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**SUBSTITUTE SENATE BILL 6356**

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**State of Washington****56th Legislature****2000 Regular Session**

**By** Senate Committee on Labor & Workforce Development (originally sponsored by Senators Prentice, Winsley, Fraser, Kohl-Welles and Gardner; by request of Department of Labor & Industries)

Read first time 02/04/2000.

1       AN ACT Relating to consumer protection regarding contractors;  
2 amending RCW 18.27.010, 18.27.030, 18.27.040, 18.27.050, 18.27.090,  
3 18.27.100, 18.27.110, 18.27.114, and 60.04.031; reenacting and amending  
4 RCW 18.27.060; adding a new section to chapter 18.27 RCW; repealing RCW  
5 18.27.075; and prescribing penalties.

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

7       **Sec. 1.** RCW 18.27.010 and 1997 c 314 s 2 are each amended to read  
8 as follows:

9       Unless the context clearly requires otherwise, the definitions in  
10 this section apply throughout this chapter.

11       (1) "Contractor" means any person, firm, or corporation who or  
12 which, in the pursuit of an independent business undertakes to, or  
13 offers to undertake, or submits a bid to, construct, alter, repair, add  
14 to, subtract from, improve, move, wreck or demolish, for another, any  
15 building, highway, road, railroad, excavation or other structure,  
16 project, development, or improvement attached to real estate or to do  
17 any part thereof including the installation of carpeting or other floor  
18 covering, the erection of scaffolding or other structures or works in  
19 connection therewith or who installs or repairs roofing or siding((†

1 or, who, to do similar work upon his or her own property, employs  
2 members of more than one trade upon a single job or project or under a  
3 single building permit except as otherwise provided herein)).  
4 "Contractor" includes any person, firm, or corporation covered by this  
5 subsection, whether or not registered as required under this chapter.

6 (2) "Department" means the department of labor and industries.

7 (3) "Director" means the director of the department of labor and  
8 industries or designated representative.

9 (4) "General contractor" means a contractor whose business  
10 operations require the use of more than two unrelated building trades  
11 or crafts whose work the contractor shall superintend or do in whole or  
12 in part. "General contractor" shall not include an individual who does  
13 all work personally without employees or other "specialty contractors"  
14 as defined in this section. The terms "general contractor" and  
15 "builder" are synonymous.

16 ((+3))) (5) "Partnership" means a business formed under Title 25  
17 RCW.

18 (6) "Registration cancellation" means a written recommendation by  
19 the director that a contractor's action is in violation of this chapter  
20 and that the contractor's registration should be annulled.

21 (7) "Registration suspension" means a written recommendation by the  
22 director that a contractor's action is a violation of this chapter and  
23 that the contractor's registration should be annulled for a specified  
24 time, or until the contractor shows evidence of compliance with this  
25 chapter.

26 (8) "Residential homeowner" means an individual person or persons  
27 owning real property upon which one single-family residence is to be  
28 built or upon which there is a single-family residence to which  
29 construction improvements are to be made and in which the owner intends  
30 to reside upon completion of any construction.

31 (9) "Specialty contractor" means a contractor whose operations do  
32 not fall within the ((foregoing)) definition of "general contractor"  
33 and a contractor who confines his or her work activity to a maximum of  
34 two construction trade activities.

35 ((+4))) (10) "Substantial completion" means the earliest occurrence  
36 of either: (a) The date upon which the work of improvement has been  
37 completed as specified under the contract; (b) the date upon which the  
38 improvement becomes usable or fit for the purposes for which it was  
39 intended; (c) the date of issuance of a certificate of occupancy; or

1       (d) the date of occupation or use of the improvement by the owner or an  
2       agent of the owner.

3           (11) "Unregistered contractor" means a person, firm, or corporation  
4       doing work as a contractor without being registered in compliance with  
5       this chapter. "Unregistered contractor" includes contractors whose  
6       registration is expired ((for more than thirty days beyond the renewal  
7       date or has been)), revoked, or suspended.

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

9           (6) "Director" means the director of the department of labor and  
10      industries.

11           (+7)) (12) "Verification" means the receipt and duplication by the  
12      city, town, or county of a contractor registration card that is current  
13      on its face, checking the department's contractor registration data  
14      base, or calling the department to confirm that the contractor is  
15      registered.

16       **Sec. 2.** RCW 18.27.030 and 1998 c 279 s 3 are each amended to read  
17      as follows:

18           (1) An applicant for registration as a contractor shall submit an  
19      application under oath upon a form to be prescribed by the director and  
20      which shall include the following information pertaining to the  
21      applicant:

22           (a) Employer social security number.

23           (b) Unified business identifier number, if required by the  
24      department of revenue;

25           (c) Evidence of workers' compensation coverage for the applicant's  
26      employees working in Washington, as follows:

27           (i) The applicant's industrial insurance account number issued by  
28      the department;

29           (ii) The applicant's self-insurer number issued by the department;  
30      or

31           (iii) For applicants domiciled in a state or province of Canada  
32      subject to an agreement entered into under RCW 51.12.120(7), as  
33      permitted by the agreement, filing a certificate of coverage issued by  
34      the agency that administers the workers' compensation law in the  
35      applicant's state or province of domicile certifying that the applicant  
36      has secured the payment of compensation under the other state's or  
37      province's workers' compensation law.

