
SECOND SUBSTITUTE SENATE BILL 6271

State of Washington

53rd Legislature

1994 Regular Session

By Senate Committee on Ways & Means (originally sponsored by Senators Sutherland, Amondson, Moore, Erwin, Hargrove, Winsley and Quigley)

Read first time 02/23/94.

1 AN ACT Relating to construction services; amending RCW 18.27.020,
2 18.27.030, 18.27.040, 18.27.090, 18.27.100, 18.27.104, 18.27.114,
3 18.27.117, 18.27.340, 84.36.400, 18.27.010, and 18.27.050; adding new
4 sections to chapter 18.27 RCW; creating a new section; prescribing
5 penalties; and providing an effective date.

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

7 NEW SECTION. **Sec. 1.** The directors of the departments of revenue,
8 licensing, and labor and industries, and the commissioner of employment
9 security shall develop a plan for maximum coordination and cooperation
10 of those departments in the effective enforcement of chapters 18.27,
11 82.04, and 82.08 RCW and Titles 50 and 51 RCW. This plan shall be
12 submitted to the legislature by December 30, 1994.

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

15 The department shall establish and maintain a toll-free telephone
16 number dedicated to receiving information regarding violations or
17 suspected violations of this chapter. Information shall be received
18 and promptly forwarded to compliance officers. Upon request, the

1 identity of callers may be kept confidential, but the department must
2 require callers to identify themselves in order for the information to
3 be received and forwarded to compliance officers.

4 NEW SECTION. **Sec. 3.** A new section is added to chapter 18.27 RCW
5 to read as follows:

6 All retail suppliers of building materials shall post in
7 conspicuous locations around the retail display area a poster briefly
8 describing the registration requirements of this chapter and that
9 purchasers of construction services should demand proof of registration
10 from contractors they employ, for their own protection.

11 NEW SECTION. **Sec. 4.** A new section is added to chapter 18.27 RCW
12 to read as follows:

13 (1) The department shall prepare, with the assistance of the
14 attorney general, a pamphlet on how to make a claim against the bond or
15 deposit required by RCW 18.27.040. The pamphlet shall include sample
16 forms of a summons and complaint and at least the following
17 information:

18 (a) How the summons and complaint are to be served and filed;

19 (b) The requirement that a lawsuit must be commenced before a
20 surety can make a payment to a claimant;

21 (c) That claims for under thirty-five thousand dollars are required
22 to be determined by arbitration, with right of appeal, and not by a
23 court trial;

24 (d) That arbitration is a less formal procedure than a courtroom
25 trial, usually occurring in the arbitrator's office under somewhat
26 relaxed rules of evidence, and that many cases are heard without either
27 party being represented by lawyers; and

28 (e) That if they do retain a lawyer they may recover attorneys'
29 fees up to the amount available under the bond or deposit.

30 (2) The pamphlet described in this section shall be offered by the
31 department and any issuer of the surety bonds required by this chapter
32 to anyone who requests information about making a claim against the
33 bond.

34 NEW SECTION. **Sec. 5.** A new section is added to chapter 18.27 RCW
35 to read as follows:

1 All advertising vendors who purvey advertising for contractors
2 shall require the person purchasing the advertising to supply his or
3 her name, address, telephone number and relationship to the contractor
4 being advertised. The advertising vendor shall promptly make available
5 to the department upon request the identity and all information
6 obtained regarding the person purchasing advertising that the
7 advertiser prints, publishes, or broadcasts.

8 **Sec. 6.** RCW 18.27.020 and 1993 c 454 s 6 are each amended to read
9 as follows:

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

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

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

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

16 (c) Use a false or expired registration number in purchasing or
17 offering to purchase an advertisement for which a contractor
18 registration number is required; or

19 (d) Transfer a valid registration to an unregistered contractor or
20 allow an unregistered contractor to work under a registration issued to
21 another contractor.

