



Tennessee
Board for Licensing Contractors
<http://www.tn.gov/regboards/contractors.html>

RENEWAL SUPPLEMENTAL INFORMATION

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Renewal Instructions

Condensed Renewal Form

Effective November, 2012, the renewal form was simplified and condensed to two (2) pages. Optional forms, those not required by all contractors, were removed. For those who prefer to use these forms, we will continue to provide these on our website. A contractor must continue to provide a financial statement, proof of insurance and any other attachments when required (personal financial with guaranty agreement to support limit, bond form for those to use in lieu of the guaranty, explanation of convictions, judgments or complaints). For those contractors with a monetary limit of less than \$3,000,000, you may continue to use the Board's balance sheet form as a financial statement, this is still available (see page 13) or you may print from the Board's "Forms and Downloads" *NOTICE OF RENEWAL* form by clicking this link:

[Notice of Renewal](#)

Online Renewals for Contractors

The online renewal process is now available for contractor licensees; however, it only allows a means to **partially renew**. The online renewal will offer a means to answer the renewal form questions and pay the license fee by credit card, however, you will still be responsible for sending the financial statement, proof of insurance, and any applicable disclosures. These may be sent either by email; fax or mail. Our IT personnel is continuing to work on improving the online process, and hopefully, there will soon be a means to submit all of the renewal documents and fee together.

Renewal Issuance

When turning in a renewal, please allow for up to 30 days for the Board to process your license renewal. If you do not receive a renewal form in the mail (these are mailed out 90 days prior to expiration), you may download from the Board's website or use the online renewal process. State mail is typically not forwarded; therefore, always contact the Board in writing to notify us of an address change or you may use the form on the website at: <http://www.tn.gov/commerce/boards/regboards/contractors/forms/ContAddressChangeForm.pdf> or notifying the renewal section by email at: Contractor.Renewal@tn.gov Contractors may check the Board's website "Verify a License" to review for updated expiration dates at: <http://verify.tn.gov>

Most Common Renewal Problems

The following are the most common errors causing delay in issuing a renewal:

I. Financial Statement Problems

- Not in the exact name as licensed
- Not current (more than 14 months) and would need an updated statement **or** provide a letter explaining corporate year end delays for those required to use a CPA, and provide a copy of the most current statement available.
- Working Capital and/or Net Worth do not support monetary limit (formula is 10%)
 - For example, a contractor with a monetary limit of \$500,000 would need to show a minimum of \$50,000 in both working capital and net worth; or 50% of net worth in the amount of \$1,000,000 would qualify pursuant Rule 0680-1-.13.
 - Options to supplement Working Capital and/or Net Worth include:
 - ▶ Lower monetary limit to a lesser amount;
 - ▶ Supply a "Line of Credit" to supplement working capital;
 - ▶ Indemnity - Provide personal or corporate/parent supplemental financial statement with Guaranty Agreement; or
 - In lieu of the Guaranty Agreement, a "Contractor's License Bond" may be utilized (*still requires supplemental financial statement*)
 - See website of "Contractor's License Bond" format (only two amounts available; \$500,000 and \$1,000,000)

II. Insurance (Workers Compensation and General Liability)

- Expired coverage
- Failed to submit proof of WC coverage or exemptions for employees, owners and officers
- Failed to submit the minimum amount of coverage of general liability

- Corporate officers are considered employees and must either supply proof of coverage or exemption showing registration as a "Construction Services Provider" with

- o the Tennessee Secretary of State's office
- o Out of state contractors, their Workers' Compensation insurance does not cover working in Tennessee. To confirm coverage, check with the Division of Workers' Compensation link at: <https://www.ewccv.com/cvs/> or with Tennessee Labor and Workforce at: <http://www.tn.gov/labor-wfd/wcomp.html>

III. Contactors Affidavit Incomplete (*Does not apply to online renewals*)

- o Did not sign or was not notarized
- o Did not answer all questions

IV. Failed to include late fees; or must reinstate (no renewal rights)

- o Late fees assessed at \$20.00 each month
 - Renewal received more than 7 days after the expiration date
 - Considered "Delinquent" when received late
- o Renewal received more than 12 months after the expiration date
 - Must complete new application process to reinstate for a license expired more than 12 months

V. Mode of Operation / Inactive with Tennessee Secretary of State

- o All Corporations, LLCs, and Limited Partnership licensees must be active and may check at Secretary of State's Website: <http://tn.gov/sos/business-services>
- o Change in Mode of Operation or Ownership
 - Licensed as a Sole Proprietor and renewing as a Corporation or LLC or Partnership
 - Must renew as licensed; would need to change mode of operation with both the Board and Secretary of State)
 - Change in Ownership may require completing new license application

VI. Failed to send Required Documents

- o Financial Statement
- o Certificate of Insurance
- o Explanation of applicable Disclosures (felony; judgment; complaints; etc.)