38           ((+e))) (d) Employment security department number.

1       ((+d)) (e) State excise tax registration number.

2       ((+e)) (f) Unified business identifier (UBI) account number may be  
3 substituted for the information required by ((+b)) (c) of this  
4 subsection if the applicant will not employ employees in Washington,  
5 and by ((+e)) (d) and ((+d)) (e) of this subsection.

6       ((+f)) (g) Type of contracting activity, whether a general or a  
7 specialty contractor and if the latter, the type of specialty.

8       ((+g)) (h) The name and address of each partner if the applicant  
9 is a firm or partnership, or the name and address of the owner if the  
10 applicant is an individual proprietorship, or the name and address of  
11 the corporate officers and statutory agent, if any, if the applicant is  
12 a corporation. The information contained in such application is a  
13 matter of public record and open to public inspection.

14     (2) The department may verify the workers' compensation coverage  
15 information provided by the applicant under subsection (1)((+b)) (c)  
16 of this section, including but not limited to information regarding the  
17 coverage of an individual employee of the applicant. If coverage is  
18 provided under the laws of another state, the department may notify the  
19 other state that the applicant is employing employees in Washington.

20     (3)(a) The department shall deny an application for registration  
21 if: (i) The applicant has been previously registered as a sole  
22 proprietor, partnership, or corporation and the department has notice  
23 that the applicant has an unsatisfied final judgment against him or her  
24 in an action based on this chapter that was incurred during a previous  
25 registration under this chapter; (ii) the applicant was a principal or  
26 officer named on a previous application of a previously registered  
27 partnership or corporation that has an unsatisfied final judgment  
28 against it in an action based on this chapter that was incurred during  
29 a previous registration under this chapter; (iii) the applicant does  
30 not have a valid unified business identifier number; or (iv) the  
31 applicant owes the department money for penalties assessed or fees due.

32     (b) The department shall suspend an active registration if (i) the  
33 department has notice that the registrant is a sole proprietor or a  
34 principal or officer named in the application of another registered  
35 entity that has an unsatisfied final judgment against it; or (ii) the  
36 applicant does not maintain a valid unified business identifier number.

37     (c) The department shall not deny an application or suspend a  
38 registration because of an unsatisfied final judgment if the

1 applicant's or registrant's unsatisfied final judgment was the result  
2 of the fraud or negligence of another party.

3       (4) For the purposes of this section, "an unsatisfied final  
4 judgment" includes a judgment assigned under RCW 19.72.070.

5       **Sec. 3.** RCW 18.27.040 and 1997 c 314 s 5 are each amended to read  
6 as follows:

7       (1) Each applicant shall file with the department a surety bond  
8 issued by a surety insurer who meets the requirements of chapter 48.28  
9 RCW in the sum of ((six)) fifteen thousand dollars if the applicant is  
10 a general contractor and ((four)) eight thousand dollars if the  
11 applicant is a specialty contractor. If no valid bond is already on  
12 file with the department at the time the application is filed, a bond  
13 must accompany the registration application. The bond shall have the  
14 state of Washington named as obligee with good and sufficient surety in  
15 a form to be approved by the department. The bond shall be continuous  
16 and may be canceled by the surety upon the surety giving written notice  
17 to the director of its intent to cancel the bond. A cancellation or  
18 revocation of the bond or withdrawal of the surety from the bond  
19 suspends the registration issued to the registrant until a new bond or  
20 reinstatement notice has been filed and approved as provided in this  
21 section. The bond shall be conditioned that the applicant will pay all  
22 persons performing labor, including employee benefits, for the  
23 contractor, will pay all taxes and contributions due to the state of  
24 Washington, and will pay all persons furnishing labor or material or  
25 renting or supplying equipment to the contractor and will pay all  
26 amounts that may be adjudged against the contractor by reason of breach  
27 of contract including negligent or improper work in the conduct of the  
28 contracting business. A change in the name of a business or a change  
29 in the type of business entity shall not impair a bond for the purposes  
30 of this section so long as one of the original applicants for such bond  
31 maintains partial ownership in the business covered by the bond.

32       (2) ((Any contractor registered as of July 1, 1997, who maintains  
33 such registration in accordance with this chapter shall be in  
34 compliance with this chapter until the next annual renewal of the  
35 contractor's certificate of registration. At that time)) At the time  
36 of initial registration or renewal, the contractor shall provide a  
37 bond, cash deposit, or other security deposit as required by this  
38 chapter and comply with all of the other provisions of this chapter

1 before the department shall issue or renew the contractor's certificate  
2 of registration. Any increase in bond or deposit amounts required by  
3 statutory changes to this chapter shall not be required of a currently  
4 registered contractor until the next renewal date of the contractor's  
5 certificate of registration.

6 (3) The total amount paid from a bond or deposit must not exceed  
7 one hundred percent of the full bond amount. However, when a  
8 residential homeowner is a claimant, the amount available to the  
9 residential homeowner must not be less than fifty percent of the bond  
10 amount. In the event there are no residential homeowner claimants, all  
11 other claimants have access to the entire bond.

