OREGON CONSTRUCTION CONTRACTORS BOARD

Guide to becoming a licensed contractor

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Welcome to the Oregon Construction Contractors Board's Guide to Licensing. This guide provides basic information and a checklist to guide you through the process of licensing a construction contracting business.

How to get started
Many contractors start by working in construction. Some study construction and business management. Tradespeople like electricians and plumbers complete courses, serve an apprenticeship and obtain a license from the Building Codes Division as well as the CCB.

Regardless of how you reached the decision to operate your own construction business, we want to help you through the CCB's licensing process.

Eligibility Requirements

- You must be at least 18 years old to be a contractor in Oregon.
- Each license is issued to only one business.
- To obtain a license as a commercial contractor, a business must have owners or employees with construction experience.
- A person with unpaid construction debts may not be qualified to be licensed.
- Certain criminal convictions may result in denial of a license.

LICENSING CHECKLIST

1. ☐ **Set up a business.**
   - ☐ Select and create business (sole proprietorship, partnership, corporation, LLC)
   - ☐ Select business name (check availability with OR Secretary of State -www.filinginoregon.com)
   - ☐ Register business (except sole proprietorship or partnership) and/or business name with Oregon Secretary of State at filinginoregon.com

2. ☐ **Designate one or more individuals as the responsible managing individual (RMI)**, if required**.**
   - ☐ Have individual(s) complete 16-hour training
   - ☐ Have individual(s) take and pass test

3. ☐ **Decide which contractor's license you need.**

   Types of structure:
   - ☐ Residential
   - ☐ Commercial
   - ☐ Residential and commercial

   Type of work:
   - ☐ General contracting
   - ☐ Specialty contracting
   - ☐ Limited or restricted contracting

4. ☐ **Select appropriate license endorsement:**

   Residential:
   - ☐ Residential general contractor
   - ☐ Residential limited contractor
   - ☐ Residential locksmith services contractor
   - ☐ Home services contractor
   - ☐ Residential specialty contractor
   - ☐ Residential developer
   - ☐ Home inspector services contractor
   - ☐ Home energy performance score contractor

   Commercial:
   - ☐ Commercial general contractor level 1
   - ☐ Commercial general contractor level 2
   - ☐ Commercial developer
   - ☐ Commercial specialty contractor level 1
   - ☐ Commercial specialty contractor level 2

   Lead-based paint renovator's license:
   - ☐ Decide if you will work on pre-1978 homes and need a special lead license

5. ☐ **Determine if the business will have employees. If so,**
   - ☐ Obtain workers' compensation coverage and identification information.
   - ☐ Obtain federal employee identification number (EIN), if required.
   - ☐ Obtain state business identification number (BIN), if required.

6. ☐ **Obtain surety bond using exact name as registered with Secretary of State.**

7. ☐ **Obtain liability insurance using exact name as registered with Secretary of State and with the CCB listed as certificate holder.**

8. ☐ **Complete license application.**
   - ☐ Fill out appropriate parts of the application based on business type and other information
   - ☐ Submit application form with:
     - ☐ Surety bond
     - ☐ Copy of Test Score Report
     - ☐ Certificate of insurance
     - ☐ $325 for two-year license

Setting up a Business

Before applying for a license, you need to set up your business. You may form a business in many different ways. For example, you may choose to simply operate on your own without a formal business structure. This is a sole proprietorship. Or, you may choose to operate with others based on an agreement between yourselves. This is a partnership. Or, you may want a more formal business structure such as a corporation or limited liability company (LLC).

There are pros and cons for each type of business structure. An excellent resource for starting a business – including selecting a business structure and registration requirements – is the Business Xpress website at http://sos.oregon.gov/business/Pages/business-information-center.aspx.

By the way, if your company uses any name other than the full legal name of the sole proprietors, partners or business, you must register your assumed business name with the Secretary of State.

Based on CCB's data, construction contractors generally set up the following types of businesses:

- Corporation: 39 percent of licensed contractors
- Sole proprietorship: 32 percent of licensed contractors
- Limited liability company: 27 percent of licensed contractors

Many business owners consult an attorney or accountant to help decide which business structure is best for them.

Responsible Managing Individual

Most contractors must have at least one Responsible Managing Individual (RMI). An RMI must be an owner of the business or an employee who exercises management or supervisory authority in the business.
Most endorsements require that an RMI complete training and pass a test. (See charts.)

About the Training
For most licenses, an RMI must complete a 16-hour training course. You can take a course in person, online or in another format. The CCB approves providers who offer the training. You can find a provider on CCB's website.

The test is based on the NASCLA Contractors Guide to Business, Law and Project Management (Oregon version). The CCB website lists the current edition. Once you finish the training, the provider notifies the test administrator and you can schedule the test.

About the Test
The test is open book. However, the RMI may use only the approved manual. Test takers may not take loose paper into the testing facility or write in the manual during the test. It is permissible to make notes in the manual before coming into the testing facility.

