



**CALIFORNIA CONTRACTORS
INSURANCE SERVICES** an ISC company



YOUR HOW-TO GUIDE:

Becoming a Licensed Contractor in Arizona

Arizona is undergoing a development boom as the state's economy grows steadily. According to the Arizona Office of Economic Opportunity, approximately 40,000 construction jobs will be added over the next decade. In fact, according to the United States Bureau of Labor Statistics, Arizona is one of the top ten states for construction jobs.

As more people relocate to the state, new residential communities, residences, suburbs, and parks are being developed. Economic expansion means the construction of new commercial buildings, warehouses, and

offices. Existing commercial and residential projects will also see increased renovations.

This is great news for both experienced and new workers, who will have more opportunities in construction than ever before. Whether you want to expand your business, partner with another firm, or start a new construction company, you must first understand Arizona's license, bonding, and insurance requirements.

This guide provides you with the licensing information you need to know as a contractor in Arizona.



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Overview

Whether you specialize in new home builds and renovations, construct office buildings, shopping malls, industrial structures, institutional buildings and facilities, or are an artisan contractor, you need a contractor's license in Arizona. According to the Arizona Registrar of Contractors (AROC), you must be licensed if you want to bid or contract on projects that

involve constructing, repairing, or demolishing a building. Licensing requirements apply to any construction job in Arizona where labor and material costs exceed \$1,000. You must also obtain and submit proof of a Contractor's License bond. Certain contractors must obtain a Taxpayer Bond as well.



Know the Contractor Licensing Requirements in Arizona

Following are the critical requirements for becoming a contractor in Arizona.

- ▶ You must be 18 years or older to apply for a contractor license.
- ▶ Determine your business entity: LLC, corporation, sole proprietorship, or partnership. There are two different applications depending on your business setup. LLCs and corporations are required to register with the [Arizona Corporation Commission](#). Partnerships are required to register with the [Arizona Secretary of State](#).
- ▶ Apply for a Federal Employer Identification Number (EIN) from the [Internal Revenue Service](#).
- ▶ Provide papers for the legal entity.
- ▶ Choose your classifications. Depending on the classification and the type of license you're applying for, minimum work experience and exam requirements exist.
- ▶ Pass Arizona's Statutes and Rules Exam (SRE), trade exam, or both. The SRE is not waived. To determine whether a trade exam is required, review the License Classification Requirements.
- ▶ Identify a qualifying party who meets experience and examination requirements for the license. The qualifying party can be a person who is involved in the leadership of the business entity or an employee in the business. He or she may be a sole proprietor, one of the partners of a partnership, one of the members of a limited liability company, one of the officers of a corporation, or an employee of the contracting business. A person must meet the license classification requirements to be approved as a qualifying party. These include minimum years of experience and successfully passing the required exams.
- ▶ Submit a background check. You can get a background check through AccusourceHR at [Licensing Background Checks](#). Once the background check has completed, you will receive an email from AccusourceHR with your completed report.

- ▶ Submit a government-issued ID (driver's license, birth certificate, U.S. passport, or certificate of naturalization, etc.).
- ▶ Submit proof of a completed Contractor's License Bond. The value of the bond depends on the license you apply for and the gross volume of work you expect to complete in a year. See the bond contractor's license types, volumes, and amounts below. Be sure the bond meets these requirements:
 - The entity name on the bond should match the entity listed on your license application, including your DBA.
 - List contractor classifications.
 - Separate the penal sums for Dual licenses (residential and commercial).
 - The effective date of the bond should be within 6 months.
 - Include a notarized signature of the attorney-in-fact and the official seal of the surety company.
- ▶ Obtain Workers' Compensation insurance if hiring employees and provide a certificate of insurance showing proof of coverage.
- ▶ The fees for a contractor's license depend on the type and class of license you're applying for. You can find a list of the fees [here](#).
- ▶ Complete and submit an application:
 - Log-in to the [ROC Online Customer Portal](#).
 - Create an account [here](#).
 - Or download and mail the [Application Form](#) to:
 - Registrar of Contractors, P.O. Box 6748, Phoenix, AZ 85005-6748
 - Or deliver the application to: 1700 West Washington Street, Suite 105, Phoenix, AZ 85007-2812
- ▶ Getting a new contractor's license issued typically takes 4 to 6 weeks.

While General Liability insurance is not a requirement to obtain a contractor's license, it is vital to protect your business against liability associated with third-party property damage and bodily injury losses. Arizona has state minimum General Liability coverage thresholds you must meet.