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

1 summons and complaint. The service shall constitute service on the  
2 registrant and the surety for suit upon the bond or deposit and the  
3 department shall transmit the summons and complaint or a copy thereof  
4 to the registrant at the address listed in the registrant's application  
5 and to the surety within forty-eight hours after it shall have been  
6 received.

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

20       (a) Employee labor and claims of laborers, including employee  
21 benefits;

22       (b) Claims for breach of contract by a party to the construction  
23 contract;

24       (c) Registered or licensed subcontractors, material, and equipment;

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

26       (e) Any court costs, interest, and attorney's fees plaintiff may be  
27 entitled to recover. The surety is not liable for any amount in excess  
28 of the penal limit of its bond.

29       A payment made by the surety in good faith exonerates the bond to  
30 the extent of any payment made by the surety.

31       ((+5)) (6) If a final judgment impairs the liability of the surety  
32 upon the bond so furnished that there shall not be in effect a bond  
33 undertaking in the full amount prescribed in this section, the  
34 department shall suspend the registration of the contractor until the  
35 bond liability in the required amount unimpaired by unsatisfied  
36 judgment claims is furnished. If the bond becomes fully impaired, a  
37 new bond must be furnished at the rates prescribed by this section.

1       ((+6))) (7) In lieu of the surety bond required by this section the  
2 contractor may file with the department a deposit consisting of cash or  
3 other security acceptable to the department.

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

17       ((+8))) (9) The director may require an applicant applying to renew  
18 or reinstate a registration or applying for a new registration to file  
19 a bond of up to five times the normally required amount, up to seventy-  
20 five thousand dollars for general contractors or forty thousand dollars  
21 for specialty contractors, if the director determines that an  
22 applicant, or a previous registration of a corporate officer, owner, or  
23 partner of a current applicant, has:

24       (a) A history of unpaid judgments in actions based on this chapter  
25 involving a residential owner of a single-family dwelling and  
26 consisting of two or more unpaid judgments for longer than thirty days  
27 following the date of issuance;

28       (b) Three or more open actions filed on three or more different  
29 structures by three or more different owner claimants; or

30       (c) Five or more actions open at one time.

31       (10) The director may adopt rules necessary for the proper  
32 administration of the security.

33       **Sec. 4.** RCW 18.27.050 and 1987 c 303 s 1 are each amended to read  
34 as follows:

35       (1) At the time of registration and subsequent reregistration, the  
36 applicant shall furnish insurance or financial responsibility in the  
37 form of an assigned account in the amount of ((twenty)) fifty thousand  
38 dollars for injury or damages to property, and ((fifty)) one hundred

1 thousand dollars for injury or damage including death to any one  
2 person, and ((one)) two hundred thousand dollars for injury or damage  
3 including death to more than one person ((or financial responsibility  
4 to satisfy these amounts)).

5 (2) A cancellation or revocation of the insurance policy or  
6 withdrawal of the insurer from the insurance policy suspends the  
7 registration issued to the registrant until a new insurance policy or  
8 reinstatement notice has been filed and approved as provided in this  
9 section. Failure to maintain insurance or financial responsibility  
10 relative to the contractor's activities shall ((be cause to suspend or  
11 deny the contractor his or her or their)) result in denial of the  
12 contractor's registration.

13 (3)(a) Proof of financial responsibility authorized in this section  
14 may be given by providing, in the amount required by subsection (1) of  
15 this section, an assigned account acceptable to the department. The  
16 assigned account shall be held by the department to satisfy any  
17 execution on a judgment issued against the contractor for damage to  
18 property or injury or death to any person occurring in the contractor's  
19 contracting operations, according to the provisions of the assigned  
20 account agreement. The department shall have no liability for payment  
21 in excess of the amount of the assigned account.

22 (b) The assigned account filed with the director as proof of  
23 financial responsibility shall be canceled at the expiration of three  
24 years after:

25 (i) The contractor's registration has expired or been revoked; or  
26 (ii) The contractor has furnished proof of insurance as required by  
27 subsection (1) of this section;  
28 if, in either case, no legal action has been instituted against the  
29 contractor or on the account at the expiration of the three-year  
30 period.

31 (c) If a contractor chooses to file an assigned account as  
32 authorized in this section, the contractor shall, on any contracting  
33 project, notify each person with whom the contractor enters into a  
34 contract or to whom the contractor submits a bid that the contractor  
35 has filed an assigned account in lieu of insurance and that recovery  
36 from the account for any claim against the contractor for property  
37 damage or personal injury or death occurring in the project requires  
38 the claimant to obtain a court judgment.

1       **Sec. 5.** RCW 18.27.060 and 1997 c 314 s 6 and 1997 c 58 s 817 are  
2 each reenacted and amended to read as follows:

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

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

10       (a) One year;

11       (b) Until the bond ((expires)) is canceled; or

12       (c) Until the insurance expires or is canceled, whichever comes  
13 first. The department shall place the expiration date on the  
14 certificate.

