

E2SSB 5773 - H COMM AMD

By Committee on Commerce & Labor

1 Strike everything after the enacting clause and insert the
2 following:

3 "NEW SECTION. **Sec. 1.** FINDINGS. The legislature finds that
4 the vast majority of contractors and subcontractors engaged in
5 the business of constructing or remodeling owner-occupied single-
6 family homes are both technically proficient in their trade and
7 able to manage their business dealings in accordance with the
8 highest standards. The legislature also finds, however, that in
9 those relatively few, but all-too-frequent, instances where prime
10 contractors on such construction or remodeling projects
11 intentionally or unintentionally mismanage payments received from
12 residential homeowners that are intended for subcontractors,
13 suppliers, and others, existing provisions are inadequate to
14 protect residential homeowners. Additionally, the toll on a
15 residential homeowner's personal economic and emotional condition
16 that such financial mismanagement by this small fraction of prime
17 contractors is not adequately balanced against the
18 responsibilities, obligations, and possible penalties that
19 contractors bear for such mismanagement. Consequently, the
20 legislature finds that it is necessary to clearly establish that
21 prime residential contractors and residential subcontractors have
22 a duty to properly manage funds received from or on behalf of
23 residential homeowners that are intended for suppliers,
24 subcontractors, and others, and to hold those who fail in this
25 duty personally responsible for such financial mismanagement.

26 **Sec. 2.** DEFINITIONS. RCW 60.04.011 and 1992 c 126 s 1 are
27 each amended to read as follows:

1 Unless the context requires otherwise, the definitions in
2 this section apply throughout this chapter.

3 (1) "Construction agent" means any registered or licensed
4 contractor, registered or licensed subcontractor, architect,
5 engineer, or other person having charge of any improvement to
6 real property, who shall be deemed the agent of the owner for the
7 limited purpose of establishing the lien created by this chapter.

8 (2) "Contract price" means the amount, including overhead and
9 profit, agreed upon by the contracting parties, or if no amount
10 is agreed upon, then the customary and reasonable charge
11 therefor, but in no case shall "contract price" include any
12 amount payable under the contract, or otherwise, in the event of
13 nonpayment or late payment.

14 (3) "Department" means the department of labor and
15 industries.

16 ~~((+3))~~ (4) "Draws" means periodic disbursements of interim
17 or construction financing by a lender.

18 ~~((+4))~~ (5) "Furnishing labor, professional services,
19 materials, or equipment" means the performance of any labor or
20 professional services, the contribution owed to any employee
21 benefit plan on account of any labor, the provision of any
22 supplies or materials, and the renting, leasing, or otherwise
23 supplying of equipment for the improvement of real property.

24 ~~((+5))~~ (6) "Improvement" means: (a) Constructing, altering,
25 repairing, remodeling, demolishing, clearing, grading, or filling
26 in, of, to, or upon any real property or street or road in front
27 of or adjoining the same; (b) planting of trees, vines, shrubs,
28 plants, hedges, or lawns, or providing other landscaping
29 materials on any real property; and (c) providing professional
30 services upon real property or in preparation for or in
31 conjunction with the intended activities in (a) or (b) of this
32 subsection.

33 ~~((+6))~~ (7) "Interim or construction financing" means that
34 portion of money secured by a mortgage, deed of trust, or other
35 encumbrance to finance improvement of, or to real property, but
36 does not include:

37 (a) Funds to acquire real property;

38 (b) Funds to pay interest, insurance premiums, lease
39 deposits, taxes, assessments, or prior encumbrances;

1 (c) Funds to pay loan, commitment, title, legal, closing,
2 recording, or appraisal fees;

3 (d) Funds to pay other customary fees, which pursuant to
4 agreement with the owner or borrower are to be paid by the lender
5 from time to time;

6 (e) Funds to acquire personal property for which the
7 potential lien claimant may not claim a lien pursuant to this
8 chapter.

