

Board for Licensing Contractors
Home Improvement Commission
500 James Robertson Parkway, Suite 110 Davy Crockett Tower
Nashville, TN 37243-1150
Telephone: 1-800-544-7693 or (615) 741-8307
Fax: (615) 532-2868
www.state.tn.us/commerce/boards/contractors

FREQUENTLY ASKED QUESTIONS

Q. When is a state contractor's license required?

A. For projects exceeding \$25,000. Contracting is defined under T.C.A. 62-6-102 as: performs or causes to be performed activities, undertaking to, attempts to, or submits a price or bid or offers to construct, supervise, superintend, oversee, schedule, direct, or in any manner assume charge of the construction, alteration, repair, improvement, movement, demolition, putting up, tearing down, or furnishing labor to install material or equipment for any building, highway, road, railroad, sewer, grading, excavation, pipeline, public utility structure, project development, housing, housing development, improvement, or any other construction undertaking, where the cost is \$25,000 or more.

- *\$25,000 or more for any project contracted directly to the owner (prime contractor)*
- *Subcontractors who perform \$25,000 or more in electrical, mechanical, plumbing and HVAC projects;*
- *Construction Management of any kind, where the value of the project exceeds \$25,000*

- Other Licenses Issued by our Board:
 - *Home improvement projects from \$3,000 to less than \$25,000, require a "Home Improvement Commission" license*
 - *Electricians performing projects, less than \$25,000, must obtain a local electrical license. In municipalities, who do not have licensing agencies, they must apply for a state Limited Licensed Electrician (LLE) license in order to obtain electrical permits for inspections by the State Department of Fire Prevention.*

- *Plumbers performing projects, less than \$25,000, must hold obtain a state Limited Licensed Plumber (LLP) license, in addition to obtaining a local license.*

Q. Is a license required before bidding? How long does it take to get a license?

A. Yes, a license is required prior to bidding for projects exceeding \$25,000. It takes approximately six (6) weeks for the licensing process.

Q. How may I obtain a license application?

A. You may contact our office at the telephone number above, listen to the menu prompt, and leave your name and address on the recording. Or you may fax or email your request to staff located in the directory. In addition, the application (and other forms) may be downloaded from our website at: <http://www.state.tn.us/commerce/boards/contractors/formsandapps.html>

Our office is not set up to accept credit cards for fees. The contractor license application fee is \$250.00 (two year license) and must be submitted by check or money order with your application. The application process takes approximately six (6) weeks.

Q. Are examinations required to obtain a license?

A. Yes. The “Business and Law” is required by all applicants for a new license. A trade exam is required for “Building” (Residential, Commercial or Industrial); “Electrical” and “Mechanical” (plumbing, HVAC/refrigeration, Fire Sprinkler). Not all professions require a trade exam. For example, those performing “roofing”, there is not an exam. Effective July 1, 2006, exams will be provided by PSI, Inc. at: <http://candidate.psiexams.com/index.jsp>

Q. What is the deadline date to submit an application for the next scheduled board meeting?

A. Contractor applications must be submitted by the **20th of the month**, prior to the Board meeting. The Board meets January, March, May, July, September and November. The Board calendar is located on our website <http://www.state.tn.us/commerce/boards/contractors/users/lccalendar.html>

Q. Are there specific bidding requirements?

A. Yes. Bidding requirements are defined in TCA 62-6-119, which states the contractor must list their name as licensed, license ID#, classification, expiration date, and list the same information for their electrical, plumbing, mechanical or HVAC subcontractors, if those portions exceed \$25,000.

Q. May the person taking the exam (qualifying agent) be listed/designated on more than one license?

A. If they are an owner, they may be listed on more than one license. The qualifying agent must be an owner or full time employee. As a full time employee, they cannot be added to more than one license. For example, the qualifying agent who is a full time employee may also obtain a license as an owner in order to perform projects aside from his full time employment.

Q. Is the qualifying agent considered the owner of the license?

A. Not if the qualifying agent is only a full time employee. The license is issued to the entity or individual providing the financial statement. If the qualifying agent leaves, the company must notify the Board within 10 days and designate a new individual, who has passed the trade exam, within 90 days; the Business and Law exam is not required to be taken to change or add a qualifying agent. After 90 days, if a new QA has not been designated, the license classification is removed from the license or the license is made invalid.

For classifications which do not require a trade exam, the new QA must supply a resume of experience and if applicable, provide environmental training certificates.