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

17       (4) If a contractor's surety bond or other security has an  
18 unsatisfied judgment against it or is canceled, or if the contractor's  
19 insurance policy is canceled, the contractor's registration shall be  
20 automatically suspended on the effective date of the impairment or  
21 cancellation. The department shall mail notice of the suspension to  
22 the contractor's address on the certificate of registration by  
23 certified and by first class mail within forty-eight hours after  
24 suspension.

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

31       (6) The department shall immediately suspend the certificate of  
32 registration of a contractor who has been certified by the department  
33 of social and health services as a person who is not in compliance with  
34 a support order or a residential or visitation order as provided in RCW  
35 74.20A.320. The certificate of registration shall not be reissued or  
36 renewed unless the person provides to the department a release from the  
37 department of social and health services stating that he or she is in  
38 compliance with the order and the person has continued to meet all  
39 other requirements for certification during the suspension.

1        **NEW SECTION.** **Sec. 6.** A new section is added to chapter 18.27 RCW  
2 to read as follows:

3            (1) If a contractor, whether registered or not, defaults in a  
4 payment, penalty, or fine due to the department, the director or the  
5 director's designee may issue a notice of assessment certifying the  
6 amount due. The notice must be served upon the contractor by mailing  
7 the notice to the contractor by certified mail to the contractor's last  
8 known address or served in the manner prescribed for the service of a  
9 summons in a civil action.

10          (2) A notice of assessment becomes final thirty days from the date  
11 the notice was served upon the contractor unless a written request for  
12 reconsideration is filed with the department or an appeal is filed in  
13 superior court in the manner specified in RCW 34.05.510 through  
14 34.05.598. The request for reconsideration must set forth with  
15 particularity the reason for the contractor's request. The department,  
16 within thirty days after receiving a written request for  
17 reconsideration, may modify or reverse a notice of assessment, or may  
18 hold a notice of assessment in abeyance pending further investigation.  
19 If a final decision of a court in favor of the department is not  
20 appealed within the time allowed by law, then the amount of the  
21 unappealed assessment, or such amount of the assessment as is found due  
22 by the final decision of the court, is final.

23          (3) The director or the director's designee may file with the clerk  
24 of any county within the state a warrant in the amount of the notice of  
25 assessment. The clerk of the county in which the warrant is filed  
26 shall immediately designate a superior court cause number for the  
27 warrant, and the clerk shall cause to be entered in the judgment docket  
28 under the superior court cause number assigned to the warrant, the name  
29 of the contractor mentioned in the warrant, the amount of payment,  
30 penalty, or fine due on it, and the date when the warrant was filed.  
31 The aggregate amount of the warrant as docketed is a lien upon the  
32 title to, and interest in, all real and personal property of the  
33 contractor against whom the warrant is issued, the same as a judgment  
34 in a civil case docketed in the office of the clerk. The sheriff shall  
35 proceed upon the warrant in all respects and with like effect as  
36 prescribed by law with respect to execution or other process issued  
37 against rights or property upon judgment in the superior court. The  
38 warrant so docketed is sufficient to support the issuance of writs of  
39 garnishment in favor of the state in a manner provided by law in case

1 of judgment, wholly or partially unsatisfied. The clerk of the court  
2 is entitled to a filing fee of five dollars, which will be added to the  
3 amount of the warrant. A copy of the warrant must be mailed to the  
4 contractor within three days of filing with the clerk.

5 (4) The director or the director's designee may issue to any  
6 person, firm, corporation, municipal corporation, political subdivision  
7 of the state, a public corporation, or any agency of the state, a  
8 notice and order to withhold and deliver property of any kind  
9 whatsoever when he or she has reason to believe that there is in the  
10 possession of the person, firm, corporation, municipal corporation,  
11 political subdivision of the state, public corporation, or agency of  
12 the state, property that is or will become due, owing, or belonging to  
13 a contractor upon whom a notice of assessment has been served by the  
14 department for payments, penalties, or fines due to the department.  
15 The effect of a notice and order is continuous from the date the notice  
16 and order is first made until the liability out of which the notice and  
17 order arose is satisfied or becomes unenforceable because of lapse of  
18 time. The department shall release the notice and order when the  
19 liability out of which the notice and order arose is satisfied or  
20 becomes unenforceable by reason of lapse of time and shall notify the  
21 person against whom the notice and order was made that the notice and  
22 order has been released.

23 The notice and order to withhold and deliver must be served by the  
24 sheriff of the county or by the sheriff's deputy, by certified mail,  
25 return receipt requested, or by an authorized representative of the  
26 director. A person, firm, corporation, municipal corporation,  
27 political subdivision of the state, public corporation, or agency of  
28 the state upon whom service has been made shall answer the notice  
29 within twenty days exclusive of the day of service, under oath and in  
30 writing, and shall make true answers to the matters inquired of in the  
31 notice and order. Upon service of the notice and order, if the party  
32 served possesses any property that may be subject to the claim of the  
33 department, the party shall promptly deliver the property to the  
34 director or the director's authorized representative. The director  
35 shall hold the property in trust for application on the contractor's  
36 indebtedness to the department, or for return without interest, in  
37 accordance with a final determination of a petition for review. In the  
38 alternative, the party shall furnish a good and sufficient surety bond  
39 satisfactory to the director conditioned upon final determination of

1 liability. If a party served and named in the notice fails to answer  
2 the notice within the time prescribed in this section, the court may  
3 render judgment by default against the party for the full amount  
4 claimed by the director in the notice, together with costs. If a  
5 notice is served upon a contractor and the property subject to it is  
6 wages, the contractor may assert in the answer all exemptions provided  
7 for by chapter 6.27 RCW to which the wage earner is entitled.

