



What is an Owner-Builder?

An owner-builder is what the term indicates: the person owns the property and acts as the general contractor on the job, and either does the work or has employees (or licensed subcontractors) work on the project.

Some homeowners believe they can save money by not hiring a licensed general contractor to oversee property improvements. Or, they try to save money by hiring unlicensed individuals and lying on the permit application by saying they, as homeowners, will do the work.

Unfortunately, most homeowners don't know they can face very serious legal and financial problems if they choose to be an owner-builder and don't follow the law.

Responsibilities of an Owner-Builder

When you sign a building permit application as an owner-builder, you assume full responsibility for all phases of your project and its integrity. You may be considered an employer if you hire unlicensed contractors to do the work. This could make you responsible for:

- Registering with the state and federal government as an employer;
- Withholding state and federal income taxes, Social Security taxes, paying disability insurance, and making employment compensation contributions; and
- Providing workers' compensation insurance.

Owner-builders are also responsible for:

- Supervising the job, including scheduling workers and obtaining building permits and requesting inspections;
- Correcting the work and getting it re-inspected if any of the construction doesn't pass building inspections; and
- Making sure all workers and material suppliers are paid, or face the possibility of mechanic's liens against their home or property.

Qualifications for Owner-Builders

For home improvements:

- The work site must be your principal residence that you have occupied for 12 months prior to completion of the work;
- The work must be performed prior to the sale of the home; and

- You cannot take advantage of the contractor license exemption on more than two structures during any three-year period.

For construction of new single-family residences:

- You are limited to selling four or fewer residential structures in one calendar year; and
- The work necessary to complete the project(s) must be performed by licensed subcontractors.

Note: The limitation on the number of structures that can be sold is not applicable if the owner contracts with a General Building (B) contractor for the performance of the work.

FOR MORE INFORMATION

FEDERAL

Internal Revenue Service
800.829.1040

U.S. Small Business Administration
800.359.1833

STATE

Employment Development Department
916.653.0707

Department of Industrial Relations
415.703.5070

Franchise Tax Board
800.852.5711