9 ~~((+7))~~ (8) "Labor" means exertion of the powers of body or
10 mind performed at the site for compensation. "Labor" includes
11 amounts due and owed to any employee benefit plan on account of
12 such labor performed.

13 ~~((+8))~~ (9) "Mortgagee" means a person who has a valid
14 mortgage of record or deed of trust of record securing a loan.

15 ~~((+9))~~ (10) "Owner-occupied" means a single-family residence
16 occupied by the owner as his or her principal residence.

17 ~~((+10))~~ (11) "Payment bond" means a surety bond issued by a
18 surety licensed to issue surety bonds in the state of Washington
19 that confers upon potential claimants the rights of third party
20 beneficiaries.

21 ~~((+11))~~ (12) "Potential lien claimant" means any person or
22 entity entitled to assert lien rights under this chapter who has
23 otherwise complied with the provisions of this chapter and is
24 registered or licensed if required to be licensed or registered
25 by the provisions of the laws of the state of Washington.

26 ~~((+12))~~ (13) "Prime contractor" includes all contractors,
27 general contractors, and specialty contractors, as defined by
28 chapter 18.27 or 19.28 RCW, or who are otherwise required to be
29 registered or licensed by law, who contract directly with a
30 property owner or their common law agent to assume primary
31 responsibility for the creation of an improvement to real
32 property, and includes property owners or their common law agents
33 who are contractors, general contractors, or specialty
34 contractors as defined in chapter 18.27 or 19.28 RCW, or who are
35 otherwise required to be registered or licensed by law, who offer
36 to sell their property without occupying or using the structures,
37 projects, developments, or improvements for more than one year.

38 (14) "Prime residential contractor" means: (a) A prime
39 contractor that is engaged in the business of making improvements

1 to a single-family residence of a residential homeowner; and (b)
2 the prime contractor's principals, partners, officers, directors,
3 members, vice principals, and agents with executive, managerial,
4 supervisory, physical, or actual control over the accounting or
5 disbursement of amounts received by the prime residential
6 contractor from or on behalf of residential homeowners.

7 ((+13)) (15) "Professional services" means surveying,
8 establishing or marking the boundaries of, preparing maps, plans,
9 or specifications for, or inspecting, testing, or otherwise
10 performing any other architectural or engineering services for
11 the improvement of real property.

12 ((+14)) (16) "Real property lender" means a bank, savings
13 bank, savings and loan association, credit union, mortgage
14 company, or other corporation, association, partnership, trust,
15 or individual that makes loans secured by real property located
16 in the state of Washington.

17 (17) "Residential homeowner" has the meaning provided in RCW
18 18.27.010. For purposes of sections 3 and 4 of this act,
19 "residential homeowner" also means an individual person or person
20 who has entered into a contract with a contractor, builder, or
21 developer to purchase and occupy a single-family residence at the
22 completion of improvements to the residence or a garage
23 appurtenant to the residence.

24 (18) "Residential subcontractor" means: (a) A subcontractor
25 retained by a prime residential contractor to assist in making
26 improvements to a single-family residence of a residential
27 homeowner; and (b) the residential subcontractor's principals,
28 partners, officers, directors, members, vice principals, and
29 agents with executive, managerial, supervisory, physical, or
30 actual control over the accounting or disbursement of amounts
31 received by the residential subcontractor from or on behalf of
32 residential homeowners.

33 ((+15)) (19) "Site" means the real property which is or is
34 to be improved.

35 ((+16)) (20) "Subcontractor" means a general contractor or
36 specialty contractor as defined by chapter 18.27 or 19.28 RCW, or
37 who is otherwise required to be registered or licensed by law,
38 who contracts for the improvement of real property with someone
39 other than the owner of the property or their common law agent.

1 NEW SECTION. **Sec. 3.** PRIME RESIDENTIAL CONTRACTOR;

2 FIDUCIARY DUTIES AND PERSONAL LIABILITY. A new section is added
3 to chapter 60.04 RCW to read as follows:

4 (1) A prime residential contractor has the duty to act in the
5 best interest of a residential homeowner in the receipt,
6 management, and disbursement of all amounts paid by or on behalf
7 of the residential homeowner to the prime residential contractor
8 for application toward the contract price.