8 (5) In addition to the procedure for collection of a payment,  
9 penalty, or fine due to the department as set forth in this section,  
10 the department may recover civil penalties imposed under this chapter  
11 in a civil action in the name of the department brought in the superior  
12 court of the county where the violation is alleged to have occurred.

13 **Sec. 7.** RCW 18.27.090 and 1997 c 314 s 8 are each amended to read  
14 as follows:

15 This chapter does not apply to:

16 (1) An authorized representative of the United States government,  
17 the state of Washington, or any incorporated city, town, county,  
18 township, irrigation district, reclamation district, or other municipal  
19 or political corporation or subdivision of this state;

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

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

25 (4) Any construction, repair, or operation incidental to the  
26 discovering or producing of petroleum or gas, or the drilling, testing,  
27 abandoning, or other operation of any petroleum or gas well or any  
28 surface or underground mine or mineral deposit when performed by an  
29 owner or lessee;

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

33 (6) Any construction, alteration, improvement, or repair of  
34 personal property, except this chapter shall apply to all  
35 mobile/manufactured housing. A mobile/manufactured home may be  
36 installed, set up, or repaired by the registered or legal owner, by a  
37 contractor registered under this chapter, or by a mobile/manufactured  
38 home retail dealer or manufacturer licensed under chapter 46.70 RCW who

1 shall warranty service and repairs under chapter 46.70 RCW.  
2 Registration is not required when a mobile/manufactured home dealer or  
3 manufacturer subcontracts installation, set-up, or repair work to  
4 actively registered contractors. This exemption does not apply to work  
5 other than the installation, set-up, or repair of the  
6 mobile/manufactured home itself;

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

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

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

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

34 (11) An owner who contracts for a project with a registered  
35 contractor;

36 (12) Any person working on his or her own property, whether  
37 occupied by him or her or not, and any person working on his or her  
38 personal residence, whether owned by him or her or not but this  
39 exemption shall not apply to any person otherwise covered by this

1 chapter who constructs an improvement on his or her own property with  
2 the intention and for the purpose of selling the improved property;

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

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

14 (15) Any person who engages in the activities herein regulated as  
15 an employee of a registered contractor with wages as his or her sole  
16 compensation or as an employee with wages as his or her sole  
17 compensation;

18 (16) Contractors on highway projects who have been prequalified as  
19 required by RCW 47.28.070, with the department of transportation to  
20 perform highway construction, reconstruction, or maintenance work.

21 **Sec. 8.** RCW 18.27.100 and 1997 c 314 s 9 are each amended to read  
22 as follows:

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

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

32 (3)(a) All advertising that shows the contractor's name or address  
33 shall show the contractor's current registration number. The  
34 registration number may be omitted in an alphabetized listing of  
35 registered contractors stating only the name, address, and telephone  
36 number: PROVIDED, That signs on motor vehicles subject to RCW  
37 46.16.010 and on-premise signs shall not constitute advertising as  
38 provided in this section. All materials used to directly solicit

1 business from retail customers who are not businesses shall show the  
2 contractor's current registration number. A contractor shall not use  
3 a false or expired registration number in purchasing or offering to  
4 purchase an advertisement for which a contractor registration number is  
5 required. Advertising by airwave transmission shall not be subject to  
6 this subsection (3)(a).

7 (b) The director may issue a subpoena to any person or entity  
8 selling any advertising subject to this section for the name, address,  
9 and telephone number provided to the seller of the advertising by the  
10 purchaser of the advertising. The subpoena must have enclosed a  
11 stamped, self-addressed envelope and blank form to be filled out by the  
12 seller of the advertising. If the seller of the advertising has the  
13 information on file, the seller shall, within a reasonable time, return  
14 the completed form to the department. The subpoena must be issued  
15 before forty-eight hours after the expiration of the issue or  
16 publication containing the advertising or after the broadcast of the  
17 advertising. The good-faith compliance by a seller of advertising with  
18 a written request of the department for information concerning the  
19 purchaser of advertising shall constitute a complete defense to any  
20 civil or criminal action brought against the seller of advertising  
21 arising from such compliance. Advertising by airwave or electronic  
22 transmission is subject to this subsection (3)(b).

23 (4) ~~((No contractor shall advertise that he or she is bonded and  
24 insured because of the bond required to be filed and sufficiency of  
25 insurance as provided in this chapter.))~~ A contractor shall not  
26 advertise that he or she is bonded and insured without including their  
27 current registration number in the advertisement.

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

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

38 (7)(a) The finding of a violation of this section by the director  
39 at a hearing held in accordance with the Administrative Procedure Act,

1 chapter 34.05 RCW, shall subject the person committing the violation to  
2 a penalty of not more than ((five)) ten thousand dollars as determined  
3 by the director.