Please be sure to check your renewal carefully when submitting in order to prevent contracting in violation of the law, and **mail 30 days prior to expiration date.**

Financial Statement Instructions for Renewals

All contractor license renewals require a financial statement in the exact name as licensed (*with the exception of "Spec Builder" licensees who cannot contract*). The financial statement must support your current monetary limit on the license, which is determined by 10 times the lesser of both working capital and net worth. Example: If the monetary limit is \$500,000; it would allow renewing if working capital and net worth are both at least \$50,000; or if net worth is \$1,000,000 (pursuant Rule 0680-1-.13) at 50% of the "total" net worth.

The following is supplemental information:

- I. Financial statement** - A balance sheet listing all of the assets and liabilities of the entity holding the license;
- ▶ The balance sheet should not contain personal assets or liabilities unless licensed as a sole proprietor
 - ▶ A classified balance sheet is preferred over an unclassified balance sheet.
 - o Classified- separates assets and liabilities into current and non-current (long-term)
 - ▶ The financial statement must be in **exactly the same name as licensed.**
 - ▶ The balance sheet should contain a full date, including the month, day, and year (date prepared)
- ❖ **Self Prepared or Compiled Financial Statement** - Acceptable if your monetary limit is **\$3,000,000 or less**
- ❖ **Reviewed Financial Statement** – Required if the monetary limit is **\$3,000,000 or more.**
- o Must be prepared by an actively licensed CPA and is required if your monetary limit is **over \$3,000,000 to Unlimited.**
 - o Must be on GAAP basis; OCBOA financials are not accepted. The reviewed financial statement must contain a signed report page, balance

- sheet and full disclosure notes.
 - Audited financials are also acceptable, but not required for renewal.
- ❖ If your company is a **subsidiary of another company**, the parent company must supply a corporate Guaranty Agreement with their entity's financial statement; or a "Contractor's License Bond".

II. Guide to Classifying Assets and Liabilities:

CURRENT ASSETS are cash and those assets that are reasonably expected to be realized in cash or sold or consumed **within one year** or within a business's normal operating cycle if it is longer. Generally, current assets include the following:

- Cash and cash equivalents available for current operations
- Marketable securities representing the investment of cash available for current operations, including investments in debt and equity securities classified as trading securities.
- Costs in excess of billings
- Inventories (to include materials and/or houses built for sale). Also, developed lots for sale. Raw, undeveloped land is not a current asset.
- Retirement Plans, specifically an IRA, 401K and Profit Sharing, will be allowed at 50% (**Personal IRA's not allowed on Company Financial Statement**)
- Cash surrender value of **Life Insurance** policies (Not face value of life insurance)
 - **Must attach proof of Life Insurance value** with personal statements, if not prepared by a CPA, if this amount impacts the working capital more than 50%
- Trade accounts receivable, notes and other receivables that are expected to be collected within one year
 - If the notes receivable are the majority of the working capital, the Board may request an updated list if the statement is 12 months
- Prepaid expenses such as insurance, interest, rents, taxes, etc.

The following are **not** "Current Assets" since they generally are not expected to be converted into cash within one (1) year:

- Related party or owners receivables (not allowed as a current asset)
- Cash restricted for special purposes (Restricted cash may be classified as a current asset if it is considered to offset maturing debt that has been properly classified as a current liability, however.)
- Long term investments
- Receivables not expected to be collected within one year
- Land and other natural resources
- Depreciable assets (buildings, equipment, tools, etc.)
- Prepayments or deferred charges that will not be charged to operations within one year
- Notes receivables from stockholders (*option would allow if stockholder would provide their personal financial statement with Guaranty Agreement*)

CURRENT LIABILITIES are obligations whose liquidation is reasonably expected to require the use of current assets, or the creation of the other current liabilities. Generally, current liabilities include the following:

- Line of Credit balances and credit card balances
- Payables for materials and supplies
- Amounts collected before goods or services are delivered (billings in excess of costs)
- Accruals for wages, salaries, commissions, rents, royalties, and taxes
- Other obligations, **including portions of long-term obligations**, expected to be liquidated within one year*

Current liabilities **do not include** long term notes, bonds and obligations that will not be paid out of current assets. If listing a long term liability you should classify the portion of the liability that is due within one year as a current liability. If no current portion of the liability is listed then a percentage of the liability will be classified as current for the purpose of determining the working capital.

III. Supplemental Financial Statements:

You may submit a supplemental personal financial statement or parent company's financial statement, in addition to the required contractor's financial statement, to help support monetary limit. However, these supplements are utilized at 50%.

