



## What You Should Know About **Hiring a Contractor, Remodeler, or Handyman**

Are you planning to hire someone to work on your home or property? **You need to Hire Smart.**

We don't usually think about financial risks when planning a home repair or remodeling project. Yet each year, L&I hears from hundreds of homeowners who've hired someone claiming to be a "contractor."

The vast majority of Washington contractors are honest, skilled, and focused on satisfying their customers. But they also would agree that consumers need to be careful. The financial consequence of a bad or abandoned job can be devastating for any homeowner.

### **What can you do to protect yourself? Make sure you hire a registered contractor.**

Contractors **ARE** required to be registered in Washington if they are:

- Doing any work that "adds to or subtracts from real estate."
- Providing advice or consultation on a construction project.
- Developing residential property or "flipping" houses.

Contractors **ARE NOT** required to be registered if they are providing services such as:

- Gutter cleaning.
- Pruning or lawn care.
- Window washing.



### **What is a registered contractor?**

A registered contractor must maintain a surety bond, have liability insurance, and have a Washington business license. All information is available online: [www.Contractors.Lni.wa.gov](http://www.Contractors.Lni.wa.gov).

Washington state *does not* require contractors to pass a competency or skills test to become registered (though L&I does test and license electricians and plumbers.) Still, it is not legal for anyone to perform work, advertise, or submit bids without being a registered contractor.

# How do bond and insurance requirements in Washington contractor laws help protect homeowners?

- **They give you financial recourse:** Required *bonds* give homeowners some financial recourse if the job is left unfinished or you are not satisfied with it. In these cases, you may take civil action in Superior Court against a contractor's bond. General contractors must post a \$12,000 bond, and specialty contractors, such as painters or landscapers, a \$6,000 bond.
- **They can cover damage:** The contractor's required general *liability insurance* coverage of \$50,000 covers damage to your property; the \$200,000 public liability insurance covers other personal damages.
- **They provide a 'known' business to work with:** A required current Washington *business license* ensures the contractor is not a 'fly by night' company and — if the contractor has employees — they are covered by workers' compensation insurance, obtained through L&I.

## **Note: You may ask to see your contractor's liability insurance policy**

This will help you verify what it covers. Many liability insurance policies for contractors include '*construction defect*' clauses and/or '*exclusions for work outside of the contractor's normal business practices*'. Reviewing your contractor's policy with your own insurance agent may be advisable, especially for larger projects.

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## Check out [www.ProtectMyHome.net](http://www.ProtectMyHome.net)

It's L&I's online toolbox for homeowners looking for the right contractor, where you can:

- Verify a contractor's Washington registration.
- Find out how long they've been registered and if they have workers' compensation insurance for any employees they may have on your property.
- Check for any pending or past legal actions against the contractor and their bonding company, other business names used in the past, and any past infractions.
- Download a copy of our *Hire Smart Worksheet*.
- Get step-by-step advice on how to hire a contractor.



## **Before you hire a contractor or remodeler:**

### **Hire smart. L&I can help.**

1. Verify their contractor registration.
2. Get three written bids.
3. Don't pay in full until the job gets done.

For more "Hire Smart" tips, go to:  
[www.ProtectMyHome.net](http://www.ProtectMyHome.net)

# If you hire a person who is *not* a registered contractor, be aware and manage the risks.

If you *do* decide to hire someone who is *not* a registered contractor, you *could* be considered that person's employer, with wage, tax, workers' comp, safety, and record-keeping requirements.

## To protect yourself from risk and liability — if you are *not* working with a registered contractor — be sure to:

- **Get workers' compensation insurance through L&I:** If your worker gets hurt, it will pay medical expenses and protect you from being sued. (See Page 4.)
- **Pay at least the minimum wage.** Find the current required hourly wage at [www.WorkplaceRights.Lni.wa.gov](http://www.WorkplaceRights.Lni.wa.gov).
- **Keep track of hours worked:** You must pay overtime after 40 hours in a given week. Also, if the worker later claims you failed to pay wages correctly, you will have a record.
- **Pay/withhold taxes due on the wages:**  
Go to [www.BizGuide.wa.gov](http://www.BizGuide.wa.gov) for information.

## Heads up! Don't pay twice.

Did you know that you, the property owner, are ultimately responsible for ensuring suppliers, subcontractors and workers are paid? If your contractor doesn't pay them, they have the right to file a lien on *your* property to obtain payment.

Learn more in Publication F625-017-000, *Facts About Construction Liens*.

## Be wary of contractors who:

- Provide credentials or references that can't be verified.
- Offer a special price only if you "sign today" or use other high-pressure sales techniques.
- Accept only cash, require large deposits or the entire cost upfront.
- Ask you to pay in their name, rather than the name of a business.
- Do not provide a written contract or complete bid.
- Ask you to pick up the building permit, usually a contractor requirement. (Permits are for your protection: they help ensure you'll meet building codes.)
- Offer exceptionally long warranties.
- Want to do most or all the work on weekends and after-hours.
- Give you an offer that sounds "too good to be true."

