



TOWN OF SEWALL'S POINT BUILDING DEPARTMENT
One S. Sewall's Point Road
Sewall's Point, Florida 34996
Tel 772-287-2455 Fax 772-220-4765

SOUND ADVICE FOR ANY POTENTIAL OWNER BUILDER

Home remodeling has become one of the fastest growing segments within the building industry largely due to the last several years of low interest rates and property values soaring wildly into the stratosphere.

So for many folks it makes sense to stay put and maximize their newly found "high-end" property by updating their homes overall look, adding more living space and designing a home to fit their lifestyles.

But when you look at the rapidly growing costs of materials – especially lumber and concrete – that dream home is going to cost you more than perhaps you had originally thought.

So now you look for ways to cut those costs and this is where some homeowners believe that if they **become their own general contractor – that is, owner-builder** - for their home remodeling project they'll save money by cutting out the contractor's cost and profits.

And the truth is they can IF they know what they're doing and have some experience in construction or are particularly well versed in a number of trades. Even those who are quite handy around the house may feel they can tackle the job of hiring and supervising a contractor as well as the specialty trades (sub-contractors).

Some may consider hiring a contractor to supervise the job, thinking that will take care of their time involvement; fill the void of having little experience in home remodeling and still save money.

But even if you hire a general contractor to help oversee the project, you as the owner/builder are still the responsible party if anything goes wrong, not the contractor.

There are also liability issues such as what if someone gets hurt on the job. Who pays? You do. You also may be considered an employer which would subject you to tax obligations such as state and federal income tax withholding, social security and workmen's compensation insurance to name a few.

One last thing to **be aware of is the contractor who tries to talk you into being an owner builder for your remodel**, using the bait of "you'll save a ton of money" if you obtain your own permit and he'll oversee the project and supervise the subs.

Know that it is a frequent practice of non-licensed persons, including revoked licensees, to have the property owner obtain the building permit as "owner builder" falsely implying that the owner is supplying his or her own labor and materials personally.

So for those homeowners who are opting to act as the owner-builder for their home improvement project with the idea of saving money take heed: There are some very real risks and liability issues you need to be aware of.



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If the people you hire are not licensed and are not immediate family members, you may be considered an employer and with that subject to local, state and federal tax laws and will need to register with these entities as an employer.

- If you employ or otherwise engage any persons other than your immediate family, and such persons are not licensed as contractors or subcontractors, then you may be an employer.
- If you are an employer, you must register with the state and federal governments as an employer, and you are subject to several obligations including state and federal income tax withholding, federal social security taxes, workers' compensation insurance, disability insurance costs, and unemployment compensation contributions.
- There may be financial risks for you if you do not carry out these obligations, and these risks are especially serious with respect to workers' compensation insurance.

For more specific information about your obligations under federal law, contact the Internal Revenue Service at (800) 829-1040 [and, if you wish, the U.S. Small Business Administration at (800) 359-1833]. For more specific information about your obligations under Florida state law, you can view state statutes at www.leg.state.fl.us

 As an Owner-Builder - and a potential employer - you are likely responsible for State and Federal taxes including withholding taxes.

 Liability issues for the owner-builder include paying for workman's compensation and liability for those who may get hurt on the job.

 Any contractor who tries to talk you into being an owner-builder is not your friend. Nor is he willing to take on the risks or responsibilities that go with managing a remodeling project.

 Revoked licensees and unlicensed individuals are the typical abusers of working with owner builders. They illegally use their revoked licenses to purchase materials and you as the owner builder are breaking the laws right along with him/her.

 Who's going to know you ask? Well, an inspector, a neighbor who doesn't like what's going on or even a random check by a governing agency. Truth is, you won't know until you get caught.