- A "Guaranty Agreement" must be signed by the person(s) listed on the financial statement (including spouse); and/or company officer submitting the supplemental financial statement for corporate entity.
- These supplemental financial statements may be self-prepared; or compiled by a CPA/PA
 - Working capital and net worth are calculated for supplemental financial statements;
 - Working Capital is calculated for personal financial statements; these values are then decreased by 50% and added to overall working capital and net worth;
 - A "negative" working capital and/or net worth is **not** reduced by 50% (must cover at full amount)
 - Supplemental financial statements may include an investment in the contractors company; however, the board will not allow the value of the investment in the

- contractors company in calculating overall working capital and net worth;
- Receivables from related parties will not be counted as a current asset (this also applies to the contractor's financial statement);
- Retirement plans will be accepted on a personal financial statement as a current asset; however, the value of the retirement plans will be reduced by 50% to account for tax liabilities.

IV. Line of Credit

A Line of Credit may be provided to supplement working capital. You must submit the original Line of Credit letter in Board's exact format/. Any changes/omissions will render the Line of Credit unacceptable/obsolete in calculating working capital.

- Line of Credit will be added to overall working capital (does not affect net worth)
- If contractor's financial statement shows a "negative" working capital, the Line of Credit amount added to working capital is reduced by 50%; therefore, an additional or increased Line of Credit may be needed.

V. Related Party Receivables (related party/owner/stockholder)-

Related Party Receivables are only accepted as a current asset if the related party submits a guaranty agreement and a financial statement which shows they have the ability to pay the receivable within a year.

VI. Monetary Limit Calculation

Ten times the lesser of total Working Capital and total Net Worth; or 50% of the "total" net worth. For example, a monetary limit of \$500,000; may renew if working capital and net worth are both at least \$50,000. Or, if they lack the required working capital but have net worth to cover at 50%, may renew if net worth is \$1,000,000.

Working Capital = Total Current Assets minus Total Current Liabilities

Net Worth = Total Assets minus Total Liabilities

- ❖ **Example:** Monetary limit of \$1,000,000 must show Working Capital and Net Worth of at least \$100,000

- ❖ **Example Monetary Limit Calculation**

This example contains only a summary balance sheet for illustrative purposes (a summary balance sheet is not acceptable for complying with the board's requirements). See the following illustration for how the auditor determines working capital and net worth:

Sample of Contractor's Financial Statement Calculations:

XYZ Contractor Company (name must be exactly as licensed)		
Balance Sheet		
MM/DD/YYYY		
Assets		
Current Assets		\$14,000
Non-Current Assets		<u>20,000</u>
Total Assets		34,000
Liabilities		
Current Liabilities		16,000
Long-Term Liabilities		<u>10,000</u>
Total Liabilities		26,000
Equity (Net Worth)		<u>8,000</u>
Total Liabilities and Equity		34,000

Working Capital = \$14,000 – 16,000 = **(2,000)** (Parenthesis around number denotes a negative value)

Net Worth = \$34,000 – 26,000 = **8,000**

- ❖ **Sample of Supplemental Financial Statement:**

To support monetary limit, the Guaranty Agreement would also be required.

Sample of Supplemental Financial Statement:

John and Jane Doe (must complete Guaranty Agreement)	
Balance Sheet	
MM/DD/YYYY	
Assets	
Current Assets	\$ 4,000
Non-Current Assets	<u>220,000</u>
Total Assets	224,000
Liabilities	
Current Liabilities	13,000
Long-Term Liabilities	<u>140,000</u>
Total Liabilities	153,000
Equity (Net Worth)	<u>79,000</u>
Total Liabilities and Equity	224,000

Working Capital = \$4,000 – 13,000 = **(9,000)** *(Parenthesis around number denotes a negative value)*

Net Worth = \$224,000 – 153,000 = **79,000**

The working capital is taken at full value and the net worth is accepted at 50%, both are added to overall values.

The Contractor also submitted a properly completed Letter of Credit from a Bank for **\$100,000**. This letter of credit is reduced by 50% due to a negative contractor’s working capital.

- Total Working Capital = **(2,000) + (9,000) + 50,000** (50% of Line of Credit) = **\$39,000**
- Total Net Worth = **\$8,000 + 39,500** (50% of Personal Financial statement) = **\$47,500**

These values support a maximum Monetary Limit of **\$390,000** *(10 times lesser of W/C and N/W)*

SUMMARY

Contractors with limits of **\$1,500,000 OR LESS** may prepare their own financial statement. If your monetary limit is **GREATER THAN \$1,500,000**, you **MUST** attach your CPA’s or Licensed PA’s **REVIEWED OR AUDITED** financial statement.

FINANCIAL STATEMENT’S must be submitted in the **EXACT** name as licensed. If you are licensed as John Doe Construction Company LLC, your financial statement must be in the name of John Doe Construction Company LLC.

