

**ACT 283**

S.B. NO. 767

A Bill for an Act Relating to Contractors.

*Be It Enacted by the Legislature of the State of Hawaii:*

SECTION 1. The legislature finds that chapter 444, Hawaii Revised Statutes, requires that a licensed contractor be hired for any construction work that costs more than \$1,000 or that requires a building permit. However, the handyman exemption to chapter 444, Hawaii Revised Statutes, allows the hiring of a person not licensed as a contractor if the total value of the project, including labor and materials, is equal to or less than \$1,000.

The legislature further finds that as housing costs have increased in Hawaii, the cost of housing materials has also increased. As a result, small home repair projects may easily exceed \$1,000. Additionally, Act 195, Session Laws of Hawaii 2009, increased the monetary sanctions for engaging in contracting without the required license in violation of the contractors licensing law. Fines were increased from \$500 to \$2,500 for the first offense and from \$1,000 to \$3,500 for the second offense. This represents a fivefold increase in the amount of the first offense fine and over a threefold increase in the second offense fine.

Despite an increase in costs and a shortage of licensed contractors, the handyman exemption amount has not been increased since 1992. Accordingly, the legislature finds that in order to combat high housing costs, the handyman exemption should be expanded to provide faster, easier access to construction services for smaller projects.

The legislature finds that it is necessary to raise the handyman exemption for several reasons. First, increasing the exemption threshold brings the exemption more in line with the increased fines imposed by Act 195 and reduces that law's potential impact on handymen who take on small projects in good faith and face rising materials costs. Second, raising the handyman exemption will help landlords and homeowners reduce the costs of maintaining a home or for repairs to make rentals marketable. Third, in rural parts of the State, it is often difficult to find licensed contractors for these projects because the job is either too small or contractors are not available. Finally, if the exemption threshold remains as it is, senior citizens who are unable to find contractors may be forced to attempt dangerous repairs themselves, thereby placing senior citizen homeowners at risk of injury.

The purpose of this Act is to broaden the contractor licensing law's handyman exemption threshold amount by removing all costs other than labor and materials from its calculation and raising the amount to \$1,500.

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

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

- (1) Officers and employees of the United States, the State, or any county while in the performance of their governmental duties;
- (2) Any person acting as a receiver, trustee in bankruptcy, personal representative, or any other person acting under any order or authorization of any court;
- (3) A person who sells or installs any finished products, materials, or articles of merchandise that are not actually fabricated into and do not become a permanent fixed part of the structure, or to the construction, alteration, improvement, or repair of personal property;
- (4) Any project or operation for which the aggregate contract price for labor[.] and materials[, taxes, and all other items] is not more than [~~\$1,000.~~] \$1,500. This exemption shall not apply in any case where a building permit is required regardless of the aggregate contract price, nor where the undertaking is only a part of a larger or major project or operation, whether undertaken by the same or a different contractor or in which a division of the project or operation is made in contracts of amounts not more than [~~\$1,000~~] \$1,500 for the purpose of evading this chapter or otherwise;
- (5) A registered architect or professional engineer acting solely in the person's professional capacity;
- (6) Any person who engages in the activities regulated in this chapter as an employee with wages as the person's sole compensation;
- (7) Owner-builders exempted under section 444-2.5;
- (8) Any joint venture if all members thereof hold licenses issued under this chapter;
- (9) Any project or operation where it is determined by the board that less than ten persons are qualified to perform the work in question and that the work does not pose a potential danger to public health, safety, and welfare; or
- (10) Any public works project that requires additional qualifications beyond those established by the licensing law and which is deemed necessary and in the public interest by the contracting agency."

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

**SECTION 4.** This Act shall take effect on July 1, 2019.

(Became law on July 9, 2019, without the governor's signature, pursuant to Art. III, §16, State Constitution.)