

What is an Owner-Builder? (Residential only)

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

See Laws and Regulations Business & Professions Code [section 7044](#) for more information.

Note: By law, anyone who contracts for or bids on a construction project valued at \$500 or more (total labor and materials) must be licensed by CSLB.

- The owner-builder does the work themselves or through their own employees with wages (state and federal taxes, worker's compensation insurance and other legal liabilities) as their sole compensation and the structure(s) is/are not intended for sale.
- The owner-builder contracts with a properly licensed subcontractor(s).
- The owner-builder contracts with a General Building ("B") contractor.
- All contractors not acting as employees of the owner must have a California Business License and a City of Placerville Business License to work with the city limits.
- Property owners are prohibited from performing well-drilling work covered under the Well Drilling (C-57) Classification.
- The owner-builder exemption would apply to an individual who builds homes for resale under any of the following conditions:
 - Licensed tradesmen are hired to perform all the work on the project (provided no more than four (4) structures per calendar year are intended for resale).
 - A licensed general contractor is hired to perform and/or subcontract the completion of all work on the project. (No restrictions on the number of structures completed per calendar year.)
 - The owner-builder performs the work, all or in part, and resides in the completed structure for one year prior to resale. (Applies to not more than two (2) structures in a three-year (3) period.)

ALERT! Be wary of "consultants" or unlicensed individuals who try and talk you into becoming an owner-builder as a way to save money. They are usually the ones who illegally profit from this arrangement.

- Do not be talked into pulling permits just so the contractor can avoid paying city business license fees. ALL contractors are required to have a city business license for every city and county they do work in.
- Pulling an owner-builder permit does not lower the cost of the permit fees. Permit fees are based on the valuation of the project (job cost = contract labor plus material costs). Not matter if you are performing all of the work or whether a contractor is performing the work the valuation will be the same. In most cases the number of inspections increases under an owner-builder permit when the owner performs all or part of the work. If the valuation comes in lower than the Building Official is willing to accept then they have the prerogative to determine the correct valuation cost.
- Owner-builders who obtain a permit must sign a disclosure and acceptance form PRIOR to applying for a permit ([Health and Safety Code 19825](#)).

[CSLB Licensing Classifications](#)

Business & Professions Code

Division 3, Chapter 9. Contractors, Article 4. Classifications

[7055](#). For the purpose of classification, the contracting business includes any or all of the following branches:

Print a complete list of the "Description of Classifications" or click the specific classification below for the individual description.

(A) [General Engineering Contractor](#)

(B) [General Building Contractor](#)

(C) [Specialty Contractor](#)

- [C-2 - Insulation and Acoustical Contractor](#)
- [C-4 - Boiler, Hot Water Heating and Steam Fitting Contractor](#)
- [C-5 - Framing and Rough Carpentry Contractor](#)
- [C-6 - Cabinet, Millwork and Finish Carpentry Contractor](#)
- [C-7 - Low Voltage Systems Contractor](#)
- [C-8 - Concrete Contractor](#)
- [C-9 - Drywall Contractor](#)
- [C10 - Electrical Contractor](#)
- [C11 - Elevator Contractor](#)
- [C12 - Earthwork and Paving Contractors](#)
- [C13 - Fencing Contractor](#)
- [C15 - Flooring and Floor Covering Contractors](#)
- [C16 - Fire Protection Contractor](#)
- [C17 - Glazing Contractor](#)
- [C20 - Warm-Air Heating, Ventilating and Air-Conditioning Contractor](#)
- [C21 - Building Moving/Demolition Contractor](#)
- [C22 - Asbestos Abatement Contractor](#)
- [C23 - Ornamental Metal Contractor](#)

- [C27 - Landscaping Contractor](#)
- [C28 - Lock and Security Equipment Contractor](#)
- [C29 - Masonry Contractor](#)
- [C31 - Construction Zone Traffic Control Contractor](#)
- [C32 - Parking and Highway Improvement Contractor](#)
- [C33 - Painting and Decorating Contractor](#)
- [C34 - Pipeline Contractor](#)
- [C35 - Lathing and Plastering Contractor](#)
- [C36 - Plumbing Contractor](#)
- [C38 - Refrigeration Contractor](#)
- [C39 - Roofing Contractor](#)
- [C42 - Sanitation System Contractor](#)
- [C43 - Sheet Metal Contractor](#)
- [C45 - Sign Contractor](#)
- [C46 - Solar Contractor](#)
- [C47 - General Manufactured Housing Contractor](#)
- [C50 - Reinforcing Steel Contractor](#)
- [C51 - Structural Steel Contractor](#)
- [C53 - Swimming Pool Contractor](#)
- [C54 - Ceramic and Mosaic Tile Contractor](#)
- [C55 - Water Conditioning Contractor](#)
- [C57 - Well Drilling Contractor](#)
- [C60 - Welding Contractor](#)
- [C-61 - Limited Specialty](#)

Certifications

Please note: Contractors with an asbestos certification can only perform abatement work within the license classification(s) they already hold. Hazardous substance removal certifications are only issued to contractors who hold an “A”, “B”, C-12, C-36, C-57, or C-61/D-40 contractor license.

