



ARIZONA REGISTRAR OF CONTRACTORS



Douglas A. Ducey, Governor

Jeff Fleetham, Director

Dear Residential Owner/Builder,

The Registrar of Contractors would like to inform you of the existing laws that may affect you if you are either contemplating or in the process of performing construction on a house or residence. Arizona Revised Statutes (A.R.S.) § 32-1121(A)(5) (the "Owner/Builder Exemption") provides an exemption in Arizona's licensing law that allows residential property owners to perform the work:

- A. Themselves, OR
- B. Jointly with their own employees, OR
- C. With duly licensed contractors.

However, the Owner/Builder Exemption does not apply if the structure or group of structures, including improvements, is intended for sale or rent. As an additional requirement, the construction project must be intended for occupancy solely by the owner.

If the property owner offers the structure(s) or property for sale or rent within 1 year of completion or issuance of a certificate of occupancy, then the Owner/Builder Exemption does not apply and the property owner may be charged with contracting without a license in violation of A.R.S. § 32-1151.

A property owner that undertakes a residential construction project under the Owner/Builder Exemption should also review other applicable federal, state and local rules regarding the duties, rights, and obligations of employers and employees, as the Owner/Builder Exemption does not relieve the property owner from complying with these laws. Specifically:

- A. Most employers must have federal and state employer identification numbers and pay unemployment compensation insurance.
- B. Most employers must deduct social security and federal income taxes from an employee's pay check and file quarterly or annual reports.
- C. Owner/Builders should also determine if their homeowner's insurance policy offers sufficient liability coverage, should the worker(s) be injured while performing work on the project.

Owner/Builders should contact the appropriate governmental agencies to ascertain their obligations when employing individuals.

You should be advised if you choose to maintain your own employees, the Registrar's office may not have jurisdiction in the event you file a future complaint, in which case you may not be eligible for the residential recovery fund.

If you have questions, please contact the Registrar of Contractors office at (602) 542-1525. Thank You.