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

24 (4) The doctrine of substantial compliance has no place in the
25 application and construction of this section.

26 **Sec. 7.** RCW 18.27.030 and 1992 c 217 s 1 are each amended to read
27 as follows:

28 (1) An applicant for registration as a contractor shall submit an
29 application under oath upon a form to be prescribed by the director and
30 which shall include the following information pertaining to the
31 applicant:

32 (a) Employer social security number.

33 (b) As applicable: (i) The industrial insurance account number
34 covering employees domiciled in Washington; and (ii) evidence of
35 workers' compensation coverage in the applicant's state of domicile for
36 the applicant's employees working in Washington who are not domiciled
37 in Washington.

1 (c) Employment security department number.

2 (d) State excise tax registration number.

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

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

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

14 (h) That the applicant will meet and maintain his or her statutory
15 obligations with respect to state and local taxes, fees, industrial
16 insurance, employment security, and the requirements of this chapter.

17 (i) That the applicant has no unsatisfied judgments issuing from
18 any court or unpaid settlements in claims against the applicant arising
19 from the applicant's activities as a contractor.

20 (2) The department may verify the workers' compensation coverage
21 information provided by the applicant under subsection (1)(b) of this
22 section, including but not limited to information regarding the
23 coverage of an individual employee of the applicant. If coverage is
24 provided under the laws of another state, the department may notify the
25 other state that the applicant is employing employees in Washington.

26 (3) Registration shall be denied if the applicant has been
27 previously registered as a sole proprietor, partnership or corporation,
28 and was a principal or officer of the corporation, and if the applicant
29 has an unsatisfied final judgment in an action based on RCW 18.27.040
30 that incurred during a previous registration under this chapter or if
31 the applicant has taxes or another outstanding obligation due and owing
32 to the state of Washington or a local governmental entity, with either
33 the time for contesting the debt having elapsed or the debt has been
34 reduced to a final judgment with time for remaining appeals elapsed.

35 **Sec. 8.** RCW 18.27.040 and 1988 c 139 s 1 are each amended to read
36 as follows:

37 (1) Each applicant shall ~~((, at the time of applying for or renewing~~
38 ~~a certificate of registration, file with the department a surety bond~~

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

1 contract including negligent or improper work in the conduct of the
2 contracting business. A change in the name of a business or a change
3 in the type of business entity shall not impair a bond for the purposes
4 of this section so long as one of the original applicants for such bond
5 maintains partial 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, 1994, 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. (~~Sueh~~)
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 application and to the surety within forty-eight
39 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, and subcontractor claims,
18 including labor, materials, and equipment;

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

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

26 The total amount paid from a bond or deposit, including costs and
27 attorneys' fees, to claimants other than those asserting a claim for
28 breach of the construction contract shall not exceed in the aggregate
29 six thousand dollars for a general contractor and four thousand dollars
30 for a specialty contractor.

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

33 (5) In the event that any final judgment shall impair the liability
34 of the surety upon the bond so furnished that there shall not be in
35 effect a bond undertaking in the full amount prescribed in this
36 section, the department shall suspend the registration of ((such)) the
37 contractor until the bond liability in the required amount unimpaired
38 by unsatisfied judgment claims shall have been furnished. If ((such))

1 the bond becomes fully impaired, a new bond must be furnished at the
2 increased rates prescribed by this section as now or hereafter amended.

3 (6) In lieu of the surety bond required by this section the
4 contractor may file with the department a deposit consisting of cash or
5 other security acceptable to the department, and equal to the face
6 amount of the surety bonds required by this section.