MONETARY LIMIT; Your financial statement must show 10% of your monetary limit in working capital and 10% of your monetary limit in net worth. For example, a \$1,000,000 license requires a working capital of at least \$100,000 and a net worth of at least \$100,000. **WORKING CAPITAL** is current assets minus current liabilities; **NET WORTH** is total assets minus total liabilities. An **unlimited license** requires a working capital AND net worth of both at a minimum of \$300,000. The monetary limit cannot automatically be increased; must submit revision request. (TCA 62-6-116; Rule 0680-1-.15) Forms with instructions are available on the Board’s website “Forms and Downloads” at <http://www.tn.gov/commerce/regboards/contractors.html>

LINE OF CREDIT (LOC) may be used to supplement working capital, only. Must be in the Board’s exact format, on Bank’s letterhead by a financial institution which is FDIC insured; in the exact name as licensed, and the original would need to be provided to the Board. If your financial statement shows a negative working capital, only 50% of the LOC *(do not add to financial statement)* amount will be used. (TCA § 62-6-116/ Rule 0680-1-.13)

GUARANTY AGREEMENT is an indemnity available by the Board to use with a supplemental personal or parent financial statement to support the financial statement of the licensed entity. Supplemental statements are utilized at 50% of the total value. The Guaranty must be signed all people listed on the personal financial statement; if corporate. If your financial statement does not support your limit, you will be notified by mail to submit additional information or accept a lower license limit. Companies owned by another entity, the **Parent** company is required to supply a financial statement with an indemnity, such as a Guaranty Agreement or “Contractor’s License Bond”. More information on indemnities is available at: <http://www.tn.gov/regboards/contractors/documents/BLC-GuarantyAgreementPolicy.pdf>

LIFE INSURANCE CASH VALUE proof is needed if this amount is needed to support working capital and impacts 50% or more of the total, unless the statement is prepared by a CPA.

GENERAL INFORMATION

----- RETIREMENT -----

To retire a license, download the retirement form from our website or you may contact the Board office for the application to be sent to you; complete the form and return with the Retirement fee which is \$25 for each year; additional fees may apply if license has recently expired. A license expired more for more than 12 months cannot be retired. To bring out of retirement, complete the "Renewal" application and pay renewal fee of \$200.00. Retired licensee must pay retirement renewal fee of \$25.00 for each year to retire the status. (If submitted for one year, must resubmit annually prior to expiration date). License cannot be retired more than 7 consecutive years without paying the \$200 fee. (TCA § 62-6-126) Typically, most contractors retire the license for two years at a time to keep the same renewal cycle. If you retire a license while it is active, such as a means to cancel insurance, then you would be required to return the active license certificate with the retirement application.

----- REINSTATEMENT -----

A license expired in excess of 12 months, contractor must complete the new license application. The exams may be waived (see license application for more information) unless if you have been inactive more than two years in the industry. (TCA 62-6-116(g))

----- REVISION REQUESTS - NAME CHANGE/MODE OF OPERATION CHANGE /TRANSFER -----

Contact the Board office for the appropriate forms to change mode of operation. For example, change to corporation, partnership, Limited Liability Company or sole proprietor. You cannot operate in new mode until license has been approved by the Board. (TCA §§ 62-6-111, 116) **Do not send requests to change or revise license with renewal; send separately to ensure forwarded to revision section's office.**

----- CHANGE IN OWNERSHIP OR MERGER -----

Whenever there has been a change in the majority ownership, a new license must be obtained. Review the website for the new license application. If the qualifying agent remains, the exams do not have to be retaken. (TCA § 62-6-111)

----- QUALIFYING AGENT -----

The qualifying agent is the Individual who tested or was designated (prior to exams in 1987) on behalf of the company. Should this person leave, must notify Board within 10 days, but the entity may continue to operate for 90 to designate another and supply the "Add or Change Qualifying Agent" form with exam scores. After 90 days, the license is considered invalid until QA is replaced. If the classification does not require a trade exam, must still supply the "Add or Change Qualifying Agent" form with a list of their experience and any required certifications for the new QA. It is the Board's policy that the "Business and Law" does not have to be retaken, unless there are complaints, citations, or judgments against the company. (TCA § 62-6-115/Rule 0680-1-.23)

----- GENERAL LIABILITY INSURANCE -----

Effective July 1, 2007, **all** contractors must provide a **certificate of general liability insurance**

----- INCREASING MONETARY LIMIT -----

You must complete the increase request forms (*available on our website*) and provide the appropriate CPA prepared financial statement in order to increase your monetary limit. An audited financial statement is required to increase your monetary limit above \$3,000,000. Any increase request of \$3,000,000 or less requires a reviewed financial statement. **Do not send increase request with renewal application.**

----- ADDRESS CHANGE -----

Written notification of address change is required to be submitted within 30 days (Rule 0680-1-.08).