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

6 **Sec. 9.** RCW 18.27.110 and 1997 c 314 s 11 are each amended to read  
7 as follows:

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

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

20 (a) Printing the contractor registration number on the building  
21 permit; and

22 (b) Providing a written notice to the building permit applicant  
23 informing them of contractor registration laws and the potential risk  
24 and monetary liability to the homeowner for using an unregistered  
25 contractor.

26 (3) If a building permit is obtained by an applicant or contractor  
27 who falsifies information to obtain an exemption provided under RCW  
28 18.27.090, the building permit shall be forfeited.

29 (4) Registration is not required when a mobile/manufactured home  
30 dealer or manufacturer subcontracts installation, set-up, or repair  
31 work to actively registered contractors. This exemption does not apply  
32 to work other than the installation, set-up, or repair of the  
33 mobile/manufactured home itself.

34 **Sec. 10.** RCW 18.27.114 and 1997 c 314 s 12 are each amended to  
35 read as follows:

36 (1) Any contractor agreeing to perform any contracting project:  
37 (a) For the repair, alteration, or construction of four or fewer

residential units or accessory structures on such residential property  
when the bid or contract price totals one thousand dollars or more; or  
(b) for the repair, alteration, or construction of a commercial  
building when the bid or contract price totals one thousand dollars or  
more but less than sixty thousand dollars, must provide the customer  
with the following disclosure statement in substantially the following  
form using lower case and upper case twelve-point and bold type where  
appropriate, prior to starting work on the project:

9 "NOTICE TO CUSTOMER

((This contractor is registered with the state of Washington, registration no. . . . . , as a general/specialty contractor and has posted with the state a bond or cash deposit of \$6,000/\$4,000 for the purpose of satisfying claims against the contractor for negligent or improper work or breach of contract in the conduct of the contractor's business. The expiration date of this contractor's registration is . . . . . This bond or cash deposit may not be sufficient to cover a claim which might arise from the work done under your contract. If any supplier of materials used in your construction project or any employee of the contractor or subcontractor is not paid by the contractor or subcontractor on your job, your property may be liened to force payment. If you wish additional protection, you may request the contractor to provide you with original "lien release" documents from each supplier or subcontractor on your project. The contractor is required to provide you with further information about lien release documents if you request it. General information is also available from the department of labor and industries."))

29       This contractor is registered with the state of Washington,  
30       registration no. . . . , and has posted with the state a bond or  
31       cash deposit of . . . . for the purpose of satisfying claims  
32       against the contractor for breach of contract including  
33       negligent or improper work in the conduct of the contractor's  
34       business. The expiration date of this contractor's  
35       registration is . . . . .

THIS BOND OR CASH DEPOSIT MIGHT NOT BE SUFFICIENT TO COVER A  
CLAIM THAT MIGHT ARISE FROM THE WORK DONE UNDER YOUR CONTRACT.

1       This bond or deposit is not for your exclusive use because it  
2       covers all work performed by this contractor. The bond or  
3       deposit is intended to pay valid claims up to . . . . that  
4       you and other customers, suppliers, subcontractors, or taxing  
5       authorities may have.

6       **FOR GREATER PROTECTION YOU MAY REQUEST YOUR CONTRACTOR TO**  
7       **PROVIDE YOU WITH A PAYMENT AND PERFORMANCE BOND FOR YOUR JOB.**

8       Your contractor may obtain a payment and performance bond for  
9       an additional fee to guarantee payment of suppliers and  
10      subcontractors and performance of your construction project.

11      Other methods of protecting yourself include: Employing the  
12      services of an attorney, a construction contract control  
13      professional, or other construction professional; entering into  
14      a joint check arrangement with your contractor and his or her  
15      subcontractors and suppliers to insure that payment is made to  
16      those parties; and withholding a contractually defined  
17      percentage of your construction contract as retainage for a  
18      stated period of time to provide protection to you and help  
19      insure that your project will be completed as required by your  
20      contract.

21      **YOUR PROPERTY MAY BE LIENED.**

22      If a supplier of materials used in your construction project or  
23      an employee or subcontractor of your contractor or  
24      subcontractors is not paid, your property may be liened to  
25      force payment and you could pay twice for the same work.

26      **FOR ADDITIONAL PROTECTION, YOU SHOULD MAKE CHECKS PAYABLE**  
27      **JOINTLY TO THE CONTRACTOR AND SUPPLIERS OR SUBCONTRACTORS AND**  
28      **REQUIRE THE CONTRACTOR TO PROVIDE YOU WITH ORIGINAL "LIEN**  
29      **RELEASE" DOCUMENTS FROM EACH SUPPLIER OR SUBCONTRACTOR ON YOUR**  
30      **PROJECT.**

31      The contractor is required to provide you with further  
32      information about lien release documents if you request it.  
33      General information is also available from the state Department  
34      of Labor and Industries."

1       (2) A contractor subject to this section shall notify any consumer  
2 to whom notice is required under subsection (1) of this section if the  
3 contractor's registration has expired or is revoked or suspended by the  
4 department prior to completion or other termination of the contract  
5 with the consumer.