## Protect yourself with permits

Your contractor should obtain all the necessary permits. If you do the work yourself, you would need to check which permits are required and obtain them if necessary.

- **Building permits:** Contact your local county or city building department.
- **Electrical permits:** [www.ElecPermit.Lni.wa.gov](http://www.ElecPermit.Lni.wa.gov)
- **Manufactured homes permits:** L&I must approve plans and inspect both new and 'altered' manufactured/factory-assembled homes and recreational vehicles for safety. Call your local L&I office or go to [www.FAS.Lni.wa.gov](http://www.FAS.Lni.wa.gov).
- **Elevator permits** for any stair-lifter, pool lifting device or other conveyance. For information, call L&I's Elevator Program: 360-902-6130.

## If you do choose to open a workers' comp account, here's how:

If you are hiring people for new construction, remodeling work, or a property addition, and choose to have L&I workers' comp insurance for protection, here are the steps:

- Go to **www.BizGuide.wa.gov** and fill out a Master Business Application. Or visit any L&I or WA Dept. of Revenue Business Licensing Office to get an application in person. (Find a Revenue office: **www.bls.dor.wa.gov** or call 1-800-451-7985.)
- Make sure you check the box that asks if you are hiring workers.
- The application will be routed to L&I and an account manager will contact you to set up the workers' comp account. The entire process usually takes two weeks. Workers' comp premiums for construction workers vary (from under \$2 per hour to \$6 per hour or more for jobs with a higher risk of injury). The coverage provides full medical benefits for the worker if injured on your job.

**IMPORTANT:** Most homeowner policies do not cover workers, so if you decide to hire someone who is not a registered contractor, check with your insurance agent. If you don't have workers' comp coverage, you could be legally liable for a worker's injury costs and would be unprotected from lawsuits.

Call L&I's Employer Services program for more information: 360-902-4817.

## L&I has offices throughout Washington ready to help you

**Aberdeen:** 360-533-8200

**Port Angeles:** 360-417-2700

**Bellevue:** 425-990-1400

**Pullman:** 509-334-5296

**Bellingham:** 360-647-7300

**Seattle:** 206-515-2800

**Bremerton:** 360-415-4000

**Spokane:** 509-324-2600

**E. Wenatchee:** 509-886-6500

**Tacoma:** 253-596-3800

**Everett:** 425-290-1300

**Tukwila:** 206-835-1000

**Kelso:** 360-575-6900

**Tumwater:** 360-902-5799

**Kennewick:** 509-735-0100

**Vancouver:** 360-896-2300

**Moses Lake:** 509-764-6900

**Yakima:** 509-454-3700

**Mt. Vernon:** 360-416-3000

## More resources

### ► Office of the Attorney General, Washington State

*For consumer information or to file a complaint:*

Online: **www.ATG.wa.gov/consumer**

Phone: 1-800-551-4636

### ► Better Business Bureau

*To check out a business or file a complaint:*

Online: **www.bbb.org**

Phone: 206-431-2222 (western Washington)  
509-838-3841 (eastern Washington)

## Contractor information at L&I

■ **www.ProtectMyHome.net**

■ **www.HiringAContractor.Lni.wa.gov**

■ Call toll-free: 1-800-647-0982

*Other formats for persons with disabilities are available on request. Call 1-800-547-8367. TDD users, call 360-902-5797. L&I is an equal opportunity employer.*



ProtectMyHome.net

Start your ProtectMyHome

# Hire Smart Worksheet

## Five steps

1. Create a detailed plan.
2. Find potential contractors.
3. Check them out online and verify registration.  
*See Page 2*
4. Compare written bids.  
*See Page 3*
5. Finalize your written agreement—and be careful how and when you pay.

## Be wary of contractors who:

- Give you an offer that sounds “too good to be true.”
- Will accept only cash, want a very large deposit, or want payments made out to their own name, instead of a business.

## Step 1: Create a detailed plan for your project.

The better you can communicate to your contractor what you need, the less chance there will be for miscommunication or cost overruns.

### ▶ What would you *like* to do, versus what you *need* to do?

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### ▶ What's your budget? \_\_\_\_\_

### ▶ Start jotting down your ideas or make a sketch of your project below.

*Many homeowners collect magazine clippings, photos, material samples, and model numbers to show their contractors **upfront**. Visit home shows and showrooms, and collect concrete examples of your own. It will help prevent misunderstandings and help you clearly communicate what you want to accomplish.*

## Step 2: Find potential contractors.

You can get recommendations from trusted friends, work colleagues, insurance brokers, real estate agents, and local homebuilder associations. Interview several contractors. You will want to end up with at least three *written* bids from *registered* contractors.



# Hire Smart Worksheet

## Step 3: Check out potential contractors online.

Go to [www.HiringAContractor.Lni.wa.gov](http://www.HiringAContractor.Lni.wa.gov) to verify registration to ensure they are bonded, have liability insurance, and no outstanding infractions. Then check out their online reputation.