Your RMI will get a test score immediately after completing the test. A passing score is 70 percent. If the RMI passes, your business may apply for a license. If the RMI fails, he or she may test again. You must apply for a CCB license within two years of passing the test. Include a copy of your Test Score Report with your application.

Decide what Type of Work to Perform.

1. **What Type of Structure Will You Be Working On?**

- If you only intend to work on residential structures and small commercial structures, complete the ***Application Form for Residential License***.
- If you only intend to work on small commercial structures and large commercial structures, complete the ***Application Form for Commercial License.***
- If you intend to work on all three types of structures, complete the ***Application Form for Residential and Commercial License.***

The following chart lists structure types.

Type of structure	Description	Examples
Residential structure	• A site-built home • A structure that contains one or more dwelling units and is four stories or less above grade • A condominium, rental residential unit or other residential dwelling unit that is part of a larger structure, if the property interest in the unit is separate from the property interest in the larger structure • A modular home constructed off-site • A manufactured dwelling • A floating home	• Single-family residence • Apartment complex or condos 4 stories or less • Individual units in a high-rise building
Small commercial structure	• A non-residential structure 10,000 square feet or less and is not more than 20 feet high OR • A non-residential unit that is part of a larger structure, if the unit has 12,000 square feet or less and is not more than 20 feet high OR • A non-residential structure of any size for which the entire contract of all construction work to be performed on the structure is $250,000 or less.	• 7-11 stores • Gas stations • Fast food restaurants • Tenant space in malls • Under $250,000 construction projects
Large commercial structure	Any structure that is not a residential structure or small commercial structure.	• Apartment or condos buildings 5+ stories • Hospitals • Parking garages • Shopping malls • Manufacturing facilities

2. What is Your Role? Scope of Work?

- ☐ Are you going to oversee the entire job and arrange for subcontractors? If so, you will be a general contractor.
- ☐ Are you going to limit your operations to one or two specialty practices? If so, you will be a specialty contractor.
- ☐ Are you going to limit your work to contracts of less than $5,000 and annual earnings of no more than $40,000 in gross volume? If so, you will be a limited contractor.
- ☐ Do you own or have an interest in property and plan to arrange the jobs, hire licensed contractors but do none of the work? If so, you will be a developer.

The following chart lists job roles and their scope of work.

Job Role	Scope of work	Limits or Exceptions
General contractor	May supervise, arrange for, or perform an unlimited number of unrelated building trades.	No limits.
Specialty contractor	May perform work involving only one or two unrelated building trades.	The building trades may change from job to job.
Limited contractor (residential only)	May supervise, arrange for, or perform any number of unrelated building trades involving ONLY residential or small commercial structures.	A residential limited contractor may not: • Perform work exceeding $40,000 in gross annual volume; or • Enter into contracts to perform work in excess of $5,000 per job site per year.
Developer	These contractors: • Own the property or an interest in the property being developed. • Arrange for construction work or improvement of the property, with the intent to sell the property. • Act in association with one or more licensed general contractors who oversee all phases of construction on the property.	A developer may not perform any actual construction work on the property.

Select the Appropriate License Endorsement

Once you figure out the structure type and job role/scope of work, select an endorsement(s) for your license. You may select one residential endorsement and/or one commercial endorsement for the same license. The following charts show each endorsement type together with bond, insurance and other information.

Residential Endorsements

Classification	Bond	Insurance	Other
Residential General Contractor (RGC)	$20,000	$500,000 per occurrence	Training and test required.
Residential Specialty Contractor (RSC)	$15,000	$300,000 per occurrence	Training and test required.
Residential Limited Contractor (RLC)	$10,000	$100,000 per occurrence	Training and test required.
Residential Developer (RD)	$20,000	$500,000 per occurrence	No training and test required.

Restricted Residential Endorsements

Classification	Bond	Insurance	Other
Home Services Contractor (HSC)	$10,000	$100,000 per occurrence	No training and test required. May ONLY operate business offering service, repair or replacement under a home services warranty.
Residential Locksmith Services Contractor (RLSC)	$10,000	$100,000 per occurrence	No training and test required. May ONLY operate a business offering locksmith services. Must have an owner or employee who is certified as a locksmith.
Home Inspector Services Contractor (HISC)	$10,000	$100,000 per occurrence	No training and test required. May ONLY operate a business offering home inspector services. Must have an owner or employee who is certified as a home inspector.
Home Energy Performance Score Contractor (HEPSC)	$10,000	$100,000 per occurrence	No training and test required. May ONLY operate a business issuing home energy performance scores. Must have an owner or employee certified as a home energy assessor.
Residential Restoration Contractors (RRC)	$10,000	$100,000 per occurrence	No training and test required. May ONLY operate a business providing restoration work.

Commercial Endorsements

Classification	Bond	Insurance	Other
Commercial General Contractor – Level 1 (CGC1)	$75,000	$2 million aggregate	8 years of construction experience; training and test required.
Commercial General Contractor – Level 2 (CGC2)	$20,000	$1 million aggregate	4 years of construction experience; training and test required.
Commercial Specialty Contractor – Level 1 (CSC1)	$50,000	$1 million aggregate	8 years of construction experience; training and test required.
Commercial Specialty Contractor – Level 2 (CSC2)	$20,000	$500,000 per occurrence	4 years of construction experience; training and test required.
Commercial Developer (CD)	$20,000	$500,000 per occurrence	No experience, training or test required.