6       (3) No contractor subject to this section may bring or maintain any  
7 lien claim under chapter 60.04 RCW based on any contract to which this  
8 section applies without alleging and proving that the contractor has  
9 provided the customer with a copy of the disclosure statement as  
10 required in subsection (1) of this section.

11      (4) This section does not apply to contracts authorized under  
12 chapter 39.04 RCW or to contractors contracting with other contractors.

13      (5) Failure to comply with this section shall constitute an  
14 infraction under the provisions of this chapter.

15      (6) The department shall produce model disclosure statements, and  
16 public service announcements detailing the information needed to assist  
17 contractors and contractors' customers to comply under this section.  
18 As necessary, the department shall periodically update these education  
19 materials.

20      **Sec. 11.** RCW 60.04.031 and 1992 c 126 s 2 are each amended to read  
21 as follows:

22      (1) Except as otherwise provided in this section, every person  
23 furnishing professional services, materials, or equipment for the  
24 improvement of real property shall give the owner or reputed owner  
25 notice in writing of the right to claim a lien. If the prime  
26 contractor is in compliance with the requirements of RCW 19.27.095,  
27 60.04.230, and 60.04.261, this notice shall also be given to the prime  
28 contractor as described in this subsection unless the potential lien  
29 claimant has contracted directly with the prime contractor. The notice  
30 may be given at any time but only protects the right to claim a lien  
31 for professional services, materials, or equipment supplied after the  
32 date which is sixty days before:

33       (a) Mailing the notice by certified or registered mail to the owner  
34 or reputed owner; or

35       (b) Delivering or serving the notice personally upon the owner or  
36 reputed owner and obtaining evidence of delivery in the form of a  
37 receipt or other ((acknowledgement)) acknowledgment signed by the owner  
38 or reputed owner or an affidavit of service.

1        In the case of new construction of a single-family residence, the  
2 notice of a right to claim a lien may be given at any time but only  
3 protects the right to claim a lien for professional services,  
4 materials, or equipment supplied after a date which is ten days before  
5 the notice is given as described in this subsection.

6            (2) Notices of a right to claim a lien shall not be required of:

7              (a) Persons who contract directly with the owner or the owner's  
8 common law agent;

9              (b) Laborers whose claim of lien is based solely on performing  
10 labor; or

11             (c) Subcontractors who contract for the improvement of real  
12 property directly with the prime contractor, except as provided in  
13 subsection (3)(b) of this section.

14            (3) Persons who furnish professional services, materials, or  
15 equipment in connection with the repair, alteration, or remodel of an  
16 existing owner-occupied single-family residence or appurtenant garage  
17 or in connection with the new construction of a single-family residence  
18 for a residential homeowner:

19              (a) Who contract directly with the ((owner-occupier)) owner or  
20 ((their)) the owner's common law agent shall not be required to send a  
21 written notice of the right to claim a lien and shall have a lien for  
22 the full amount due under their contract, as provided in RCW 60.04.021;  
23 or

24              (b) Who do not contract directly with the ((owner-occupier)) owner  
25 or ((their)) the owner's common law agent shall give notice of the  
26 right to claim a lien to the ((owner-occupier)) owner. For the purpose  
27 of this section, a "residential homeowner" means an individual person  
28 or persons owning real property upon which one single-family residence  
29 is to be built or upon which there is a single-family residence to  
30 which construction improvements are to be made and in which the owner  
31 intends to reside upon completion of any construction. It does not  
32 include any person who constructs an improvement on his or her property  
33 with the intention and purpose of selling the improved property. Liens  
34 of persons furnishing professional services, materials, or equipment  
35 who do not contract directly with the ((owner-occupier)) owner or  
36 ((their)) the owner's common law agent may only be satisfied from  
37 amounts not yet paid to the prime contractor by the owner at the time  
38 the notice described in this section is received, regardless of whether  
39 amounts not yet paid to the prime contractor are due. For the purposes

1 of this subsection "received" means actual receipt of notice by  
2 personal service, or registered or certified mail, or three days after  
3 mailing by registered or certified mail, excluding Saturdays, Sundays,  
4 or legal holidays.

(4) The notice of right to claim a lien described in subsection (1) of this section, shall include but not be limited to the following information and shall substantially be in the following form, using lower-case and upper-case ten-point type where appropriate.

9 NOTICE TO OWNER

10                   **IMPORTANT: READ BOTH SIDES OF THIS NOTICE**  
11                   **CAREFULLY.**

PROTECT YOURSELF FROM PAYING TWICE

13 To: . . . . . Date: . . . . .

14 Re: \_\_\_\_\_ (description of property: Street address or general  
15 location.)

16 From: . . . . .

17 AT THE REQUEST OF: \_\_\_\_\_ (Name of person ordering the professional  
18 services, materials, or equipment)

19 THIS IS NOT A LIEN--THIS NOTICE IS MEANT TO PROVIDE YOU WITH  
20 INFORMATION NECESSARY TO PROPERLY MANAGE YOUR CONSTRUCTION PROJECT:  
21 This notice is sent to you to tell you who is providing professional  
22 services, materials, or equipment for the improvement of your property  
23 and to advise you of the rights of these persons and your  
24 responsibilities. Also take note that laborers on your project may  
25 claim a lien without sending you a notice.