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

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

21 **Sec. 9.** RCW 18.27.090 and 1987 c 313 s 1 are each amended to read
22 as follows:

23 This chapter shall not apply to:

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

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

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

33 (4) Any construction, repair, or operation incidental to the
34 discovering or producing of petroleum or gas, or the drilling, testing,
35 abandoning, or other operation of any petroleum or gas well or any
36 surface or underground mine or mineral deposit when performed by an
37 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(~~(7)~~) 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,
21 (~~(such)~~) the work or operations being considered as of a casual, minor,
22 or 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 residence, whether owned by him or her or not but this exemption shall
6 not apply to any person otherwise covered by this chapter who
7 constructs an improvement on his or her own property with the intention
8 and for the purpose of selling the improved property. Sellers of
9 residential real property shall make full disclosure to bona fide
10 purchasers for value any repair or alteration which meet all of the
11 following criteria:

12 (a) Commenced or completed within the three years prior to entering
13 into the purchase and sale agreement;

14 (b) The work was done by the owner under this subsection;

15 (c) It was work that would have to have been done by a registered
16 contractor except that it was permitted by this owner's exception;

17 (d) The contract amount would have exceeded one thousand dollars;
18 and

19 (e) The work did not involve purely cosmetic work, such as
20 cleaning, painting, or landscaping;

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

24 (14) A licensed architect or civil or professional engineer acting
25 solely in his or her professional capacity, an electrician licensed
26 under the laws of the state of Washington, or a plumber licensed under
27 the laws of the state of Washington or licensed by a political
28 subdivision of the state of Washington while operating within the
29 boundaries of ~~((such))~~ the political subdivision. The exemption
30 provided in this subsection is applicable only when the licensee is
31 operating within the scope of his or her license;

32 (15) ~~((Any))~~ A person who engages in the activities herein
33 regulated as an employee of a registered contractor with wages as his
34 or her sole compensation or as an employee of a homeowner with wages
35 totaling no more than five hundred dollars as his or her sole
36 compensation. This five hundred dollar limitation shall not apply to
37 regular maintenance employees of homeowners' associations who as part
38 of their maintenance duties occasionally perform work covered by this
39 chapter;

1 (16) Contractors on highway projects who have been prequalified as
2 required by chapter 13 of the Laws of 1961, RCW 47.28.070, with the
3 department of transportation to perform highway construction,
4 reconstruction, or maintenance work.

5 **Sec. 10.** RCW 18.27.100 and 1993 c 454 s 3 are each amended to read
6 as follows:

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

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

16 (3)(a) The ~~((alphabetized listing of contractors appearing in the))~~
17 advertising section of telephone books or other directories and all
18 advertising that shows the contractor's name or address shall show the
19 contractor's current registration number ~~((:—PROVIDED,—That))~~.
20 However, signs on motor vehicles subject to RCW 46.16.010 and on-
21 premise signs shall not constitute advertising as provided in this
22 section. All materials used to directly solicit business from retail
23 customers who are not businesses shall show the contractor's current
24 registration number. A contractor shall not use a false or expired
25 registration number in purchasing or offering to purchase an
26 advertisement for which a contractor registration number is required.
27 Advertising by airwave transmission shall not be subject to this
28 subsection if the person selling the advertisement obtains the
29 contractor's current registration number from the contractor.

30 (b) A person selling advertising should not accept advertisements
31 for which the contractor registration number is required under (a) of
32 this subsection if the contractor fails to provide the contractor
33 registration number.

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

1 (5) No contractor shall advertise that he or she is licensed when
2 he or she is only registered, as required by this chapter, unless he or
3 she is licensed under chapter 19.28 RCW.

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

10 (~~(6)~~) (7)(a) The finding of a violation of this section by the
11 director at a hearing held in accordance with the Administrative
12 Procedure Act, chapter 34.05 RCW, shall subject the person committing
13 the violation to a penalty of not more than five thousand dollars as
14 determined by the director.