9 (2) A prime residential contractor shall maintain accurate
10 and complete accounting records and books adequate to identify
11 all amounts received from or on behalf of a residential homeowner
12 and the use or application of such amounts for the payment of the
13 contract price for labor, professional services, materials, or
14 equipment supplied by any entity having a potential lien claim
15 right against the residential homeowner.

16 (3)(a) Except as provided in (b) of this subsection, all
17 amounts paid by or on behalf of the residential homeowner to the
18 prime residential contractor for application toward the contract
19 price shall not be used by the prime residential contractor for
20 any purpose until all amounts owed to potential lien claimants as
21 of the date of the prime residential contractor's request for
22 payment have been paid to the extent owed.

23 (b) All amounts paid to a prime residential contractor by or
24 on behalf of a residential homeowner shall be presumed to be
25 applied toward the contract price for labor, professional
26 services, materials, or equipment supplied by potential lien
27 claimants other than the prime residential contractor unless, at
28 the time of requesting or applying for payment from or on behalf
29 of a residential homeowner, a prime residential contractor
30 provides written notice to the residential homeowner identifying:

31 (i) The potential lien claimants, if any, to which payment is
32 owed as of the time of requesting or applying for payment, or to
33 which the prime residential contractor intends to apply part or
34 all of the residential homeowner's payment; and

35 (ii) Which of such potential lien claimants, if any, the
36 prime residential contractor does not intend to fully pay from
37 the residential homeowner's payment, and the reason for less than
38 full payment.

1 (4) A prime residential contractor shall be personally liable
2 for the full amount of any lien claim that involves a violation
3 of the prime residential contractor's duties under this section
4 and that is recorded pursuant to RCW 60.04.091 if:

5 (a) The prime residential contractor fails to show, by clear
6 and convincing evidence, that amounts paid to the prime
7 residential contractor by or on behalf of a residential homeowner
8 for application toward the contract price for labor, professional
9 services, materials, or equipment supplied by a potential lien
10 claimant other than the prime residential contractor were
11 actually paid to a potential lien claimant;

12 (b) The prime residential contractor had or should have had
13 knowledge of such use of amounts, unless the prime residential
14 contractor shows, by a preponderance of the evidence in defending
15 against the claimed lien, that he or she actually did not know
16 and had no reasonable opportunity to know of such use of amounts;
17 and

18 (c) The prime contractor owed the amount stated in the
19 recorded claim of lien when the prime residential contractor
20 applied for payment from the residential homeowner.

21 (5) Nothing in this section requires a prime residential
22 contractor to create or maintain a separate account for each
23 residential homeowner.

24 NEW SECTION. **Sec. 4.** RESIDENTIAL SUBCONTRACTOR; FIDUCIARY
25 DUTIES AND PERSONAL LIABILITY. A new section is added to chapter
26 60.04 RCW to read as follows:

27 (1) A residential subcontractor has the duty to act in the
28 best interest of a residential homeowner in the receipt,
29 management, and disbursement of all amounts paid by, on behalf
30 of, or for the benefit of, the residential homeowner or the prime
31 residential contractor to the subcontractor for application
32 toward the contract price.

33 (2) A residential subcontractor shall maintain accurate and
34 complete accounting records and books adequate to identify all
35 amounts received from or on behalf of a residential homeowner and
36 the use or application of such amounts for the payment of the
37 contract price for labor, professional services, materials, or

1 equipment supplied by any entity having a potential lien claim
2 right against the residential homeowner.

3 (3)(a) Except as provided in (b) of this subsection, all
4 amounts paid by a prime residential contractor for the benefit
5 of, or on behalf of, a residential homeowner to the residential
6 subcontractor for application toward the contract price shall not
7 be used by the residential subcontractor for any purpose until
8 all amounts owed to potential lien claimants as of the date of
9 the residential subcontractor's request for payment have been
10 paid to the extent owed.