26 OWNER/OCCUPIER OF EXISTING  
27 RESIDENTIAL PROPERTY AND/OR  
28 NEW RESIDENTIAL PROPERTY

Under Washington law, those who furnish labor, professional services, materials, or equipment for the repair, remodel, or alteration of your owner-occupied principal residence and who are not paid, have a right to enforce their claim for payment against your property. This claim is known as a construction lien.

1 The law limits the amount that a lien claimant can claim against your  
2 property. If the improvement to your property is the construction of  
3 a new single-family residence, a lien may be claimed for all  
4 professional services, materials, or equipment furnished during the ten  
5 days preceding the date this notice was given to you or mailed to you  
6 and thereafter. Claims may only be made against that portion of the  
7 contract price you have not yet paid to your prime contractor as of the  
8 time this notice was given to you or three days after this notice was  
9 mailed to you. Review the back of this notice for more information and  
10 ways to avoid lien claims.

**COMMERCIAL ((~~AND/OR NEW~~  
~~RESIDENTIAL~~)) PROPERTY**

13 We have or will be providing professional services, materials, or  
14 equipment for the improvement of your commercial ((or new residential))  
15 project. In the event you or your contractor fail to pay us, we may  
16 file a lien against your property. A lien may be claimed for all  
17 professional services, materials, or equipment furnished after a date  
18 that is sixty days before this notice was given to you or mailed to  
19 you((, unless the improvement to your property is the construction of  
20 a new single family residence, then ten days before this notice was  
21 given to you or mailed to you)).

22        Sender: .  
23        Address: .  
24        Telephone: .

25 Brief description of professional services, materials, or equipment  
26 provided or to be provided: . . . . .

31 This notice is sent to inform you that we have or will provide  
32 professional services, materials, or equipment for the improvement of  
33 your property. We expect to be paid by the person who ordered our  
34 services, but if we are not paid, we have the right to enforce our  
35 claim by filing a construction lien against your property.

1 LEARN more about the lien laws and the meaning of this notice by  
2 discussing them with your contractor, suppliers, Department of Labor  
3 and Industries, the firm sending you this notice, your lender, or your  
4 attorney.

5 COMMON METHODS TO AVOID CONSTRUCTION LIENS: There are several methods  
6 available to protect your property from construction liens. The  
7 following are two of the more commonly used methods.

8 DUAL PAYCHECKS (Joint Checks): When paying your contractor for  
9 services or materials, you may make checks payable jointly to  
10 the contractor and the firms furnishing you this notice.

11 LIEN RELEASES: You may require your contractor to provide lien  
12 releases signed by all the suppliers and subcontractors from  
13 whom you have received this notice. If they cannot obtain lien  
14 releases because you have not paid them, you may use the dual  
15 payee check method to protect yourself.

16 YOU SHOULD TAKE APPROPRIATE STEPS TO PROTECT YOUR PROPERTY FROM LIENS.

17 YOUR PRIME CONTRACTOR AND YOUR CONSTRUCTION LENDER ARE REQUIRED BY LAW  
18 TO GIVE YOU WRITTEN INFORMATION ABOUT LIEN CLAIMS. IF YOU HAVE NOT  
19 RECEIVED IT, ASK THEM FOR IT.

20 \* \* \* \* \*

21 (5) Every potential lien claimant providing professional services  
22 where no improvement as defined in RCW 60.04.011(5) (a) or (b) has been  
23 commenced, and the professional services provided are not visible from  
24 an inspection of the real property may record in the real property  
25 records of the county where the property is located a notice which  
26 shall contain the professional service provider's name, address,  
27 telephone number, legal description of the property, the owner or  
28 reputed owner's name, and the general nature of the professional  
29 services provided. If such notice is not recorded, the lien claimed  
30 shall be subordinate to the interest of any subsequent mortgagee and  
31 invalid as to the interest of any subsequent purchaser if the mortgagee  
32 or purchaser acts in good faith and for a valuable consideration  
33 acquires an interest in the property prior to the commencement of an  
34 improvement as defined in RCW 60.04.011(5) (a) or (b) without notice of  
35 the professional services being provided. The notice described in this  
36 subsection shall be substantially in the following form:

NOTICE OF FURNISHING  
PROFESSIONAL SERVICES

3 That on the \_\_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_ (name of  
4 provider) began providing professional services upon or for the  
5 improvement of real property legally described as follows:

[Legal Description  
is mandatory]

8 The general nature of the professional services provided is . . .  
9 . . . . .  
10 The owner or reputed owner of the real property is . . . . .  
11 . . . . .

(Signature)

(Name of Claimant)

(Street Address)

(City, State, Zip Code)

(Phone Number)

22       (6) A lien authorized by this chapter shall not be enforced unless  
23 the lien claimant has complied with the applicable provisions of this  
24 section.

(7) For the purposes of this section "commercial property" includes residential property that is not owned by a residential homeowner.

27        NEW SECTION. **Sec. 12.** RCW 18.27.075 (Limit on fees for issuing or  
28 renewing certificate of registration) and 1983 c 74 s 2 are each  
29 repealed.

--- END ---