29 publication containing the advertising or after the broadcast of the
30 advertising. The good-faith compliance by a seller of advertising with
31 a written request of the department for information concerning the
32 purchaser of advertising shall constitute a complete defense to any
33 civil or criminal action brought against the seller of advertising
34 arising from such compliance. Advertising by airwave or electronic
35 transmission is subject to this subsection (3)(b).

36 (4) No contractor shall advertise that he or she is bonded and
37 insured because of the bond required to be filed and sufficiency of
38 insurance as provided in this chapter.

1 (5) A contractor shall not falsify a registration number and use
2 it, or use an expired registration number, in connection with any
3 solicitation or identification as a contractor. All individual
4 contractors and all partners, associates, agents, salesmen, solicitors,
5 officers, and employees of contractors shall use their true names and
6 addresses at all times while engaged in the business or capacity of a
7 contractor or activities related thereto.

8 (6) Any advertising by a person, firm, or corporation soliciting
9 work as a contractor when that person, firm, or corporation is not
10 registered pursuant to this chapter is a violation of this chapter.

11 (7)(a) The finding of a violation of this section by the director
12 at a hearing held in accordance with ~~((the Administrative Procedure~~
13 ~~Act,))~~ chapter 34.05 RCW~~((,))~~ shall subject the person committing the
14 violation to a penalty of not more than five thousand dollars as
15 determined by the director.

16 (b) Penalties under this section shall not apply to a violation
17 determined to be an inadvertent error.

18 **Sec. 10.** RCW 18.27.104 and 1989 c 175 s 61 are each amended to
19 read as follows:

20 (1) If, upon investigation, the director or the director's designee
21 has probable cause to believe that a person holding a registration, an
22 applicant for registration, or ~~((an unregistered))~~ a person acting in
23 the capacity of a contractor who is not otherwise exempted from this
24 chapter, has violated RCW 18.27.100 by unlawfully advertising for work
25 covered by this chapter ~~((in an alphabetical or classified directory)),~~
26 the department may issue a citation containing an order of correction.
27 Such order shall require the violator to cease the unlawful
28 advertising.

29 (2) If the person to whom a citation is issued under subsection (1)
30 of this section notifies the department in writing that he or she
31 contests the citation, the department shall afford an opportunity for
32 an adjudicative proceeding under chapter 34.05 RCW~~((, the~~
33 ~~Administrative Procedure Act,))~~ within thirty days after receiving the
34 notification.

35 **Sec. 11.** RCW 18.27.110 and 1993 c 454 s 5 are each amended to read
36 as follows:

1 (1) No city, town or county shall issue a construction building
2 permit for work which is to be done by any contractor required to be
3 registered under this chapter without verification that such contractor
4 is currently registered as required by law. When such verification is
5 made, nothing contained in this section is intended to be, nor shall be
6 construed to create, or form the basis for any liability under this
7 chapter on the part of any city, town or county, or its officers,
8 employees or agents. However, failure to verify the contractor
9 registration number results in liability to the city, town, or county
10 to a penalty to be imposed according to RCW 18.27.100(~~((6+))~~) (7)(a).

11 (2) At the time of issuing the building permit, all cities, towns,
12 or counties are responsible for:

13 (a) Printing the contractor registration number on the building
14 permit; and

15 (b) Providing a written notice to the building permit applicant
16 informing them of contractor registration laws and the potential risk
17 and monetary liability to the homeowner for using an unregistered
18 contractor.

19 (3) If a building permit is obtained by an applicant or contractor
20 who falsifies information to obtain an exemption provided under RCW
21 18.27.090, the building permit shall be forfeited.

22 **Sec. 12.** RCW 18.27.114 and 1988 c 182 s 1 are each amended to read
23 as follows:

24 (1) (~~Until July 1, 1989, any contractor agreeing to perform any~~
25 ~~contracting project: (a) For the repair, alteration, or construction~~
26 ~~of four or fewer residential units or accessory structures on such~~
27 ~~residential property when the bid or contract price totals one thousand~~
28 ~~dollars or more; or (b) for the repair, alteration, or construction of~~
29 ~~a commercial building when the bid or contract price totals one~~
30 ~~thousand dollars or more but less than sixty thousand dollars, must~~
31 ~~provide the customer with the following disclosure statement prior to~~
32 ~~starting work on the project:~~

33 ~~"NOTICE TO CUSTOMER~~

34 ~~This contractor is registered with the state of Washington,~~
35 ~~registration no. . . . , as a general/specialty contractor and~~
36 ~~has posted with the state a bond or cash deposit of~~
37 ~~\$6,000/\$4,000 for the purpose of satisfying claims against the~~