11 (b) All amounts paid to a residential subcontractor for the
12 benefit of, or on behalf of, a residential homeowner shall be
13 presumed to be applied toward the contract price for labor,
14 professional services, materials, or equipment supplied by
15 potential lien claimants at the request of the residential
16 subcontractor unless, at the time of requesting or applying for
17 payment from a prime residential contractor, the residential
18 subcontractor provides written notice to the prime residential
19 contractor identifying:

20 (i) The potential lien claimants, if any, to which payment is
21 owed as of the time of requesting or applying for payment, or to
22 which the residential subcontractor intends to apply part or all
23 of the prime residential contractor's payment; and

24 (ii) Which of such potential lien claimants, if any, the
25 residential subcontractor does not intend to fully pay from the
26 prime residential contractor's payment, and the reason for less
27 than full payment.

28 (4) A residential subcontractor shall be personally liable
29 for the full amount of any lien claim that involves a violation
30 of the residential subcontractor's duties under this section and
31 that is recorded pursuant to RCW 60.04.091 if:

32 (a) The residential subcontractor fails to show, by clear and
33 convincing evidence, that amounts paid to the residential
34 subcontractor by a prime residential contractor for application
35 toward the contract price for labor, professional services,
36 materials, or equipment supplied by a potential lien claimant
37 other than the residential subcontractor were actually paid to a
38 potential lien claimant;

1 (b) The residential subcontractor has or should have had
2 knowledge of such use of amounts, unless the residential
3 subcontractor shows, by a preponderance of the evidence in
4 defending against the claimed lien, that he or she actually did
5 not know and had no reasonable opportunity to know of such use of
6 amounts; and

7 (c) The residential subcontractor owed the amount stated in
8 the recorded claim of lien when the residential subcontractor
9 applied for payment from the prime residential contractor.

10 (5) Nothing in this section requires a residential
11 subcontractor to create or maintain a separate account for each
12 residential homeowner.

13 **Sec. 5.** RECORDING; TIME; CONTENTS OF LIEN. RCW 60.04.091
14 and 1992 c 126 s 7 are each amended to read as follows:

15 Except as provided under subsection (3) of this section,
16 every person claiming a lien under RCW 60.04.021 shall file for
17 recording, in the county where the subject property is located, a
18 notice of claim of lien not later than ninety days after the
19 person has ceased to furnish labor, professional services,
20 materials, or equipment or the last date on which employee
21 benefit contributions were due. ((The notice of claim of lien:))

22 (1) The notice of claim of lien shall state in substance and
23 effect:

24 (a) The name, ((phone)) telephone number, and address of the
25 claimant;

26 (b) The first ((and)) date on which the claimant began to
27 perform labor, provide professional services, or supply material
28 or equipment or the first date on which employee benefits became
29 due;

30 (c) The last date on which the labor, professional services,
31 materials, or equipment was furnished or employee benefit
32 contributions were due;

33 ((+e)) (d) The name of the person indebted to the claimant;

34 ((+d)) (e) The street address, legal description, or other
35 description reasonably calculated to identify, for a person
36 familiar with the area, the location of the real property to be
37 charged with the lien;

1 ((+e)) (f) The name of the owner or reputed owner of the
2 property, if known, and, if not known, that fact shall be stated;
3 ((and

4 (+f)) (g) The principal amount for which the lien is claimed,
5 excluding any interest, late fees, costs, attorneys' fees, or
6 similar charges; and

7 (h) Whether the claimant is the assignee of the claim.