- [ASB - Asbestos Certification](#)
- [HAZ - Hazardous Substance Removal Certification](#)

Considering Becoming an Owner-Builder?



Important information you need to know **BEFORE** pulling your permit!

The term “Owner-Builder” can mean three different things:
 “Owner as *Worker*”, “Owner as *Contractor*” or “Owner as *Employer*”

Understanding each has Benefits or Risk, and it is possible to combine them!

Hiring a California Licensed Contractor means you do not personally perform any of the construction work, the permit is not taken out in your name, you are not personally responsible for the construction and you are *not* an Owner-Builder. Instead, you become a “Customer” and California law provides you the benefit of protection from poor workmanship, failure to finish the job and financial risk due to worker injury.

Benefit/Risk: Highest Benefits and the Least amount of Risk

Owner-as-Worker is a type of Owner-Builder where you *personally perform* the construction work, the permit is taken out in your name and you are *personally responsible* for the construction management, knowledge, workmanship, and completion of the job. You benefit by not paying others to perform this work for you and your risk depends on your own ability to complete the job successfully.

Benefit/Risk: Possible Benefit with Low Financial Risk

Owner-as-Contractor is a type of Owner-Builder where you personally act as your own General Contractor, the permit is taken out in your name and you hire California licensed sub-contractors to perform portions of the construction work. **WARNING:** The benefit of protection provided by law when you hire only California licensed sub-contractors can turn to serious financial risk if you hire *unlicensed* contractors to perform *any* of the work.

Benefit/Risk: Possible Benefit and Significant Financial Risk

Owner-as-Employer is a type of Owner-Builder where you pay *any* unlicensed individual to perform *any* construction work valued at more than \$500.00, the permit is taken out in your name and you are personally responsible for their employment requirements, supervision, performance, safety and welfare while on your property. **WARNING:** Cost savings benefit can turn to serious financial risk if you fail to deduct *payroll taxes* or provide *workers compensation insurance* for each worker.

Benefit/Risk: Possible Benefit and Significant Financial Risk

(Health and Safety Code Section [19827](#)) The California Legislature declares an “urgent and statewide public interest in assuring” that contractors comply with Contractors’ License Law, Business and Professions Code and Workers’ Compensation Insurance requirements to ensure property owners are

informed about, and protected from the following when improving their residential property as Owner-Builders:

Fraudulent representation w Liability for worker's injuries w Liability for material and labor costs unpaid by contractors w Licensing requirements w Employers tax liabilities

There are over 20,000 consumer complaints filed each year. Many of the complaints relate to owner-builder projects and include workmanship and workers' compensation issues. Homeowners suffer financial harm due to defective workmanship and injured employees.

Some examples of what has occurred with Owner-Builder Permits:

Example 1: The homeowner received insurance money to rebuild their burned-down home.

- Owner-builder permit pulled to rebuild the dwelling.
- Owner hired an unlicensed contractor to rebuild the dwelling. The unlicensed contractor built a substandard structure and in the end the owner had to have the structure demolished and replaced.
- Estimated financial injury was \$225,000.
- Additional financial injury came when the IRS threatened to tax insurance payout if home was not completed by the end of the year.

Example 2: The homeowner hired their brother-in-law who had an active California Contractors License but filed an exemption from Workers' Compensation.

- Owner-builder hires brother-in-law to install a new roof.
- Employee falls and sustains multiple spinal and extremity fractures as well as a head injury.
- The owner-builder is now a defendant in a lawsuit for reimbursement for benefits paid to the injured worker.

Example 3: Employee of contractor without Workers' Compensation is hired by owner-builder to install a septic system and suffers an injury that results in a permanent disability.

- The owner-builder did not have a homeowner's insurance policy on the house against which to submit a claim.
- The owner-builder is now a defendant in a lawsuit for reimbursement for benefits paid to the injured worker.

Did you know – unlicensed persons frequently have the property owner obtain an "Owner-Builder" building permit that erroneously implies that the property owner is providing their own labor and material personally?

Did you know – your homeowner's insurance may not provide coverage for injuries sustained on your property by an unlicensed contractor and their employees?

Did you know – if you are considered an "employer" under state and federal law, you must register with the state and federal government, withhold payroll taxes, provide workers' compensation and disability insurance and contribute to unemployment compensation for each "employee"?

Did you know – that if you fail to abide by these laws you may be subject to serious financial risk?

Owners you need to beware and consider the risks before accepting full responsibility for your construction permit!