Q. How do I know which classification to request on my license?

A. There is an outline of classifications listed in the instructions of the application, and an outline of exams in the "Candidate Information Bulletin" for tested classifications, and also in our rules and regulations (section 0680-1-.16). At the following link, an abbreviated list is available:

<http://www.state.tn.us/commerce/boards/contractors/pdf/contLicClassOutline.pdf>

For example, to build houses, a residential building license is required and the residential building exam (BC-A) would be needed. Areas which do not have testing usually fall within a specialty area, and may be identified on your license as, for example: S-Telecommunications Equipment; S-Cell Towers; S-Equipment Installation, etc. The only trade exams are: Building (residential, commercial, and industrial); Mechanical (plumbing, HVAC/refrigeration, fire sprinklers); and Electrical (above 70 volts), and this is to hold a classification to perform projects in excess of \$25,000. In addition the exam, a contractor must show at least three (3) years experience.

Q. Are subcontractors required to be licensed?

A. Only if they perform electrical, mechanical plumbing and HVAC. Other subcontractors, such as: roofing, masonry, flooring, landscaping, fencing, concrete, etc., are not required to be licensed unless they bid directly with the owner.

Q. May a homeowner build their own house without a license?

A. Yes. A homeowner is allowed one permit every two years to build their own house and act as their own contractor. If a homeowner hires a contractor, the contractor is required to be licensed and obtain the permit.

A homeowner should never obtain the permit on behalf of the contractor, as this alleviates the contractor from most liability and insurance requirements.

Q. Is it legal for a church to construct their building?

A. No. For safety and liability reasons, the law does not exempt a church (or any other entity) to build where it is open to the public.

The law states, any person, firm or church would be required to hire a licensed contractor, with the appropriate license classification and monetary limit, in order to construct a building in excess of \$25,000, because it is open to the public, and not for individual use. A contractor with a commercial (BC-B) classification would be required.

Building for individual use is considered not open to the public, for sale, lease or rent (such as a personal residence, storage or farm building); allows the owner to construct on their own property themselves for these types of structures. (Please see T.C.A. 62-6-103 and Rule 0680-1-.22).

Q. If a licensed prime contractor, subcontracts to a licensed electrical contractor, may the electrical subcontractor, subcontract to another electrical contractor who is not licensed?

A. No. All of the electrical subcontractors are required to be licensed, as well as, any subcontractors performing mechanical, plumbing or HVAC projects. In other words, a sub to a sub to a sub, all have to be licensed!

Q. May a contractor bid in another name other than as licensed?

A. No. Bidding in a name, other than as licensed, is considered unlicensed activity. Even if the contractor owns both companies, they must bid in the name as licensed (the licensed legal entity) and then in some cases, they could subcontract to the unlicensed entity.

Q. If I am a corporation or LLC in another state, will I need to register in Tennessee?

A. Yes. You would need to contact the Tennessee Secretary of State at (615) 741-2286 or their website at: www.state.tn.us/sos for the forms to register as a foreign corporation or limited liability company.

Q. I am a licensed contractor; why haven't I received a roster?

A. The law was changed in 2001 which no longer requires any of the regulatory boards to print rosters. Due to the expense and lengthy time it takes to print, the roster is usually outdated by the time contractors receive them by mail. In addition, the information can be found on the internet by clicking onto the license roster search for "Contractor" or "Home Improvement" or "Limited Licensed Electrician" or "Limited Licensed Plumber", all of which are regulated by the Contractors Board. Website address for license search is at:

<http://licsrch.state.tn.us>

Q. May a contractor bid while in the process of obtaining a contractor's license, or wait to see if they are awarded the bid, and then apply for a license?

A. No. You must hold a license **BEFORE** you offer a price, negotiate, contract, bid, etc. In fact, you must list all the licensing information on the outside of the bid envelope or the bid will be rejected. Bidding without a license is a class A misdemeanor, subjects the violator to fines, and prohibits the contractor from participating on the project (removed). In addition, If the contractor applies for a license after committing a violation, their license is held for six (6) months.

Q. What if I have a chance to bid a job but my limit is not enough and the Board does not meet again for another month. Can I get a special review?

A. Possibly. It requires a special called Board meeting, but the law allows the Board to review hardship requests.

The contractor must submit a complete license application (including exams passed, financial statement submitted, etc.) or revision request, with a hardship letter from an owner (not the contractor) and it must fully describe the hardship, details of the project; name of project, bid date, estimate of project and description of the hardship (why they need you to bid the job, such as, if there are not enough competitive bids; specialized services, whether it affects public safety, etc.) The hardship must be approved by the Board chairman to call a special meeting, which must be advertised and a quorum of board members available for the special called meeting.