8 (2) The notice of claim of lien shall be signed by the
9 claimant or some person authorized to act on his or her behalf
10 who shall affirmatively state ((they have)) that he or she has
11 read or heard and understand the notice of claim of lien ((and)),
12 believe the ((notice of claim of lien)) contents to be true and
13 correct, and the lien is not frivolous and is not clearly
14 excessive, under penalty of perjury, and shall be acknowledged as
15 set forth in the form below, or pursuant to chapter 64.08 RCW.
16 If the lien has been assigned, the name of the assignee shall be
17 stated. Where an action to foreclose the lien has been commenced
18 such notice of claim of lien may be amended as pleadings may be
19 by order of the court insofar as the interests of third parties
20 are not adversely affected by such amendment. A claim of lien
21 substantially in the following form shall be sufficient:

22 CLAIM OF LIEN

23, claimant, vs, name of person
24 indebted to claimant:

25 Notice is hereby given that the person named below claims
26 a lien pursuant to chapter ((64.04)) 60.04 RCW. In
27 support of this lien the following information is
28 submitted:

29 1. NAME OF LIEN CLAIMANT:
30 TELEPHONE NUMBER:
31 ADDRESS:

32 2. DATE ON WHICH THE CLAIMANT BEGAN TO PERFORM
33 LABOR, PROVIDE PROFESSIONAL SERVICES, SUPPLY MATERIAL OR
34 EQUIPMENT OR THE DATE ON WHICH EMPLOYEE BENEFIT
35 CONTRIBUTIONS BECAME DUE:

36 3. NAME OF PERSON INDEBTED TO THE CLAIMANT:
37

1 4. DESCRIPTION OF THE PROPERTY AGAINST WHICH A
2 LIEN IS CLAIMED (Street address, legal description or
3 other information that will reasonably describe the
4 property):
5
6
7

8 5. NAME OF THE OWNER OR REPUTED OWNER (If not
9 known state "unknown"):

10 6. THE LAST DATE ON WHICH LABOR WAS PERFORMED;
11 PROFESSIONAL SERVICES WERE FURNISHED; CONTRIBUTIONS TO AN
12 EMPLOYEE BENEFIT PLAN WERE DUE; OR MATERIAL, OR EQUIPMENT
13 WAS FURNISHED:
14

15 7. PRINCIPAL AMOUNT FOR WHICH THE LIEN IS CLAIMED
16 ((IS)) (EXCLUDING INTEREST, LATE FEES, COLLECTION FEES,
17 LIEN RECORDING FEES, ATTORNEYS' FEES, OR OTHER COSTS OR
18 CHARGES OTHER THAN THE PRINCIPAL BALANCE OWED): . . .

19 8. IF THE CLAIMANT IS THE ASSIGNEE OF THIS CLAIM
20 SO STATE HERE:
21

. , Claimant
.
.
(Phone number, address,
city, and
state of claimant)

23 STATE OF WASHINGTON, COUNTY OF
24, ss.
25, being sworn, says: I am the claimant (~~(or attorney~~
26 ~~of the claimant, or administrator, representative, or agent of the~~
27 ~~trustees of an employee benefit plan)~~) or person authorized to act
28 on behalf of the claimant above named; I have read or heard and
29 understand the foregoing claim, read and know the contents thereof,

1 and believe the same to be true and correct and that the claim of
2 lien is not frivolous and is made with reasonable cause, and is not
3 clearly excessive under penalty of perjury.

4
5 Subscribed and sworn to before me this day of
6

7 (3) The period provided for recording the claim of lien is a
8 period of limitation and no action to foreclose a lien shall be
9 maintained unless the claim of lien is filed for recording within the
10 ninety-day period stated. The lien claimant shall give a copy of the
11 claim of lien to the owner or reputed owner by mailing it by
12 certified or registered mail or by personal service within fourteen
13 days of the time the claim of lien is filed for recording. Failure
14 to do so results in a forfeiture of any right the claimant may have
15 to attorneys' fees and costs against the owner under RCW 60.04.181.

