

JAN 25 2006

A BILL FOR AN ACT

RELATING TO CONTRACTORS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:

1 SECTION 1. Throughout the past decade, a strong economy
2 and low interest rates have fueled booming construction and
3 housing industries in Hawaii. Large residential and commercial
4 real estate developments with high-profit margins are more
5 attractive to contractors than small home improvement and repair
6 projects.

7 Each year, however, homeowners spend an average of \$1,300
8 to \$1,900 on home improvement projects or products. Studies
9 from the Home Improvement Research Institute indicate there is a
10 growing market of consumers who do home improvements themselves.
11 This trend is also evident from the growing number of
12 do-it-yourself magazines and television show targeting
13 consumers.

14 Despite this do-it-yourself trend, Hawaii law requires that
15 a licensed contractor be hired for any construction work that is
16 more than \$1,000 or for which a building permit is required.
17 Commonly referred to as the handyman exemption,
18 section 444-2(4), Hawaii Revised Statutes, allows the hiring of



1 an unlicensed person if the total cost of the project, including
2 labor, materials, taxes, and all other items, is equal to or
3 less than \$1,000. This exemption has not been increased since
4 1992 when the cap was raised from \$100 to \$1,000.

5 This law is unrealistically low by today's standards,
6 especially because the exemption includes labor and materials.
7 According to the Consumer Price Index (CPI), prices of goods
8 have increased thirty per cent since 1992. The CPI Inflation
9 Calculator estimates that \$1,000 in 1992 has the same buying
10 power as \$1,420 today. Factoring in Hawaii's traditionally
11 higher cost of living, consumers now pay thirty to forty per
12 cent higher prices for materials related to their home
13 improvement and repair projects.

14 With the rising demand for and limited supply of general
15 contractors who take on home repair, remodeling and small
16 construction jobs, consumers are faced with inflationary bids or
17 endless delays because the size and nature of their projects
18 have lower priority and offer smaller profit margins. Finding a
19 licensed contractor is also difficult for homeowners in rural
20 communities. The legislature finds that there is a need to ease
21 the burden on consumers seeking a timely and affordable remedy



1 to their home repair projects and on the building industry to
2 accommodate small construction jobs.

3 The purpose of the Act is to raise the amount of the
4 handyman exemption from \$1,000 to \$3,500 to provide Hawaii
5 homeowners more affordable options to hiring reputable handymen.

6 SECTION 2. Section 444-2, Hawaii Revised Statutes, is
7 amended to read as follows:

8 "**§444-2 Exemptions.** This chapter shall not apply to:

- 9 (1) Officers and employees of the United States, the
10 State, or any county while in the performance of their
11 governmental duties;
- 12 (2) Any person acting as a receiver, trustee in
13 bankruptcy, personal representative, or any other
14 person acting under any order or authorization of any
15 court;
- 16 (3) A person who sells or installs any finished products,
17 materials, or articles of merchandise that are not
18 actually fabricated into and do not become a permanent
19 fixed part of the structure, or to the construction,
20 alteration, improvement, or repair of personal
21 property;



- 1 (4) Any project or operation for which the aggregate
2 contract price for labor, materials, taxes, and all
3 other items is not more than [~~\$1,000.~~] \$3,500. This
4 exemption shall not apply in any case where a building
5 permit is required regardless of the aggregate
6 contract price, nor where the undertaking is only a
7 part of a larger or major project or operation,
8 whether undertaken by the same or a different
9 contractor or in which a division of the project or
10 operation is made in contracts of amounts not more
11 than [~~\$1,000~~] \$3,500 for the purpose of evading this
12 chapter or otherwise;
- 13 (5) A registered architect or professional engineer acting
14 solely in the person's professional capacity;
- 15 (6) Any person who engages in the activities regulated in
16 this chapter as an employee with wages as the person's
17 sole compensation;
- 18 (7) Owners or lessees of property who build or improve
19 residential, farm, industrial, or commercial buildings
20 or structures on property for their own use, or for
21 use by their grandparents, parents, siblings, or
22 children and who do not offer the buildings or



1 structures for sale or lease; provided that this
2 exemption shall not apply to electrical or plumbing
3 work that must be performed only by persons or
4 entities licensed under this chapter, or to the owner
5 or lessee of the property if the owner or lessee is
6 licensed under chapter 448E. In all actions brought
7 under this paragraph, proof of the sale or lease, or
8 offering for sale or lease, of the structure not more
9 than one year after completion is prima facie evidence
10 that the construction or improvement of the structure
11 was undertaken for the purpose of sale or lease;
12 provided that this provision shall not apply to
13 residential properties sold or leased to employees of
14 the owner or lessee; provided further that in order to
15 qualify for this exemption the owner or lessee must
16 register for the exemptions as provided in section
17 444-9.1. Any owner or lessee of property found to
18 have violated this paragraph shall not be permitted to
19 engage in any activities pursuant to this paragraph or
20 to register under section 444-9.1 for a period of
21 three years. There is a presumption that an owner or
22 lessee has violated this section, when the owner or



1 lessee obtains an exemption from the licensing
2 requirements of section 444-9 more than once in two
3 years;

4 (8) Any joint venture if all members thereof hold licenses
5 issued under this chapter;

6 (9) Any project or operation where it is determined by the
7 board that less than ten persons are qualified to
8 perform the work in question and that the work does
9 not pose a potential danger to public health, safety,
10 and welfare; or

11 (10) Any public works project that requires additional
12 qualifications beyond those established by the
13 licensing law and which is deemed necessary and in the
14 public interest by the contracting agency."

15 SECTION 3. Statutory material to be repealed is bracketed
16 and stricken. New statutory material is underscored.

17 SECTION 4. This Act shall take effect upon its approval.

18 INTRODUCED BY: Runees. Koh B/R

19

SB. NO. 2909

Report Title:

Contractors; Exemption

Description:

Raises the amount for the handyman exemption from an aggregate contract of \$1,000 to \$3,500.