Determine What Type of Contractor License You Need

Decide which contractor's license (residential or commercial) you need to apply for:



- Residential Contracting
- Specialty Residential Contracting



- Commercial Engineering Contracting
- General Commercial Contracting
- Specialty Commercial Contracting



- General Dual Engineering Contracting
- General Dual License Contracting
- Specialty Dual License Contracting

Contractor's License Bond Limits, Gross Volume, and Bond Amounts

LICENSE TYPE	CONTEMPLATED GROSS VOLUME (PER LICENSE)	BOND AMOUNT
Residential General Contractors	Less than \$750,000	\$9,000
	\$750,000 or more	\$15,000
Residential Specialty Contractors	Less than \$375,000	\$4,250
	\$ 375,000 or more	\$7,500
Commercial General Contractors (Includes General Engineering Contractors)	\$150,000 or less	\$5,000
	Over \$150,000 but not more than \$500,000	\$15,000
	Over \$500,000 but not more than \$1 million	\$25,000
	Over \$1 million but not more than \$5 million	\$50,000
	Over \$5 million but not more than \$10 million	\$75,000
	Over \$10 million	\$100,000
Commercial Specialty Contractors	\$150,000 or less	\$2,500
	Over \$150,000 but not more than \$500,000	\$7,000
	Over \$500,000 but not more than \$1 million	\$17,500
	Over \$1 million but not more than \$5 million	\$25,000
	Over of \$5 million but not more than \$10 million	\$37,500
	Over \$10 million	\$50,000

Dual License Bond amounts are calculated by combining the amount required for Residential and Commercial Bonds.

The cost of your bond is a percentage of its total amount. Bond amounts for Arizona contractors vary depending on the type of license and the contemplate gross volume of work per year.

Your personal credit score is the most important factor that influences the bond cost. Other finances, such as financial statements or your fixed and liquid assets, are also typically taken into account.

Taxpayer Bond

Contractors who must be licensed with the Registrar of Contractors (new and out-of-state contractors), dealers of manufactured housing, or prime contractors must purchase a Taxpayer Bond. The bond amount varies depending on the type of work being performed. Factors to determine the bond amount include the gross value of the contract, the value of the land in the contract, and the overall volume of work. This bond type is only sold in two-year terms.



About the Arizona Statutes and Rules Training Course and Exam (SRE)

This course and exam cover statutes and rules qualifying parties must know before applying for a contractor's license. Specifically, this course covers Title 32, Chapter 10 of the Arizona Revised Statutes, and Title 4, Chapter 9 of the Arizona Administrative Code.

The examination fee for the online SRE is \$54 and is paid directly to Gmetrix. The qualifying person must pass the required examinations by at least 70% and submit the exam results with your contractor's license application.

SRE topics include:

- Arizona Registrar of Contractors Statutes
- Arizona Registrar of Contractors and Rules
- Arizona Registrar of Contractors Workmanship Standards
- Business Management
- Business Mathematics
- Contracts and Agreements
- Insurance and Bonding
- Safety, Record Keeping and Reporting
- Labor Laws and Employment Regulations
- Financial Management
- Tax Laws
- Liens
- Environmental Laws and Regulation

The examination fee for a trade-specific exam is \$66. You can take it either online or at a testing center and pay it directly to PSI.

Penalties for Working without a Contractor's License

Violating Arizona licensing rules carries some severe penalties. Importantly, unlicensed contractors are unable to establish a mechanical lien. Furthermore, unlicensed contractors are prohibited from pursuing remuneration for work that needed a license.

There are also criminal punishments that may be applied. In Arizona, it is a class 1 misdemeanor for an unlicensed contractor to:

- o Act as a contractor (even if you only bid on a project).
- o Advertise that they can provide any service or contract for compensation.

A first offense carries a minimum \$1,000 fine and the potential of six months in jail. Any future infractions may result in a \$2,500 fine for the contractor.

A defendant may also be required to pay any taxes related to the money they were paid for the work done, even if they must repay the money. Civil penalties for consumer fraud may also apply. This might result in fines of up to \$10,000 for each instance of improper contracting.

The AROC maintains a database of all licensed contractors in the state, which owners and general contractors should consult before employing. Furthermore, hiring a qualified contractor for residential jobs qualifies owners for up to \$30,000 in compensation if something goes wrong. When a licensed contractor does incorrect work on a residential property, the owner may be eligible for up to \$30,000 from AROC's Residential Recovery Fund. It's a special fund that all licensed Arizona contractors contribute to and serves as a valuable safety net for owners.