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

17 **Sec. 11.** RCW 18.27.104 and 1989 c 175 s 61 are each amended to
18 read as follows:

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

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

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

35 (1) Until July 1, (~~(1989)~~) 1994, any contractor agreeing to perform
36 any contracting project: (a) For the repair, alteration, or
37 construction of four or fewer residential units or accessory structures

1 on such residential property when the bid or contract price totals one
2 thousand dollars or more; or (b) for the repair, alteration, or
3 construction of a commercial building when the bid or contract price
4 totals one thousand dollars or more but less than sixty thousand
5 dollars, must provide the customer with the following disclosure
6 statement prior to starting work on the project:

7 "NOTICE TO CUSTOMER

8 This contractor is registered with the state of Washington,
9 registration no., as a general/specialty contractor and
10 has posted with the state a bond or cash deposit of
11 \$6,000/\$4,000 for the purpose of satisfying claims against the
12 contractor for negligent or improper work or breach of contract
13 in the conduct of the contractor's business. This bond or cash
14 deposit may not be sufficient to cover a claim which might
15 arise from the work done under your contract. If any supplier
16 of materials used in your construction project or any employee
17 of the contractor or subcontractor is not paid by the
18 contractor or subcontractor on your job, your property may be
19 liened to force payment. If you wish additional protection, you
20 may request the contractor to provide you with original "lien
21 release" documents from each supplier or subcontractor on your
22 project. The contractor is required to provide you with
23 further information about lien release documents if you request
24 it. General information is also available from the department
25 of labor and industries."

26 (2) On and after July 1, (~~1989~~) 1994, any contractor agreeing to
27 perform any contracting project: (a) For the repair, alteration, or
28 construction of four or fewer residential units or accessory structures
29 on such residential property when the bid or contract price totals one
30 thousand dollars or more; or (b) for the repair, alteration, or
31 construction of a commercial building when the bid or contract price
32 totals one thousand dollars or more but less than sixty thousand
33 dollars, must provide the customer with the following disclosure
34 statement prior to starting work on the project:

35 "NOTICE TO CUSTOMER

36 This contractor is registered with the state of Washington,
37 registration no., as a general/specialty contractor and

1 has posted with the state a bond or cash deposit of
2 (~~(\$6,000/\$4,000)~~) \$10,000/\$6,500 or \$15,000/\$10,000, if
3 applicable for the purpose of satisfying claims against the
4 contractor for negligent or improper work or breach of contract
5 in the conduct of the contractor's business. The expiration
6 date of this contractor's registration is This
7 bond or cash deposit may not be sufficient to cover a claim
8 which might arise from the work done under your contract and
9 other claimants may be entitled to a portion or all of the bond
10 or cash deposit. You must file a lawsuit to recover any money
11 from the bond or cash deposit. In addition to this legally
12 required bond or cash deposit, you may want to negotiate with
13 your contractor that he or she provide you with a bond that
14 guarantees proper performance of the full contract. If any
15 supplier of materials used in your construction project or any
16 employee of the contractor or subcontractor is not paid by the
17 contractor or subcontractor on your job, your property may be
18 liened to force payment. If you wish additional protection,
19 you may request the contractor to provide you with original
20 "lien release" documents from each supplier or subcontractor on
21 your project. The contractor is required to provide you with
22 further information about lien release documents if you request
23 it. General information is also available from the department
24 of labor and industries."

25 (3) On and after July 1, (~~(1989)~~) 1994, a contractor subject to
26 this section shall notify any consumer to whom notice is required under
27 subsection (2) of this section if the contractor's registration has
28 expired or is revoked or suspended by the department prior to
29 completion or other termination of the contract with the consumer.

30 (4) No contractor subject to this section may bring or maintain any
31 lien claim under chapter 60.04 RCW based on any contract to which this
32 section applies without alleging and proving that the contractor has
33 provided the customer with a copy of the disclosure statement as
34 required in subsection (1) or (2) of this section.

35 (5) This section does not apply to contracts authorized under
36 chapter 39.04 RCW or to contractors contracting with other contractors.

37 (6) Failure to comply with this section shall constitute an
38 infraction under the provisions of this chapter.