----- FEES -----

The Board's physical office cannot accept fees. Renewals with fees must be sent to the mailing address. Hand delivered renewals and fees must be turned in to the "Cashier's Office" *which is located at 500 James Robertson Parkway; Davy Crockett Tower.*

----- CONFIDENTIAL INFORMATION -----

Financial statements and information (Guaranty Agreements, Bonds, Line of Credits) are considered confidential and may not be released to the public without a subpoena with a protection order. In addition, for public information request for review or copies of files, social security numbers are redacted on all forms.

----- NO GRACE PERIOD FOR RENEWALS -----

There is not a grace period to renew; cannot contract or permit until the renewal license has been issued. The law states renewals are **due** in the Board office **30 days prior to expiration**, to prevent contracting unlicensed. Please allow 5 to 7 business days for mail delivery.

----- **NO EXTENSION LETTERS FOR RENEWAL** -----

The Board for Licensing Contractor's office cannot grant extensions or letters prior to license renewal. The law states renewals are due in the Board office **30 days prior to expiration**, to prevent contracting unlicensed. In addition, renewal notices are mailed to contractors 90 days prior to the expiration date. In the event you do not receive the renewal notice in the future, or need an additional copy, all renewal forms are available on the website at: <http://tn.gov/commerce/regboards/contractors.html>

Until the license is renewed, you are not considered legal or a properly licensed contractor. Please refrain from bidding or attempting to pull any permits until renewed. You may check the status on the departmental website at: <http://verify.tn.gov>

----- **RENEWAL LICENSE ISSUED** -----

A renewal is considered complete upon receipt of the fee, correct financial statement supporting monetary limit, required proof of workers' compensation insurance and general liability insurance and active with the Secretary of State's office (corporations/LLC's). Upon receipt of your complete renewal, a license will be issued. The audit process typically takes 30 days (*renewals are processed in the order as received*). If additional information is needed, you will be notified to respond. However, renewal rights expire after the license has been expired 12 months. Therefore, please ensure you provide the additional information or you may request to place the license in "retirement" by completing this form and submitting the \$25.00 annual retirement fee for each year.

Please mail your renewal 30 days prior to the expiration date to avoid unlicensed contracting!

----- **CONTRACTING IN NAME AS LICENSED** -----

You must contract, permit and conduct business in the exact name appearing on your license. Licenses are not transferrable to another entity. Contracting in a name other than as licensed is a violation of the law. Should you receive a pre-printed bid submittal form, please make sure the name listed is as licensed. If a subcontractor, always provide the prime contractor a copy of your license for them to list your information correctly on bids. (TCA § 62-6-114, 119/ Rule 0680-1-.25)

----- **BIDDING** -----

Must list license information (**Name** as appears on license, **License I.D. Number**, **Classification**, and **Expiration Date**) on the outside of the bid envelope to avoid bid rejection. Also list the same information Pertaining to **electrical, mechanical, plumbing, HVAC subcontractors**; and ***masonry** (\$100,000); as well as the **geothermal TDEC well driller** license number and classification (G or L). (T.C.A. § 62-6-119) Effective January 1, 2014, roofing subcontractors must be licensed.

----- **FAMILY OWNED BUSINESSES** -----

Please note, should a relative hold the license, family members may not use license to perform contracting.

----- **WORKERS COMPENSATION INSURANCE** -----

Contractors with **one (1) or more employees**, such as a qualifying agent without majority ownership, must provide proof of workers' compensation insurance. In addition, the law also requires owners/employer's to also be covered unless exempt. An exemption may be obtained by registering with the Secretary of State's office. The Board for Licensing Contractor's requires the proof of workers compensation insurance to be in the following format as outlined on page 13.

Out-of-state contractors should ensure they are covered in Tennessee by checking at: <https://www.ewccv.com/cvs/>

Please include the license ID# on all certificates to ensure they are assigned to the correct contractor. All contractors are required to submit proof of insurance unless they are considered exempt as a sole proprietor, partnership or LLC without employees, however, the owners/officers may be required to register for an exemption unless they do not work directly for the owner and do not use subcontractors. Please check with the Department of Labor and Workforce Development to ensure you are legal at: <http://www.tn.gov/labor-wfd/wcomp.html>

----- **WEB SITE ADDRESSES** -----

Contractors (Home): <http://www.tn.gov/regboards/contractors.html>
Secretary of State: <http://sos.tn.gov/business-services>
License Law: www.michie.com

SUMMARY OF NEW LAWS, RULES & REGULATIONS

Be sure to check the Board's website for new legislation, laws and rules. The following is a summary of changes from the past legislative session <http://www.tn.gov/commerce/regboards/contractors/rules-and-laws.html>

2013 Legislation

HB0328 - Unlawful to Exceed Monetary Limit and Revised Lien Law

- Public Chapter 469 (Eff. July 1, 2013)

HB0480 - Roofing Subcontractors

- Public Chapter 355 (Eff. January 1, 2014)

HB0142 - Six Month Hold of License

- Public Chapter 180 (Eff. Upon Passage)

HB0890 - Deletes 62-6-127 (Sequatchie County Exemption)

- Public Chapter 211 (Eff. Upon Passage)

HB0551 - Employee Misclassification Penalties

- Public Chapter 424 (Eff. July 1, 2013)

See all Legislative Updates at Tennessee General Assembly

July 30, 2013, 1:00 p.m. - Rulemaking Hearing of Proposed Rules

2013 Amended Rules (Eff. March 8, 2013)

Amended rules are now effective with the exception of 0680-01-.29 for Limited Residential Licenses. Rule withdrew on 2/5/2013. See Secretary of State's Publications.