Potential contractor's name and business	Registered with L&I? Find out: <a href="http://www.HiringAContractor.Lni.wa.gov">www.HiringAContractor.Lni.wa.gov</a>	Get a <i>written</i> bid.	Did you collect three references you can verify? Call their customers. Go see the work.
1.	Registered with L&I? <input type="checkbox"/> Yes: # _____ <input type="checkbox"/> No  Online reputation okay? <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No  Amount: \$ _____	1. _____ 2. _____ 3. _____  Would they hire them again? <input type="checkbox"/> Yes <input type="checkbox"/> No
2.	Registered with L&I? <input type="checkbox"/> Yes: # _____ <input type="checkbox"/> No  Online reputation okay? <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No  Amount: \$ _____	1. _____ 2. _____ 3. _____  Would they hire them again? <input type="checkbox"/> Yes <input type="checkbox"/> No
3.	Registered with L&I? <input type="checkbox"/> Yes: # _____ <input type="checkbox"/> No  Online reputation okay? <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No  Amount: \$ _____	1. _____ 2. _____ 3. _____  Would they hire them again? <input type="checkbox"/> Yes <input type="checkbox"/> No
4.	Registered with L&I? <input type="checkbox"/> Yes: # _____ <input type="checkbox"/> No  Online reputation okay? <input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes <input type="checkbox"/> No  Amount: \$ _____	1. _____ 2. _____ 3. _____  Would they hire them again? <input type="checkbox"/> Yes <input type="checkbox"/> No



# Hire Smart Worksheet

## Step 4: Compare bids submitted by the *screened* contractors only.

Compare the written bids carefully. But don't just look for the lowest price!

Steps 5 & 6 

Screened contractors	Bid and deposit the contractor requests	Do start and end dates meet your schedule?	Are the materials/products <i>you</i> want specified in the bid?	Did they offer you a written warranty?
_____ Name  _____ Years in business	Bid: \$ _____  Deposit: \$ _____ / _____%	<input type="checkbox"/> Yes <input type="checkbox"/> No Completion deadline: _____	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes: _____ years <input type="checkbox"/> No
_____ Name  _____ Years in business	Bid: \$ _____  Deposit: \$ _____ / _____%	<input type="checkbox"/> Yes <input type="checkbox"/> No Completion deadline: _____	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes: _____ years <input type="checkbox"/> No
_____ Name  _____ Years in business	Bid: \$ _____  Deposit: \$ _____ / _____%	<input type="checkbox"/> Yes <input type="checkbox"/> No Completion deadline: _____	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes: _____ years <input type="checkbox"/> No
_____ Name  _____ Years in business	Bid: \$ _____  Deposit: \$ _____ / _____%	<input type="checkbox"/> Yes <input type="checkbox"/> No Completion deadline: _____	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> Yes: _____ years <input type="checkbox"/> No





# Hire Smart Worksheet

## Step 5: Finalize your written agreement with the chosen contractor:

\_\_\_\_\_ Name

- Review the contract, ask questions, and sign only when you're comfortable with it.** (Signed copy of written bid okay for small projects). Does the contract include required permits? Sales tax? Payment terms, retainage clause and final payment requirements? Specific description of work and materials? Any warranties? Start and end dates?
- Read, sign and get a copy of the *Notice to Customer*,** which informs you of your rights, including your “right to retainage” — a percentage of the contract price *you can withhold* until you are satisfied. Your contractor is required to provide this before work starts. Sample notice: [www.Lni.wa.gov/Forms/pdf/625030af.pdf](http://www.Lni.wa.gov/Forms/pdf/625030af.pdf)
- Don't make a large deposit or pay in cash. Then pay only as work is completed.**  
Example: Demolition complete? Make a payment. Framing done? Make a payment. Contractor requesting large deposit for materials? You *may* pay the supplier directly.
- Ask if there will be subcontractors.** Tell your contractors you expect only licensed companies on your project and will want a list of all subcontractors. (Use Page 2 to check them too.)
- Agree to a regular check-in plan — and how you'll handle any changes to your original bid or contract.** Check in by phone? Log book? Regular meetings? Make sure all change orders are in writing.

## Step 6: Before you make final payment

- Check with permitting departments to make sure your contractor has taken care of any required building, electrical, health or environmental permits,** as agreed. Then check that all inspections took place and that you have completed copies to document them.
- Obtain any lien waiver/release your contractor agreed earlier to provide.** These should be signed off by subcontractors and/or suppliers to *verify they have been paid for work* on your property. (A sample lien waiver can be found on the L&I website.)
- Make sure you are satisfied:** Do a final walk-through with the contractor to identify any remaining items that must be completed. (This is commonly referred to as a punch list.)

**Learn more about avoiding pitfalls — and how to hire the right contractor:**

[www.ProtectMyHome.net](http://www.ProtectMyHome.net) ■ 1-800-647-0982

**File a complaint against an unregistered construction contractor:**

[www.Lni.wa.gov/TradesLicensing/Contractors/ContractorFraud](http://www.Lni.wa.gov/TradesLicensing/Contractors/ContractorFraud) ■ 1-888-811-5974, option 1