1 (7) The department shall produce model disclosure statements, and
2 public service announcements detailing the information needed to assist
3 contractors and contractors' customers to comply under this section.
4 As necessary, the department shall periodically update these education
5 materials.

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

8 The legislature finds that setting up and siting mobile/
9 manufactured homes must be done properly for the health, safety, and
10 enjoyment of the occupants. Therefore, when any of the following cause
11 a health and safety risk to the occupants of a mobile/manufactured
12 home, or severely hinder the use and enjoyment of the mobile/
13 manufactured home, a violation of RCW 19.86.020 shall have occurred:

14 (1) The mobile/manufactured home has been improperly installed by
15 a contractor (~~licensed~~) registered under chapter 18.27 RCW, or a
16 mobile/manufactured dealer or manufacturer licensed under chapter 46.70
17 RCW;

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

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

24 **Sec. 14.** RCW 18.27.340 and 1986 c 197 s 10 are each amended to
25 read as follows:

26 (1) A contractor found to have committed an infraction under RCW
27 18.27.200 shall be assessed a monetary penalty of not less than (~~two~~)
28 five hundred dollars and not more than three thousand dollars.

29 (2) The (~~administrative law judge~~) director may waive, reduce, or
30 suspend the monetary penalty imposed for the infraction only upon a
31 showing of good cause that the penalty would be unduly burdensome to
32 the contractor.

33 (3) Monetary penalties collected under this chapter shall be
34 deposited in the general fund.

35 **Sec. 15.** RCW 84.36.400 and 1972 ex.s. c 125 s 3 are each amended
36 to read as follows:

1 Any physical improvement to single family dwellings upon real
2 property shall be exempt from taxation for the three assessment years
3 subsequent to the completion of the improvement to the extent that the
4 improvement represents thirty percent or less of the value of the
5 original structure. A taxpayer desiring to obtain the exemption
6 granted by this section must file notice of his or her intention to
7 construct the improvement prior to the improvement being made on forms
8 prescribed by the department of revenue and furnished to the taxpayer
9 by the county assessor(~~(:—PROVIDED, That)~~). The notice must include
10 the registration number, or license number if applicable, of the
11 contractor or contractors the taxpayer has employed, or a notarized
12 declaration under oath that the taxpayer is doing all the work of
13 constructing the improvement under circumstances that meet the
14 requirements of RCW 18.27.090(12). This taxation exemption may not be
15 claimed if the taxpayer employs a person required to be registered
16 under chapter 18.27 RCW, and who is not so registered. This exemption
17 cannot be claimed more than once in a five-year period.

18 The department of revenue shall (~~promulgate such~~) adopt rules
19 (~~and regulations~~) as (~~are~~) necessary and convenient to properly
20 administer the provisions of this section.

21 NEW SECTION. Sec. 16. A new section is added to chapter 18.27 RCW
22 to read as follows:

23 (1) The director or the director's designee may revoke, suspend, or
24 refuse to issue or renew a certificate of registration if he or she
25 determines after notice and opportunity for hearing:

26 (a) That the registrant or applicant has failed to meet or has
27 violated the oath or affirmation made under RCW 18.27.030;

28 (b) That the insurance or surety bond requirements of this chapter
29 is not currently in effect;

30 (c) That the registrant has knowingly assisted an unregistered
31 person to act in violation of this chapter, which includes entering
32 into a contract with an unregistered person to perform activities
33 covered by this chapter;

34 (d) That the registrant or applicant has failed to pay in full a
35 final judgment against him or her entered by a court of competent
36 jurisdiction in a claim arising out of activities covered by this
37 chapter; or

1 (e) That the registrant has performed work as a contractor without
2 a construction permit where the permit was required, and the work
3 resulted in damage to another, or created an unsafe condition. For the
4 purposes of this section, "construction permit" includes a building
5 permit, electrical permit, mechanical permit, or plumbing permit.

6 (2) In addition to other remedies, the director or the director's
7 designee, through the attorney general or county prosecutor may apply
8 to superior court for an injunction restraining a person from violating
9 the provisions of this chapter.

