

## Don't put your family and finances at risk.

### Don't hire just any contractor...

Just because someone tells you they are licensed does not mean they are.

Just because someone shows you a license does not mean they are bonded, and have liability insurance coverage.

Just because someone shows you a license, has insurance and claims to pay all their taxes and fees, does not mean they are paying their workers' compensation.

The bustling underground economy, "where folks are paid in cash and taxes aren't paid at all" is putting homeowners at risk.

### Does the price they quote you sound too good to be true?

**It probably is.** Dishonest contractors who are undercutting payroll gain a 20 to 25% advantage over the honest contractors. By reducing their overhead, they substantially underbid on projects. Honest hardworking businesses are bearing the burden of higher taxes and insurance premiums.

- Not everyone plays by the rules. Angie's List reminds us, "Legitimate contractors pay a tidy sum to play by the rules, which makes it hard for them to compete against those who don't. Homeowners can pay the price when they fail to distinguish between the two."
- The National Association of the Remodeling Industry says if a contractor doesn't have liability and workers' compensation insurance, consumers could end up paying out of their own pocket if their homeowner's policy is insufficient to cover the bills.
- You may be held liable for medical costs of those injured at your job. Often, homeowners insurance does not cover uninsured workers in such cases. In some cases, workers have also sued and prevailed in court for personal injury.

### Why you should watch out for underground economy contractors.

- More than 50% of contractors in California are paying employees in cash thereby reducing, even eliminating, their costs of doing business. They evade income, social security, and unemployment taxes and avoid workers' compensation insurance premiums, in addition to other suspect cost-cutting methods.
- Illegal and unlicensed operators who fail to pay taxes and comply with licensing and insurance laws take revenues earmarked for public schools, law enforcement, and other public services.
- California loses between \$60 and \$140 billion in revenues and unpaid taxes each year because of the underground economy. That means you and I are taxed to cover what they are stealing.
- Unqualified, often unlicensed and dishonest contractors and employees may leave homeowners with substandard construction projects and unfulfilled warranties, with little chance of getting it rectified.

## **To Protect Yourself You Need to Know What to Watch Out For.**

You should ONLY hire a licensed contractor. However, be aware that many in the underground economy ARE licensed and they may underreport their income to keep fees and taxes down, or claim they don't employ workers and thus eliminate paying workers' compensation. If a deal sounds too good to be true, then it probably is.

The State knows that contractors who break the law have an unfair business advantage over those who follow the rules. In the coming months, the Contractors State License Board (CSLB) in concert with other state government agencies will be concentrating enforcement efforts on companies that either don't carry insurance or misrepresent the number of employees they have.

If you decide to work with one of these companies, and they get caught up in one of the State's sting or sweep operations, it could leave your job unfinished, requiring you to hire yet another contractor to finish the job.

Better to pay a realistic price and enjoy the value of the investment you are making, than put your family and economic livelihood in jeopardy.

## **SPEC urges consumers to follow these tips when hiring a pool and spa contractor:**

- Hire only licensed contractors and ask to see the license and proof of liability insurance. Contractors who build pools and spas are required to hold a C53 license in addition.
- Verify the contractor's licenses by checking online at [www.cslb.ca.gov](http://www.cslb.ca.gov) (click on Instant License Check) or via CSLB's automated phone service at 1-800-321-CSLB (2752).
- Ask for proof they pay for workers compensation insurance. The CSLB website will also show if they have this insurance.
- Be sure they are bonded. This protects homeowners if the company performs shoddy work, doesn't finish the project, or fails to pay subcontractors and suppliers.
- Don't rush into decisions and don't hire the first contractor who comes along. Get two or three additional bids.
- Be especially hesitant when approached by someone offering home improvement services door-to-door, especially when they will use material they claim is left over from another job.
- Be sure to get a physical address and phone number of the contractor and confirm their legitimacy.
- State Law says: Don't pay more than 10% down or \$1,000, whichever is less.
- Don't pay cash, and don't let the payments get ahead of the work.
- Get three bids, check references, and get a written contract.
- Contact the CSLB if you have a complaint against a contractor.

Learn even more about hiring a contractor and how to manage your construction project by visiting the CSLB's website at [www.cslb.ca.gov](http://www.cslb.ca.gov) or by calling 1-800-321-CSLB (2752).