16 (4) A lien claimant that, for any reason, includes any interest,
17 late fee, cost, attorneys' fees, or similar charges as part of the
18 principal amount for which the lien is claimed shall be deemed to
19 have waived any right under contract or otherwise to such charges,
20 and shall also forfeit any right the claimant may have to attorneys'
21 fees and costs against the owner under RCW 60.04.181.

22 **Sec. 6. FORECLOSURE.** RCW 60.04.171 and 1992 c 126 s 11 are each
23 amended to read as follows:

24 (1) The lien provided by this chapter, for which claims of lien
25 have been recorded, may be foreclosed and enforced by a civil action
26 in the court having jurisdiction in the manner prescribed for the
27 judicial foreclosure of a mortgage.

28 (a) Except as provided in (b) of this subsection, the court shall
29 have the power to order the sale of the property.

30 (b) In an action involving an improvement to an owner-occupied
31 single-family residence, the court may not order the sale of property
32 or removal of the improvement to the residence unless the court finds
33 that the lien claimant has made reasonable efforts to recover its
34 claim from the prime residential contractor or residential
35 subcontractor, and any sureties.

1 (2) In any action brought to foreclose a lien, the owner shall be
2 joined as a party. The interest in the real property of any person
3 who, prior to the commencement of the action, has a recorded interest
4 in the property, or any part thereof, shall not be foreclosed or
5 affected unless they are joined as a party.

6 (3) A person shall not begin an action to foreclose a lien upon
7 any property while a prior action begun to foreclose another lien on
8 the same property is pending, but if not made a party plaintiff or
9 defendant to the prior action, he or she may apply to the court to be
10 joined as a party thereto, and his or her lien may be foreclosed in
11 the same action. The filing of such application shall toll the
12 running of the period of limitation established by RCW 60.04.141
13 until disposition of the application or other time set by the court.
14 The court shall grant the application for joinder unless to do so
15 would create an undue delay or cause hardship which cannot be cured
16 by the imposition of costs or other conditions as the court deems
17 just. If a lien foreclosure action is filed during the pendency of
18 another such action, the court may, on its own motion or the motion
19 of any party, consolidate actions upon such terms and conditions as
20 the court deems just, unless to do so would create an undue delay or
21 cause hardship which cannot be cured by the imposition of costs or
22 other conditions. If consolidation of actions is not permissible
23 under this section, the lien foreclosure action filed during the
24 pendency of another such action shall not be dismissed if the filing
25 was the result of mistake, inadvertence, surprise, excusable neglect,
26 or irregularity. An action to foreclose a lien shall not be
27 dismissed at the instance of a plaintiff therein to the prejudice of
28 another party to the suit who claims a lien.

29 **Sec. 7.** INFORMATIONAL MATERIALS ON CONSTRUCTION LIEN LAWS;
30 COPIES; LIABILITY. RCW 60.04.255 and 1988 c 270 s 2 are each amended
31 to read as follows:

32 (1) Every real property lender shall provide a copy of the
33 informational material described in RCW 60.04.250 to all persons
34 obtaining loans, the proceeds of which are to be used for residential
35 construction or residential repair or remodeling.

36 (2) Every contractor shall provide a copy of the informational
37 material described in RCW 60.04.250 to customers required to receive
38 contractor disclosure notice under RCW 18.27.114.

1 (3) Before issuing building permits for improvements to single-
2 family residences of residential homeowners, every permitting agency
3 shall require residential homeowners to acknowledge personally and in
4 writing that they received a copy of the informational material
5 described in RCW 60.040.250. The permitting agency shall retain a
6 copy of such acknowledgments in the permitting agency's files
7 relating to the residential homeowners' permit applications.

8 (4) No cause of action may lie against the state, a real property
9 lender, ~~((or))~~ a contractor, or a permitting agency arising from the
10 provisions of RCW 60.04.250 and this section.

11 ~~((+4))~~ (5) For the purpose of this section, "real property
12 lender" means a bank, savings bank, savings and loan association,
13 credit union, mortgage company, or other corporation, association,
14 partnership, or individual that makes loans secured by real property
15 in this state.