10 (3) The hearing provided for in this section prior to revocation,
11 suspension, or refusal to issue or renew a certificate of registration
12 shall be conducted by an administrative law judge under chapter 34.05
13 RCW, part IV, with a right to judicial review as provided in chapter
14 34.05 RCW, part V.

15 **Sec. 17.** RCW 18.27.010 and 1993 c 454 s 2 are each amended to read
16 as follows:

17 Unless the context clearly requires otherwise, the definitions in
18 this section apply throughout this chapter.

19 (1) "Contractor" means any person, firm or corporation who or
20 which, in the pursuit of an independent business undertakes to, or
21 offers to undertake, or submits a bid to, construct, alter, repair,
22 remodel, add to, subtract from, improve, move, wreck or demolish, for
23 another, any building, highway, road, railroad, excavation or other
24 structure, project, development, or improvement attached to real estate
25 or to do any part thereof including the installation of carpeting or
26 other floor covering, the erection of scaffolding or other structures
27 or works in connection therewith or who installs or repairs roofing or
28 siding; or, who, to do similar work upon his own property, employs
29 members of more than one trade upon a single job or project or under a
30 single building permit except as otherwise provided herein.

31 (2) "General contractor" means a contractor whose business
32 operations require the use of more than two unrelated building trades
33 or crafts whose work the contractor shall superintend or do in whole or
34 in part. "General contractor" shall not include an individual who does
35 all work personally without employees or other "specialty contractors"
36 as defined herein. The terms "general contractor" and "builder" are
37 synonymous.

1 (3) "Specialty contractor" means a contractor whose operations as
2 such do not fall within the foregoing definition of "general
3 contractor".

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

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

7 (6) "Verification" means the receipt and duplication by the city,
8 town, or county of a contractor registration card that is current on
9 its face, or checking the department's contractor registration base.

10 **Sec. 18.** RCW 18.27.050 and 1987 c 303 s 1 are each amended to read
11 as follows:

12 (1) At the time of registration and subsequent reregistration, the
13 applicant shall furnish insurance or financial responsibility in the
14 form of an assigned account in the amount of (~~twenty~~) fifty thousand
15 dollars for injury or damages to property, and (~~fifty~~) one hundred
16 thousand dollars for injury or damage including death to any one
17 person, and (~~one~~) two hundred thousand dollars for injury or damage
18 including death to more than one person or financial responsibility to
19 satisfy these amounts.

20 (2) Failure to maintain insurance or financial responsibility
21 relative to the contractor's activities shall be cause to suspend or
22 deny the contractor his or her or their registration.

23 (3)(a) Proof of financial responsibility authorized in this section
24 may be given by providing, in the amount required by subsection (1) of
25 this section, an assigned account acceptable to the department. The
26 assigned account shall be held by the department to satisfy any
27 execution on a judgment issued against the contractor for damage to
28 property or injury or death to any person occurring in the contractor's
29 contracting operations, according to the provisions of the assigned
30 account agreement. The department shall have no liability for payment
31 in excess of the amount of the assigned account.

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

35 (i) The contractor's registration has expired or been revoked; or

36 (ii) The contractor has furnished proof of insurance as required by
37 subsection (1) of this section;

1 if, in either case, no legal action has been instituted against the
2 contractor or on the account at the expiration of the three-year
3 period.

4 (c) If a contractor chooses to file an assigned account as
5 authorized in this section, the contractor shall, on any contracting
6 project, notify each person with whom the contractor enters into a
7 contract or to whom the contractor submits a bid that the contractor
8 has filed an assigned account in lieu of insurance and that recovery
9 from the account for any claim against the contractor for property
10 damage or personal injury or death occurring in the project requires
11 the claimant to obtain a court judgment.

12 NEW SECTION. **Sec. 19.** This act shall take effect July 1, 1994.

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