Q. What is the penalty for bidding without a license?

A. A contractor who contracts or offers to engage without a license or proper classification and monetary limit is in violation of T.C.A. §62-6-120. Therefore, would be ineligible to be awarded the project, would not receive license for six (6) months, cannot participate in any rebidding of the project, and subject to civil penalties. A complete of list of monetary fines is listed in the rules.

Q. How can a contractor get on the State's list to bid state government contracts?

A. You may register as a vendor with the Tennessee Department of General Services. Their website is at:

<http://www.tennessee.gov/generalserv/purchasing/index.htm>

Q. Do all contractors have to be licensed in order to joint venture?

A. Yes. Please see Rule 0680-1.11. Contractors may contract as a joint venture and combine their monetary limit. The joint venture is not required to obtain a separate license; both license names must be on the contract.

Q. Can a contractor bid in excess of their monetary limit?

A. Yes. There is a 10% bid tolerance.

However, contractors with a restricted limited license (BC-A/r) classification, with a \$70,000 limit, do NOT have a 10% bid tolerance.

Q. My address recently changed. May I wait until I submit my renewal to change?

A. No. You are required to submit address changes in writing within 30 days. State mail is not forwarded and the renewal form and license would not be delivered to the new address.

Q. Does Tennessee reciprocate with other States?

A. Yes. Currently, we reciprocate with the "Trade" exam, only; the Tennessee "Business and Law" exam must be taken. Tennessee has agreements with the following states: Alabama, Arkansas, Louisiana, Mississippi and South Carolina. Contractors licensed in these states must also complete all of Tennessee's licensing application process, which takes approximately six (6) weeks. Attach a copy of your trade exam score, the license verification form completed by your state, and submit with your application.

Q. I have a Tennessee license and need to apply for a license in another state. Who should I contact to have the reciprocation/license verification from completed?

A. You may fax this form to (615) 532-2868 or mail to our address above, or call our reciprocation section direct at (615) 253-2144.

Q. I have a residential building license and want to get a commercial building license. Do I need to apply for another license?

A. No. Do not apply for another license; apply for a “revision” to your current license. Revisions must be approved by the Board and are due by the end of the month prior to the next Board meeting. You may apply by completing the appropriate revision forms to: add classifications, increase your monetary limit, change mode of operation (transfer), or change name on a license.

You may go to the following link for a list of these different forms:

<http://www.state.tn.us/commerce/boards/contractors/formsandapps.html>

A licensee may have classifications added to their license by completing and submitting the revision form with the applicable test score or reciprocation license verification.

Q. May I transfer my license to another company?

A. No. A license is not transferable to another entity. You would be required to apply for a new license or a second additional license (if you want to keep the other license active).

You may “transfer” to a different mode of operation. For example, change from a Sole Proprietor to an LLC. You cannot contract in the new mode until the license has been approved through the revision process. A revision form may be obtained from our website at:

<http://www.state.tn.us/commerce/boards/contractors/pdf/modOpChgTransfer.pdf>

Q. I have not received a contractor’s license renewal form. When are these mailed?

A. Renewal notices are mailed 90 days prior to the license expiration date. If you have not received your renewal, please contact our office at 1-800-544-7693 or you may download a blank renewal form from our website at:

<http://www.state.tn.us/commerce/boards/contractors/pdf/ContRenewalForm.pdf>

A contractor's license cannot be renewed if expired 12 months. Renewal fee is \$200.00 and the law requires these to be submitted **30 days** prior to expiration, in order for your license to be renewed and prevent a contractor from being expired and unable to work. Effective September 1, 2006, the new late fees will be enforced; from \$10.00 to \$20 per month (this is due to the biennial renewals for two years).

Home Improvement, LLE and LLP licensees have only up to three (3) months to renew.

Q. I received my renewed license certificate in the mail last month, but just received a letter requesting additional information regarding our financial statement submitted. Do I need to respond even though I already have the license renewed for the next two years?

A. Yes, you must respond in order to prevent the license from becoming invalid, due to failing to meet the prerequisite to renew with an acceptable financial statement. Financial statements are audited after the license has been issued in order to prevent contractors from working with an expired license. Upon audit, if the financial statement showed insufficient working capital and net worth to support the limit, or was out-dated, the contractor is notified to respond within 30 days or their license will be placed in an invalid status.