2012 Legislation

July 1, 2012 - Public Chapter 821 - Consumer Protection with Roofing Contracts

July 1, 2012 - Public Chapter 802 - Home Improvement Providers (Theft Amendment)

January 1, 2013 - Public Chapter 1030 - Workers' Comp Exempt. Reg Fee

Rulemaking Hearing for PC 1030 - July 13, 2012

May 1, 2012 - HB2911/SB2735 - State Building Commission Energy Tax Ded

April 27, 2012 HB1075 - Design Review Commission

April 16, 2012 - Public Chapter 839 - Residential Fire Sprinklers

April 5, 2012 - Public Chapter 826 - Employee Rights

April 2, 2012 - Public Chapter 744 - Energy Efficient School Appointments

March 26, 2012 - Public Chapter 683 - TDOT Contracts

July 1, 2012 - Public Chapter 609 - Retainage / Prompt Pay Act

March 8, 2012 - Public Chapter 625 - Public Contracts

February 23, 2012 - Public Chapter 565 -Retainage on Contracts

February 9, 2012 Public Chapter 517 - Public Buildings / ADA Amendments

2011 Legislation

March 24, 2011 - Public Chapter 12 - Geothermal - TDEC Well Drillers

(Required since 2008; deleted last year and corrected)

May 4, 2011 - Public Chapter 230 - Military Spouses

May 16, 2011 - Public Chapter 317 - Swimming Pool Alarm/Electrical Inspections

October 1, 2011 - Public Chapter 422 - Workers' Compensation Amendments

Sunset - TCA 4-29-235(a)29 - Termination Date of the Board (6/30/2014)

2010 Legislation

PUBLIC CHAPTER NO. 1 – Workers' Compensation Amendment

Amended prior law with new exemption requirements.

PUBLIC CHAPTER NO. 768 – Masonry Bid Envelope Requirements

Requires masonry contractors to be listed on the outside of the bid envelope, for masonry portions (including materials and labor) over \$100,000.

PUBLIC CHAPTER NO. 801 – Electronic Bidding

Prohibits from requiring subcontractors license information to be provided prior to bid deadline.

PUBLIC CHAPTER NO. 950 – Masonry Subcontractors and Exam

Requires masonry subcontractors to be licensed by taking a "LMC" (Licensed Masonry Contractor) trade exam by January 1, 2011 in order to bid or perform work in excess of \$100,000 (including materials and labor). Trade exam to be available after 9/1/2010.

PUBLIC CHAPTER NO. 749 – Prohibited Liens from Unlicensed Home Improvement Contractors

Clarifies that unlicensed home improvement contractors, just as other contractors, are also prohibited from filing liens.

PUBLIC CHAPTER NO. 1055 – Criminal Violation/Punishment as Theft

A contractor who takes money without performing work is considered a felony.

2009 Legislation

PUBLIC CHAPTER NO. 482 (Unlicensed Contractor- Recovery)

Contractor required to be licensed under this chapter, limited to recovery of expenses.

PUBLIC CHAPTER NO. 483 (Contracts - Lien Waiver Rights Prohibited)

Contractor solicits any person to sign a contract requiring the person to waive a right of lien is in violation.

PUBLIC CHAPTER NO. 529 (TN Clean Energy Future Act of 2009 / Statewide Code)

State fire marshal shall enforce the statewide codes with regard to those buildings for which the local jurisdiction has not adopted...

PUBLIC CHAPTER NO. 792 (Geothermal HVAC Projects) July 1, 2008

Section 62-6-119 - Requires Tennessee Department of Environment and Conservation (TDEC) license number, classification (G, L or G,L) and the expiration date to be listed on the outside of bid envelope.

PUBLIC CHAPTER NO. 804 (Retainage) July 1, 2008

Section 66-11-144(g), Applicable to all prime contracts and all subcontracts for the improvement of real property when the contract amount of such prime contract is (\$500,000) or greater.

SENATE BILL 4039 (Energy Efficient Schools Initiative)

Title 4 and Title 49, relative to creating the Energy Efficient Schools Initiative (EESI).