16 NEW SECTION. Sec. 8. LEGISLATIVE TASK FORCE. (1) A joint
17 legislative task force is created to review laws governing mechanics'
18 and materialmen's liens, as set forth in chapter 60.04 RCW, and laws
19 governing contractor registration, as set forth in chapter 18.27 RCW,
20 and to consider how such laws can better protect residential
21 homeowners involved in the construction or remodeling of their homes.

22 (2) The task force membership shall consist of:

23 (a) One member from each caucus of the senate, appointed by the
24 president of the senate;

25 (b) One member from each caucus of the house of representatives,
26 appointed by the speaker of the house of representatives;

27 (c) Representatives of residential homeowners, prime residential
28 contractors, residential subcontractors, and suppliers appointed
29 jointly by the president of the senate and the speaker of the house
30 of representatives; and

31 (d) A representative of the department of labor and industries.

32 (3) The department shall cooperate with the task force and
33 provide such technical expertise as the task force chair may
34 reasonably require.

35 (4) The study shall review at least the following:

36 (a) Strategies for making residential homeowners more aware of
37 the potential for liens against their homes if prime residential

1 contractors fail to pay suppliers and residential subcontractors as
2 promised;

3 (b) Opportunities for helping residential homeowners become
4 better educated about ways to protect themselves from financial
5 mismanagement by prime residential contractors who do not comply with
6 industry standards for financial management; and

7 (c) Other proposals, including revisions to laws governing
8 mechanics' and materialmen's liens, to protect the interests of
9 residential homeowners and others involved in the construction or
10 remodeling of homes.

11 (5) The task force shall use legislative facilities and staff
12 from senate committee services and the office of program research.
13 Legislative members of the task force shall be reimbursed for travel
14 expenses in accordance with RCW 44.04.120. Nonlegislative members,
15 except those representing an employer or organization, are entitled
16 to be reimbursed for travel expenses in accordance with RCW 43.03.050
17 and 43.03.060, such reimbursement to be paid jointly by the senate
18 and the house of representatives.

19 (6) The task force shall report its findings and recommendations
20 to the legislature by December 1, 2005.

21 (7) This section expires April 1, 2006.

22 NEW SECTION. Sec. 9. CAPTIONS. Captions used in this act are
23 not any part of the law.

24 NEW SECTION. Sec. 10. EFFECTIVE DATES.

25 (1) Sections 2 through 7 of this act take effect July 1, 2006.

26 (2) Section 8 of this act is necessary for the immediate
27 preservation of the public peace, health, or safety, or support of
28 the state government and its existing public institutions, and takes
29 effect immediately."

30 Correct the title.

EFFECT:

Deletes provisions amending laws governing certain construction
liens and contractor registration, except:

- ∅ Provisions specifying the contents of the notice of lien; and
- ∅ Provisions requiring that, prior to ordering foreclosure, the court find that reasonable efforts were made to recover amounts not yet paid from the prime residential contractor or residential subcontractor.

Modifies findings to be consistent with sections establishing fiduciary duties and personal responsibility.

Modifies the definitions of prime residential contractor- and residential subcontractor- to limit the persons that may be held personally liable to the contractor and the contractor's principals, partners, officers, directors, members, vice principals, and certain agents with control over amounts received from residential homeowners.

Clarifies that prime residential contractors and residential subcontractors are personally liable only for lien claims involving violations of the fiduciary duties owed to residential homeowners.

Provides that, before issuing building permits for improvements to single-family residences of residential homeowners, permitting agencies must require residential homeowners to acknowledge personally and in writing that they received a copy of certain informational material about liens.

Moves new definitions to section containing other definitions used in laws governing certain construction liens.

Establishes a joint legislative task force to review laws governing certain construction liens and laws governing contractor registration, and to consider how such laws can better protect residential homeowners involved in the construction or remodeling of their homes; requires the task force/department to report its findings and recommendations to the legislature by December 1, 2005.

Makes other technical changes.