Note: Level 1 and Level 2 commercial contractors may perform the same work

Commercial Contractor Experience Requirements
The experience requirement refers to years of experience that one or more "key employees" must have. "Key employee" means an owner or employee who is a corporate officer, manager, superintendent, foreperson, lead person or any other person who exercise management or supervisory authority over the business' construction activities.

Qualifying experience includes:

- Years worked as a licensed contractor, journeyman, foreperson or supervisor or as any other employee engaged in construction work for a licensed contractor.
- Completing an apprenticeship program may substitute for up to three years of experience.
- A bachelor's degree in a construction-related field may substitute for up to three years of experience.
- A bachelor's degree or master's degree in business, finance or economics may substitute for up to two years of experience.
- An associate's degree in construction or building management may substitute for up to one year of experience.

Employment Requirements

As you complete the CCB application, you will notice questions about employees. Generally, a contractor that has employees is nonexempt and must provide workers' compensation insurance. A contractor that does not have employees is exempt and does not need workers' compensation insurance.

There are some exceptions to this general rule:

→ If a contractor applies for a commercial endorsement, the contractor must have "personal election" workers' compensation insurance even if the contractor does not have employees. Contact your insurance agent or company about this product.

→ If a contractor uses leased employees, the contractor must have workers' compensation insurance. Generally, this means providing the CCB with the name and number of the licensed worker leasing company's policy. Contact your leasing company for this information.

In addition to workers' compensation insurance, a contractor with employees must also obtain employer account numbers. These numbers are used for payroll taxes. If you have employees, you will likely need to provide these numbers.

- The Oregon Business Identification Number (BIN). Obtain this number from the Oregon Department of Revenue.
- The federal Employer Identification Number (EIN). Obtain this number from the Internal Revenue Service (IRS).

Obtain and Submit Surety Bond

You must submit a surety bond with your completed application. The amount of the bond depends on the endorsement(s) you choose. (See tables.) If you apply for both a residential and a commercial endorsement, you must submit two surety bonds. The bond(s) is continuous until canceled.

Many insurance companies offer contractor bonds. The price varies depending on the bond amount and your credit rating. You can contact your insurance agent, consult online listings or refer to a phone directory to find a bonding company.

If you plan to work on public works projects with a total project cost of more than $100,000, you must also obtain a public works bond.

Obtain and Submit Certificate of Insurance

You must submit a certificate of insurance with your completed application. The insurance must cover general liability, personal injury and property damage. It must also include "products and completed operations coverage." The amount of insurance must be at least the amount indicated for the selected endorsement. (See tables.) If you apply for both a residential and a commercial endorsement, you only need to submit one certificate of insurance – in the higher of the two amounts.

Tip: To avoid delays in processing your application, see the CCB website for proper formats for bond and insurance forms.

Many insurance companies offer contractor insurance. Insurance prices vary depending on the amount of insurance needed and other factors. Compare prices from different companies and make sure you understand what your policy covers and excludes. You can contact your insurance agent, consult online listings or refer to a phone directory to find an insurance company.

Submit Application Fee

The construction contractor application fee is $325 for a two-year license. You can pay by credit card, debit card, personal check or money order. The CCB does not accept cash.

Costs to Become Licensed

In addition to the costs to set up your business, there are also costs to obtain a contractor's license. You need sufficient cash to pay these expenses at the outset.

CCB offices in downtown Salem

Item	Paid to	Cost
16-hour training	Training provider	$125-$175 for self-study (online or materials mailed); $300-$500 for live classes.
Test	Testing vendor	$60
Surety bond	Bonding company	Varies*
Insurance policy	Insurance company	Varies**
Application fee (2 years)	Construction Contractors Board	$325

* For a business with good credit, the bond might cost between 1% and 3% of the bond amount (e.g., at 2%, a $15,000 bond will cost $300). A business with poor credit might expect to pay between 5% and 15% of the bond amount.

** At least one company estimates contractor's insurance between $380 and $1,380. (These are annual premiums).

Lead license

Oregon enforces federal regulations for contractors working on housing or child-occupied facilities (daycare centers, for example) built before 1978. Under these requirements, only contractors that hold a special license can bid or work on pre-1978 homes that disturb lead paint.

Renovation means modifying any structure or part of a structure that disturbs more than:

- **six square feet of painted surface per room for interior work or**
- **20 square feet of painted surface for exterior work.**

This includes projects involving flooring, windows, gutters, siding, and painting. Window replacement is considered renovation.

To work legally on pre-1978 renovation projects that disturb lead paint you must:

- **Complete a training class approved by the Oregon Health Authority**
- **Obtain a special Lead-Based Paint Renovation License from the CCB.**

Construction Contractors Board

201 High St. SE, Suite 600
503-378-4621 | Fax 503-373-2007
www.oregon.gov/ccb