RULE 0680-1-.25

Must contract in the name as licensed. *(Clarification of T.C.A. 62-6-114 and 119)*

Note: This is a summary from the Board for Licensing Contractors. You may review complete contents of the laws passed with the Tennessee General Assembly at: <http://www.capitol.tn.gov/legislation/> or the Rules at: <http://publications.tnsosfiles.com/rules/0680/0680.html>

Workers' Compensation Insurance - Coverage Determination Questionnaire

The following questionnaire has been developed to assist licensees and our staff to determine whether proof of workers' compensation (WC) insurance coverage or exemption requirements have been fulfilled for the purpose of obtaining a contractor's license. This is based upon changes in the law on March 1, 2011, Public Chapter 1149; and includes amendments for Public Chapter 422, effective October 1, 2011. Please check with your insurance carrier and/or the Department of Labor and Workforce Development to ensure you are properly covered or exempted. In addition, ensure your employees are not misclassified as independent contractors.

Contractors must supply proof of coverage or exemption on themselves as owners, in addition to their employees, unless exempt. A provision allows up to five (5) individuals as an **owner, officer, partner or member** to be exempt from coverage by registering each person on the license with the Tennessee Secretary of State as a "**Construction Services Provider**". Therefore, licensee applicants without employees have the option provide proof of insurance or proof of registration for exemption, unless considered exempt from both (*sole proprietors and partners without employees or subs, working directly for a residential owner, etc.*). As always, check with your insurance agent to make sure you are properly protected on a project. To register online as a "**Construction Services Provider**" for exemption with Tennessee Secretary of State's office, go to: <http://tnbear.tn.gov/wc/> or you may call at (615) 741-2286. Check the Division of Workers' Compensation at: <http://www.tn.gov/labor-wfd/wcomp.html>

Contractor's License WC Questionnaire

1. If you check **ONE** item, you are **NOT EXEMPT** and must submit **proof of insurance** (questionnaire not required)

- One or More Employees (An owner/officer may still need to register for an exemption to exclude themselves)
- Having more than as allowed for an exemption (five (5) owners or officers; or a partner retaining less than 20% ownership)
- Does not meet the requirements in questions 2 – 3 below, and must provide coverage.

2. If you check **ALL** of the following, considered **EXEMPT** from submitting **proof of insurance**, and will need to supply **proof of registration** as a "**Construction Services Provider**" - <http://tnbear.tn.gov/wc/> (Licenses expired cannot register as a licensee with the Board and would not qualify for \$100 discount with Secretary of State exemption registry)

- No Employees on payroll
- Less than five (5) owners and/or officers; or if a partnership, each partner owns a minimum of 20% of business entity.
- All owners/officers/members/partners are registered as a "Construction Services Provider"
- Does not meet the criteria in section "3" below; see attached for registration for each individual on license (limited to five)

(Note: Partnerships, who have not registered with the Secretary of State's "Corporate" section, must do so to obtain a "Control #")

3. If you check **ALL** of the following, you are **EXEMPT** from supplying both the **proof of Insurance and registration** as a "**Construction Services Provider**" as a condition of licensure with the Board:

- No Employees on payroll; and no Subcontractors hired to perform work;
- Works directly for the homeowner; or performing maintenance, repairs or making additions to structures, on own property.

(See law, Public Chapter 1149, for the definition of commercial work and employee)

4. Other: Considered **EXEMPT** from both the insurance and registration as a "Construction Services Provider" due to:

- Other: Exempt due to: _____
(Provide explanation allowed by law for us to verify with the Department of Labor)

(Note: Renewal will be held until we receive authorization)

5. Signature of Authorized individual completing questionnaire for licensing.

Completed by: _____ Title: _____

For more information concerning the Workers' Compensation law relative to requirements, exemptions, definitions of commercial projects, the amount of exempt contractors allowed on a project, penalties, etc., please refer to the website of the Department of Labor and Workforce Development at: <http://www.tn.gov/labor-wfd/wcomp.html>

To register for an exemption, go to: <http://tnbear.tn.gov/wc/>

NOTICE: Please check with your insurance carrier to ensure you are properly exempted or covered when obtaining minimum coverage to prevent paying penalties at the time of their audit!

ATTACHMENT(S) NEEDED – PROOF OF INSURANCE

Pursuant T.C.A. § 62-6-111, all contractors must provide proof of **General Liability** (GL) insurance, in the format listed below, at the time of renewal (*there are no exemptions for GL coverage*). In addition, proof of **Workers' Compensation** insurance coverage or their **exemption** must be supplied at the time of renewal. (*Note: The law has specific exemptions for those performing residential work directly for the homeowner, unless licensed as a corporation*). Licenses cannot be renewed without supplying the required proof of insurance coverage or exemption. If you do not have coverage due to not working, you may utilize the "Retirement" form to keep license in an inactive status to retain renewal rights.