Advertising Your Construction Business in Arizona

All advertising – including websites, letterheads, business cards, fixed signs, mobile signage, other business forms and papers, and radio and television commercials – used to conduct business under your license should include your license number and company's name. Written forms of advertising shall contain "ROC" before any license number.

Any advertisement, including the name of your business, should not imply the name of a building trade or craft for which you are not duly licensed.

Advertisements, including the business's name, should not imply that you can perform work outside the scope of work allowed under your license.

Commercial and residential contracting are regulated separately, and therefore the license should be appropriate for the work you are promoting.



Renewing Your Arizona Contractor's License

Arizona contractor licenses are issued for two years. They must be renewed prior to their expiration. You must submit a renewal application for a Contractor's License Bond and pay the required renewal fees to renew your license. You will receive your renewal license after the AROC reviews your renewal application.

Here are the steps to follow for LLCs and corporations:

- 1** Confirm Corporation Commission Status: Before renewing a license in Arizona, check the [Corporation Commission status](#) of the LLC or INC to ensure that it is "active" and "in good standing." This can be done by visiting the [Arizona Corporation Commission](#) website.
- 2** Verify Bond Status and Amount: Ensure the bond is "active" and the bond amount covers the annual volume. If the annual volume increases, a bond rider may be required to amend the bond amount.
- 3** Workers' Compensation Insurance: Licensees with employees are required to provide their Workers' Compensation policy number and issuing company. However, the appropriate exemption should be selected if there are no employees.
- 4** Renewing on the ROC Online Customer Portal: You can renew your license online through the ROC Online Customer Portal. From your Dashboard, in the "Keep License Up-to-Date" section, locate and click the blue "Action" arrow button. Select the "Renew License" option from dropdown menu. Follow the steps to renew and submit the fees (found [here](#)). There is a \$50 fee for a late renewal.
- 5** Review by AROC: Renewals submitted via the portal that require bond updates will be automatically approved. However, AROC will review the renewals for sufficient bond amounts, and will communicate any errors or issues through phone, email, and mail.

Helpful Tips for Your Contractor Business in Arizona

- ▶ Create a separate bank account for company and personal use.
- ▶ Track your cash flow. Keep up-to-date records of your income and expenses and analyze them regularly.
- ▶ Create a budget. Estimate your income and expenses for the upcoming period to put together a budget. This will help you plan for any potential cash flow issues.
- ▶ Monitor your accounts. Check your accounts regularly to ensure you stay within your budget and that no unexpected expenses are draining your cash flow.
- ▶ Collect payments promptly. Make sure to collect payments on time and follow up with customers who may be late in paying their bills
- ▶ To ensure safety compliance, familiarize yourself with Arizona's standards for construction sites. Create and implement safety protocols, track compliance, and ensure all employees have completed necessary training to perform their jobs safely.
- ▶ Obtain building permits from local authorities. Schedule inspections to ensure compliance with codes and regulations.
- ▶ Develop detailed contracts for clients specifying project scope, dates, payment terms, and other relevant elements. Be responsive to project change requests and include them in writing to your clients to ensure open and transparent communication.
- ▶ Consult an attorney to ensure your contracts meet Arizona laws and safeguard your interests.
- ▶ Develop a marketing strategy to get new clients. Set up a website to feature your services and expertise. Use social media like Instagram, Facebook, and LinkedIn to post before-and-after photos of your work. Write blog articles on topics potential clients would find interesting and educational and post them on your website and social media platforms. Also, conduct digital marketing campaigns with customized emails targeted to both current and prospective clients. Join industry-specific associations for network opportunities.

▶ Keep up to date with regulatory changes that may impact your business. Also, keep current with market and industry trends and technology to offer clients new solutions (green building techniques and materials, resilient materials to minimize natural disaster losses, etc.).

▶ Invest in your employees. A tight labor market is out there, and skilled construction workers are in demand. As your business grows, keep engaged with your workers and provide them with opportunities for growth through training and development programs.

About CCIS

CCIS is a licensed construction bond and insurance agency, providing Arizona contractors with bonds and General Liability, Workers' Compensation, and Excess Liability insurance.

Our goal is to obtain license bonds, surety, and insurance for our contractor clientele with optimal premium rates and structure. CCIS writes with several insurance companies, allowing us the resources to find the best fit for our clients. We always deliver prompt, professional service so that contractors can quickly address their bonding and insurance requirements in a simple, hassle-free way and so they can focus their attention on their contracting business.

Call:

800-432-2641

Apply Online:

www.ccisbonds.com



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