1 contractor for negligent or improper work or breach of contract
2 in the conduct of the contractor's business. This bond or cash
3 deposit may not be sufficient to cover a claim which might
4 arise from the work done under your contract. If any supplier
5 of materials used in your construction project or any employee
6 of the contractor or subcontractor is not paid by the
7 contractor or subcontractor on your job, your property may be
8 liened to force payment. If you wish additional protection, you
9 may request the contractor to provide you with original "lien
10 release" documents from each supplier or subcontractor on your
11 project. The contractor is required to provide you with
12 further information about lien release documents if you request
13 it. General information is also available from the department
14 of labor and industries."

15 (2) ~~On and after July 1, 1989,~~) Any contractor agreeing to perform
16 any contracting project: (a) For the repair, alteration, or
17 construction of four or fewer residential units or accessory structures
18 on such residential property when the bid or contract price totals one
19 thousand dollars or more; or (b) for the repair, alteration, or
20 construction of a commercial building when the bid or contract price
21 totals one thousand dollars or more but less than sixty thousand
22 dollars, must provide the customer with the following disclosure
23 statement prior to starting work on the project:

24 "NOTICE TO CUSTOMER

25 This contractor is registered with the state of Washington,
26 registration no. . . . , as a general/specialty contractor and
27 has posted with the state a bond or cash deposit of
28 \$6,000/\$4,000 for the purpose of satisfying claims against the
29 contractor for negligent or improper work or breach of contract
30 in the conduct of the contractor's business. The expiration
31 date of this contractor's registration is This
32 bond or cash deposit may not be sufficient to cover a claim
33 which might arise from the work done under your contract. If
34 any supplier of materials used in your construction project or
35 any employee of the contractor or subcontractor is not paid by
36 the contractor or subcontractor on your job, your property may
37 be liened to force payment. If you wish additional protection,
38 you may request the contractor to provide you with original

1 "lien release" documents from each supplier or subcontractor on
2 your project. The contractor is required to provide you with
3 further information about lien release documents if you request
4 it. General information is also available from the department
5 of labor and industries."

6 (~~(3) On and after July 1, 1989,~~) (2) A contractor subject to this
7 section shall notify any consumer to whom notice is required under
8 subsection ~~((2))~~ (1) of this section if the contractor's registration
9 has expired or is revoked or suspended by the department prior to
10 completion or other termination of the contract with the consumer.

11 ~~((4))~~ (3) No contractor subject to this section may bring or
12 maintain any lien claim under chapter 60.04 RCW based on any contract
13 to which this section applies without alleging and proving that the
14 contractor has provided the customer with a copy of the disclosure
15 statement as required in subsection (1) ~~((or (2)))~~ of this section.

16 ~~((5))~~ (4) This section does not apply to contracts authorized
17 under chapter 39.04 RCW or to contractors contracting with other
18 contractors.

19 ~~((6))~~ (5) Failure to comply with this section shall constitute an
20 infraction under the provisions of this chapter.

21 ~~((7))~~ (6) The department shall produce model disclosure
22 statements, and public service announcements detailing the information
23 needed to assist contractors and contractors' customers to comply under
24 this section. As necessary, the department shall periodically update
25 these education materials.

26 **Sec. 13.** RCW 18.27.117 and 1987 c 313 s 2 are each amended to read
27 as follows:

28 The legislature finds that setting up and siting mobile/
29 manufactured homes must be done properly for the health, safety, and
30 enjoyment of the occupants. Therefore, when any of the following cause
31 a health and safety risk to the occupants of a mobile/manufactured
32 home, or severely hinder the use and enjoyment of the mobile/
33 manufactured home, a violation of RCW 19.86.020 shall have occurred:

34 (1) The mobile/manufactured home has been improperly installed by
35 a contractor ~~((licensed))~~ registered under chapter 18.27 RCW, or a
36 mobile/manufactured dealer or manufacturer licensed under chapter 46.70
37 RCW;

1 (2) A warranty given under chapter 18.27 RCW or chapter 46.70 RCW
2 has not been fulfilled by the person or business giving the warranty;
3 and

4 (3) A bonding company that issues a bond under chapter 18.27 RCW or
5 chapter 46.70 RCW does not reasonably and professionally investigate
6 and resolve claims made by injured parties.