1) GENERAL LIABILITY

A "Certificate of Insurance" in the Board's required format and limits of coverage must be attached to the renewal. The following are *minimum amount of coverage to obtain **general liability**, however, please check with your insurance provider, as they may advise based upon your individual needs and risks:

<u>Contractor's License Monetary Limit</u>	<u>*Minimum General Liability Insurance</u>
Up to \$500,000	\$100,000
\$500,001 to \$1,500,000	\$500,000
\$1,500,001 to Unlimited	\$1,000,000

2) WORKERS' COMPENSATION

The law requires contractors to supply coverage for every employee and you must supply a "Certificate of Insurance" showing proof of Workers' Compensation (WC) coverage. This law is regulated by the Department of Labor and Workforce Development should you need clarification to the requirements or to confirm exemption, their website is at: <http://www.tn.gov/labor-wfd/wcomp.html>

Individuals may register with the Tennessee Secretary of State's office as a "Construction Services Provider" in order to obtain an exemption, unless they are a sole proprietor, partnership, or LLC, they may be exempt from covering themselves if they do not perform commercial work or hire subs; and work directly for a homeowner. Corporations must supply proof of coverage or exemption, for all owners and officers, regardless (*similar to the former I-6 exemption form*). Owners with family members or officers, may register up to five (5); and partnerships must own 20% of the total business in order for each partner to register. Registration for an exemption is available online at: <http://tnbear.tn.gov/wc/> See T.C.A. § 50-6-102(10) (A) for definition of "Employee".

Out of state contractors should ensure they are covered in Tennessee by checking at: <https://www.ewccv.com/cvs/> to prevent a delay in processing a renewal.

Format for Proof of Insurance

The Board requests a **Certificate of Insurance** (*available from your insurance agency*) which lists a **policy number** (*not binder or account number*), a **beginning and expiration date**, and **limits** of the insurance. The **name on the license** must match the **name in the insured box**. The "Contractor's Board" should be listed as the certificate holder.

Limits required to be listed on Certificate of insurance

The following information should be provided on the "Certificate of Insurance":

- Each occurrence (this value must comply with minimum requirements listed above)
- Damage to Rented Premises (each occurrence)
- Medical Expense (any one person)
- Personal & Adv Injury
- General Aggregate
- Products- comp/op agg

Submitting Proof of Insurance (*Please do not send separately*)

Always attach proof of insurance to the renewal; do **not** send a "Certificate of Insurance" **separate** from the renewal. A renewal is considered incomplete without proof of coverage. If you cannot supply with renewal, please provide a cover letter stating it is for a pending renewal with the license ID# or attach to the "**Notice of Insurance**" (*form from our website*). This will ensure it is properly matched to the correct pending renewal for timely issuance.

FINANCIAL STATEMENT - CONTRACTOR'S BALANCE SHEET

License #:000

1. License Name: _____ [Name must be same as licensed]
2. Mode of Operation: Sole Proprietor Corporation LLC Partnership
3. Date: (mm) (day) **20** (yr)

CURRENT ASSETS		Dollars Only	
	Cash on hand and in the Bank		
	Accounts Receivable (Within 1 year)		
	Trade		
	Employees		
	Other: (Itemize)		
	Costs in excess of billings on uncompleted contracts		
	Marketable Securities, Stocks, and Bonds		
	Inventories- Materials or Houses Built or Developed Lots for Sale		
	Retirement Plans (IRA; 401K; Profit Sharing) [Generally Only for Personal Financials]		
	Cash Surrender Value of Life Insurance (Not Face Value) [May be required to supply documentation]		
	Prepaid Expenses (Insurance, Taxes, Interest, Rents, Other)		
	Other: (Itemize)		
A	Total Current Assets		
NON-CURRENT ASSETS			
	Accounts Receivable (amounts not due within 1 year)		
	Related Party Receivables		
	Long Term Investments		
	Land		
	Depreciable Assets		
	Buildings		
	Equipment		
	Tools		
	Vehicles		
	Other: (Itemize)		
B	Total Assets		
CURRENT LIABILITIES			
	Credit Cards (Balance)		
	Accounts Payable (Amount Due Within 1 Year)		
	Accrued Salaries and Wages		
	Billings in excess of costs (uncompleted contracts)		
	Equipment Encumbrances (Amount Due Within 1 year)		
	Real Estate Encumbrances (Amount Due Within 1 year)		
	Line of Credit (Balance)		
	Other: (Itemize)		
C	Total Current Liabilities		
LONG TERM LIABILITIES			
	Accounts Payable (Amount Due After 1 Year)		
	Equipment Encumbrances (Amount Due After 1 year)		
	Real Estate Encumbrances (Amount Due After 1 year)		
	Stockholder Payable		
	Other: (Itemize)		
D	Total Liabilities		
E	NET WORTH <i>(Total Assets minus Total Liabilities = Net Worth)</i>		
	Total Liabilities and Net Worth		

Formula: Working Capital: A - C = \$ _____; Net Worth: B - D = \$ _____; (Both must be 10% of monetary limit)
 (Same as line E)