For corporations with a different year end as from their expiration date, they need to respond in writing and provide the date of which an updated financial statement will be provided.

Q. I submitted my renewal late and need to obtain building permits. Can I request my renewal to be expedited?

A. Renewals are processed in the order as received, and usually take 10 to 30 days to issue. Licenses will be issued only to those who filed a complete renewal and provided the required financial statement and workers compensation insurance. Those renewals filed incomplete will not be issued until the contractor has submitted the lacking information. Contractors failing to complete the renewal process within 12 months lose renewal rights and must file for a reinstatement through the new license application process.

Q. Is there a grace period to renew your license?

- A. No.** Once your license expires, you are not legal to contract or permit projects. You have renewal rights, up to 12 months, but you cannot contract during the time the license is expired.

Expired licenses or those who owe a late fee will show a “Delinquent” status and will not show back on the website as “Active” until the license renewal is issued.

Q. Who needs a “Home Improvement” license?

- A.** Remodeling projects which are from \$3,000 to less than \$25,000, in the following counties in Tennessee: Bradley, Davidson, Hamilton, Haywood, Johnson, Knox, Robertson, Rutherford and Shelby. Licensed residential contractors are exempt from this license. For an application package, please call 1-800-544-7693 and ask for a “Home Improvement” application package or download from our website at:

<http://www.state.tn.us/commerce/boards/contractors/pdf/homeImproAppl.pdf>

As always, please check with the local municipality’s codes/permit office for their requirements.

Q. Are there new requirements for plumbers?

- A.** Yes. Effective January 1, 2006, plumbers must now obtain a “Limited Licensed Plumber” (LLP) license for projects less than \$25,000. The exam may be waived if applying for this license by **August 1, 2006**. The LLP application with general information and instructions may be downloaded at:

<http://www.state.tn.us/commerce/boards/contractors/pdf/PlumbingApp2006.pdf>

Licensed contractors with a plumbing classification (CMC-A; MC-A; CMC; or MC;) are not required to obtain the LLP.

Q. Who needs a “Limited Licensed Electrician” (LLE) license?

- A.** Electricians performing electrical work in counties where there is not a local licensing agency performing electrical inspections. (Check with your local permit office.) Licensed electrical contractors with a CE classification are exempt. For a LLE application, please call 1-800-544-7693 or download from our website at:

<http://www.state.tn.us/commerce/boards/contractors/pdf/LLEApplication.pdf>

Q. Are there new requirements to be licensed as a Home Inspector?

- A.** Yes. In fact, effective July 1, 2006, Home Inspectors must be licensed through a new Board. You may contact their office at (615) 253-1743 or review the information on their website at:
<http://www.state.tn.us/commerce/boards/hic/index.html>

Q. Where can the implied (one-year) warranty law be found?

- A.** It is under T.C.A. 47-2-314. Tennessee laws may be reviewed at
www.michie.com

Q. Board and Commission complaints:

- A.** Upon receipt of a complaint, our staff and legal department evaluate whether the Board has jurisdiction to take action against the contractor. The Board and the Home Improvement Commission address regulatory and licensing violation complaints submitted to them anonymously by our attorney, who makes recommendations to assess civil penalties, fines, or take formal action to suspend or revoke the license.

Consumer residential complaints are referred to the Division of Consumer Affairs to offer mediation through the CHAMP (Consumer Homeowner Accountability and Mediation Program). A complaint form may be downloaded from our website at:
<http://www.state.tn.us/commerce/boards/contractors/complaint.html>

Contractors failing to respond to a complaint are listed on the "Problem Contractor" list. Disciplinary action is updated on our web after every Board meeting. In addition, our website has a list of revoked and suspended licenses.

FAQ's - Financial Statements

Q. What type of financial statement must be submitted to obtain a license?

- A.** It must be prepared by a licensed CPA/PA. A "Reviewed" financial statement is required for limits of \$1,500,000 and less; an "Audited" is required for limits exceeding \$1,500,000. Statement must be in the name to be licensed.

Q. What is the monetary limit?

A. This is the limit a contractor is approved to contract and perform work. There is not a limit to the amount of projects. For example, a contractor with a monetary limit of \$500,000 with a BC-A (residential classification), may build several houses; each individual contract for each house, must be within their limit (there is a 10% tolerance, except for restricted (BC-A/r) licenses).