7 **Sec. 14.** RCW 18.27.200 and 1993 c 454 s 7 are each amended to read
8 as follows:

9 (1) It is a violation of this chapter and an infraction for any
10 contractor to:

11 (a) Advertise, offer to do work, submit a bid, or perform any work
12 as a contractor without being registered as required by this chapter;

13 (b) Advertise, offer to do work, submit a bid, or perform any work
14 as a contractor when the contractor's registration is suspended or
15 revoked; or

16 (c) Transfer a valid registration to an unregistered contractor or
17 allow an unregistered contractor to work under a registration issued to
18 another contractor.

19 (2) Each day that a contractor works without being registered as
20 required by this chapter, works while the contractor's registration is
21 suspended or revoked, or works under a registration issued to another
22 contractor is a separate infraction. Each worksite at which a
23 contractor works without being registered as required by this chapter,
24 works while the contractor's registration is suspended or revoked, or
25 works under a registration issued to another contractor is a separate
26 infraction.

27 **Sec. 15.** RCW 18.27.230 and 1993 c 454 s 9 are each amended to read
28 as follows:

29 The department may issue a notice of infraction if the department
30 reasonably believes that the contractor (~~((required to be registered by
31 this chapter has failed to do so or))~~) has (~~((otherwise))~~) committed (~~((a
32 violation under RCW 18.27.200))~~) an infraction under this chapter. A
33 notice of infraction issued under this section shall be personally
34 served on the contractor named in the notice by the department's
35 compliance inspectors or service can be made by certified mail directed
36 to the contractor named in the notice of infraction. If the contractor
37 named in the notice of infraction is a firm or corporation, the notice

1 may be personally served on any employee of the firm or corporation.
2 If a notice of infraction is personally served upon an employee of a
3 firm or corporation, the department shall within four days of service
4 send a copy of the notice by certified mail to the contractor if the
5 department is able to obtain the contractor's address.

6 **Sec. 16.** RCW 18.27.270 and 1986 c 197 s 6 are each amended to read
7 as follows:

8 (1) A contractor who is issued a notice of infraction shall respond
9 within twenty days of the date of issuance of the notice of infraction.

10 (2) If the contractor named in the notice of infraction does not
11 elect to contest the notice of infraction, then the contractor shall
12 pay to the department, by check or money order, the amount of the
13 penalty prescribed for the infraction. When a response which does not
14 contest the notice of infraction is received by the department with the
15 appropriate penalty, the department shall make the appropriate entry in
16 its records.

17 (3) If the contractor named in the notice of infraction elects to
18 contest the notice of infraction, the contractor shall respond by
19 filing an answer of protest with the department specifying the grounds
20 of protest.

21 (4) If any contractor issued a notice of infraction fails to
22 respond within the prescribed response period, the contractor shall be
23 guilty of a misdemeanor and prosecuted in the county where the
24 infraction occurred.

25 (5) After final determination by an administrative law judge that
26 an infraction has been committed, a contractor who fails to pay a
27 monetary penalty within thirty days, that is not waived(~~(, reduced, or~~
28 ~~suspended))~~) pursuant to RCW 18.27.340(2), and who fails to file an
29 appeal pursuant to RCW 18.27.310(4), shall be guilty of a misdemeanor
30 and be prosecuted in the county where the infraction occurred.

31 (6) A contractor who fails to pay a monetary penalty within thirty
32 days after exhausting appellate remedies pursuant to RCW 18.27.310(4),
33 shall be guilty of a misdemeanor and be prosecuted in the county where
34 the infraction occurred.

35 (7) If a person who is issued a notice of infraction is a person
36 who has failed to register as a contractor under this chapter, the
37 person is subject to a monetary penalty of one thousand dollars per
38 infraction and each day the person works without becoming registered is

1 a separate infraction. The director may reduce the penalty, but in no
2 case below five hundred dollars, if the person registers as a
3 contractor within ten days after the first notice of infraction.

4 **Sec. 17.** RCW 18.27.340 and 1986 c 197 s 10 are each amended to
5 read as follows:

6 (1) Except as otherwise provided in subsection (3) of this section,
7 a contractor found to have committed an infraction under RCW 18.27.200
8 shall be assessed a monetary penalty of not less than two hundred
9 dollars and not more than three thousand dollars.

