

What Do I Need To Know To Become A Licensed Contractor?

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Dear Ask the Attorney:

For many years, I was an employee for a home improvement contractor. Superstorm Sandy has increased the business a lot and since I hate my boss, I am thinking about opening my own business. In addition to forming a company, I know that there are a lot of specialized things I need to do in order to become a licensed home improvement contractor. Can you let me know what I need to do?

Thanks,

T.A.

Dear T.A.

Starting a new business is exciting and frightening at the same time. Often, people do not realize what is involved in starting a business. Asking this question is a good start.

The first step is the formation of a business entity for your new business. You should consult with an attorney before doing so. There are several different types of entities (corporation, LLC, etc.) that you can elect to form. Each one has varying legal and tax ramifications which an attorney can explain to

you.

In New Jersey, the Home Improvement Practices Rules regulate home repair contractors. These Rules are enforced by the Consumer Fraud Act. Under this act, “home improvement” is defined very broadly and includes most contractors and landscapers.

Home improvement contractors must register with the New Jersey Division of Consumer Affairs and pay the appropriate registration fee. Once registered, each home improvement contractor must display his or her registration number on all advertisements, business documents, contracts and communications with home improvement consumers.

In addition to registering, all home improvement contractors must have a commercial general liability policy with coverage of at least \$500,000 per occurrence during the registration period and provide a copy of the insurance certificate to the Division of Consumer Affairs.

The obligations of New Jersey contractors do not end with registration.

A home improvement contract includes written and/or oral promises made between a contractor and owner of residential or non-commercial property. However, all home improvement contracts exceeding \$500.00 **must** be in writing, signed by the parties, and accurately set forth the terms and conditions of the contract. All home improvement consumers have a right to cancel a home improvement contract for any reason before midnight of the third business day after the consumer receives a copy.

The contract must include the following:

1. Your legal name (business) and address;
2. A description of the work to be performed;

3. Products or materials to be used;
4. Total price;
5. Start and end dates;
6. Warranties and/or guarantees;
7. Written and signed change orders; and
8. A copy of your certificate of insurance affixed to the contract.

These are just a few of the requirements with which all home improvement contractors must comply. Numerous articles and chapters of books have been written on all of the obligations which home improvement contractors must meet in order to stay in compliance with the Home Improvement Practices/Consumer Fraud Act of New Jersey. . Remember, not registering as a home improvement contractor does not absolve you of these obligations. A knowing failure to register is a fourth degree crime. Violations of the Consumer Fraud Act can subject you to a consumer's damages, attorney's fees and costs. Violations can result in treble (three times) damages as a penalty.

Adherence to the Home Improvement Practices/Consumer Fraud Act is every bit as important as registration. It is always a good idea to sit down with an attorney and discuss what your business is, what you are trying to accomplish and determine what you need to do to meet your expectations. Adherence to the rules of the road is the best way to ensure a successful new business.