Q. How is the monetary limit determined?

A. It is based upon the contractor's experience and 10 times the lesser of working capital and net worth. A contractor approved for a limit of \$100,000 must show at least \$10,000 in working capital and \$10,000 in net worth.

For an "Unlimited" license limit (over \$3,000,000), a contractor must submit an audited financial statement showing at least \$300,000 in working capital and net worth, as well as, supply experience for these size projects.

Q. Instead of paying a CPA to prepare my financial statement, can I supply a "Line of Credit" or a "Bond" or "Income Tax" form?

A. No, a Line of Credit, Bond or income tax return cannot be submitted in lieu of a reviewed or audited financial statement since it is required by law. It must be prepared on GAAP basis, by a licensed CPA/PA.

Q. Can our in-house CPA prepare our reviewed or audited financial statement?

A. No, they must be an independently licensed CPA in the State where they operate (does not have to be licensed in Tennessee).

Q. This is a new start up company and I do not have an operating statement. May I submit a cash only statement?

A. Contractors who do not have an operating statement are required to submit their personal financial statements with a Guaranty Agreement (form is in the application). All names listed on the financial statement, such as a spouse, must sign the Guaranty.

For additional information regarding financial statement and licensing requirements, please refer to the application instructions.

Q. Our company is a wholly owned subsidiary of another company. How are subsidiaries licensed?

A. The parent company of the subsidiary must provide the financial statement and sign a "Guaranty Agreement". An in-house statement will need to be provided for the subsidiary obtaining the license and registered in this name with the Tennessee Secretary of State's corporate filing section.

Q. Where may I obtain licensing information for other Tennessee Regulatory Board professions?

A. This website is at: <http://www.state.tn.us/commerce/boards/index.html> and contains the links for other professions, such as: Alarm System Contractors; Architect and Engineers; Accountancy; Home Inspectors; etc.

Licensing Steps

HOW TO BECOME A LICENSED CONTRACTOR (detailed steps are located in the application which is on our website at:

<http://www.state.tn.us/commerce/boards/contractors/pdf/contLicenseApp1105.pdf>

In order to become a licensed contractor, you must complete the Board's application, which entails the following:

- Register and pass the "Business and Law" examination and any applicable trade examination by registering our contracted exam vendor, PSI, Inc. or call them direct at 800-733-9267 or visit their website at www.psiexams.com
- Financial statement prepared by a licensed Certified Public Accountant (CPA or PA). A "Review" is required for limits of \$1,500,000 or less; an Audit is required for limits exceeding \$1,500,000.
- Reference letter from a past client, former employer, or a codes official.
- Proof of Workers Compensation Insurance.

- Corporations must provide a Charter or Certificate of Authority; Limited Liability Companies (LLC) must provide their Articles of Organization. Must show proof of registration with the Tennessee Secretary of State who may be contacted at (615) 741-2286 or <http://www.state.tn.us/sos/>
- Interview with the Board may be required for those who designated full time employees to be the qualifying agent (person who takes the exams) and not the owner.
- License applications are approved at the Board meetings, which meet during the months of January (Nashville), March (Nashville), May (Memphis), July (Nashville), September (Knoxville) and in November (Nashville).
- Upon receipt of your completed application (if received by the deadline date, 20th of the month, prior to the Board meeting), you will be sent a notice that the interview was waived or an admission notice with the time, date and location to appear at the Board meeting.
- Qualifying Agents (person who passed exam, who are not an owner, but a full time employee and knowledgeable of the daily operations) are required to appear for the interview. Licenses for applicants who are waived are not approved until the Board meets.
- Reciprocity is with the trade exam, only. Agreements exist with some of the licensing boards in Alabama, Louisiana, Mississippi, South Carolina and Arkansas (not all agencies within these states reciprocate! See application for a license verification form.)

Please contact the local county/city permit offices for their license requirements!

If you have a question, please contact us in writing by fax at (615) 532-2868 or at "[Contractor's Board](#)" and we will be happy to get you an answer, in writing, as quickly as possible. Note: Some questions may require a legal interpretation and these may take longer to respond. Staff is listed on our website's directory at: <http://www.state.tn.us/commerce/boards/contractors/users/staff.html>

For more information, application forms, and consumer tips, please review at our website located at: <http://www.state.tn.us/commerce/boards/contractors/index.html>

Thank you for your interest in Tennessee!

(Rev. June, 2006)