10 ~~((The administrative law judge may waive, reduce, or suspend~~
11 ~~the monetary penalty imposed for the infraction only upon a showing of~~
12 ~~good cause that the penalty would be unduly burdensome to the~~
13 ~~contractor.)) The director may waive collection in favor of payment of
14 restitution to a consumer complainant.~~

15 (3) A contractor found to have committed an infraction under RCW
16 18.27.200 for failure to register shall be assessed a fine of not less
17 than one thousand dollars, nor more than five thousand dollars. The
18 penalty for failure to register may be reduced, but in no case below
19 five hundred dollars, if the person becomes registered within ten days
20 of receiving a notice of infraction and the notice of infraction is for
21 a first offense.

22 (4) Monetary penalties collected under this chapter shall be
23 deposited in the general fund.

24 **Sec. 18.** RCW 51.12.020 and 1991 c 324 s 18 and 1991 c 246 s 4 are
25 each reenacted and amended to read as follows:

26 The following are the only employments which shall not be included
27 within the mandatory coverage of this title:

28 (1) Any person employed as a domestic servant in a private home by
29 an employer who has less than two employees regularly employed forty or
30 more hours a week in such employment.

31 (2) Any person employed to do gardening, maintenance, or repair,
32 ~~((remodeling, or similar work))~~ in or about the private home of the
33 employer. For the purposes of this subsection, "maintenance" means the
34 work of keeping in proper condition, "repair" means to restore to sound
35 condition after damage, and "private home" means a person's place of
36 residence.

1 (3) A person whose employment is not in the course of the trade,
2 business, or profession of his or her employer and is not in or about
3 the private home of the employer.

4 (4) Any person performing services in return for aid or sustenance
5 only, received from any religious or charitable organization.

6 (5) Sole proprietors or partners.

7 (6) Any child under eighteen years of age employed by his or her
8 parent or parents in agricultural activities on the family farm.

9 (7) Jockeys while participating in or preparing horses for race
10 meets licensed by the Washington horse racing commission pursuant to
11 chapter 67.16 RCW.

12 (8)(a) Except as otherwise provided in (b) of this subsection, any
13 bona fide officer of a corporation voluntarily elected or voluntarily
14 appointed in accordance with the articles of incorporation or bylaws of
15 the corporation, who at all times during the period involved is also a
16 bona fide director, and who is also a shareholder of the corporation.
17 Only such officers who exercise substantial control in the daily
18 management of the corporation and whose primary responsibilities do not
19 include the performance of manual labor are included within this
20 subsection.

21 (b) Alternatively, a corporation that is not a "public company" as
22 defined in RCW 23B.01.400(~~(+19)~~) (20) may exempt eight or fewer bona
23 fide officers, who are voluntarily elected or voluntarily appointed in
24 accordance with the articles of incorporation or bylaws of the
25 corporation and who exercise substantial control in the daily
26 management of the corporation, from coverage under this title without
27 regard to the officers' performance of manual labor if the exempted
28 officer is a shareholder of the corporation, or may exempt any number
29 of officers if all the exempted officers are related by blood within
30 the third degree or marriage. If a corporation that is not a "public
31 company" elects to be covered under subsection (8)(a) of this section,
32 the corporation's election must be made on a form prescribed by the
33 department and under such reasonable rules as the department may adopt.

34 (c) Determinations respecting the status of persons performing
35 services for a corporation shall be made, in part, by reference to
36 Title 23B RCW and to compliance by the corporation with its own
37 articles of incorporation and bylaws. For the purpose of determining
38 coverage under this title, substance shall control over form, and
39 mandatory coverage under this title shall extend to all workers of this

1 state, regardless of honorary titles conferred upon those actually
2 serving as workers.

3 (d) A corporation may elect to cover officers who are exempted by
4 this subsection in the manner provided by RCW 51.12.110.

5 (9) Services rendered by a musician or entertainer under a contract
6 with a purchaser of the services, for a specific engagement or
7 engagements when such musician or entertainer performs no other duties
8 for the purchaser and is not regularly and continuously employed by the
9 purchaser. A purchaser does not include the leader of a group or
10 recognized entity who employs other than on a casual basis musicians or
11 entertainers.

12 (10) Services performed by a newspaper carrier selling or
13 distributing newspapers on the street or from house to house.

14 (11) Services performed by an insurance agent, insurance broker, or
15 insurance solicitor, as defined in RCW 48.17.010, 48.17.020, and
16 48.17.030, respectively.

17 (12) Services performed by a booth renter as defined in RCW
18 18.16.020. However, a person exempted under this subsection may elect
19 coverage under RCW 51.32.030.

20 NEW SECTION. **Sec. 19.** RCW 18.27.140 and 1983 1st ex.s. c 2 s 21
21 & 1973 1st ex.s. c 161 s 2 are each repealed.

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