Dear President Kouchi, Speaker Saiki, and Members of the Legislature:

Re: SB767 SD1 HD1 CD1

Pursuant to Section 16 of Article III of the State Constitution, SB767 SD1 HD1 CD1, entitled “A BILL FOR AN ACT RELATING TO CONTRACTORS” became law as ACT 283, Session Laws of Hawaii 2019, on July 10, 2019.

This bill increases the handyman exemption from $1,000 to $1,500 and makes it applicable only to the cost of labor and materials.

The handyman exemption amount has not been increased since 1992. A project that cost $1,000 in 1992 is estimated to cost more than $1,800 in 2019 according to Bureau of Labor Statistics consumer price index. This bill will assist landlords and homeowners in reducing the cost of maintaining a home or to make expedient repairs to make rentals more marketable.

Also, rural parts of our state have a shortage of licensed contractors for these types of projects because the work is too small or contractors are unavailable. Some types of repairs required quick action to prevent further damage to the home.
Although there is merit to raising the threshold, increasing the exemption cap leads to potential consumer protection concerns as unlicensed individuals can engage in larger and more complex construction work. Many of these unlicensed individuals have not met the experience, examination, and insurance requirements required of licensed contractors.

For the foregoing reasons, I allowed SB767 SD1 HD1 CD1 to become law without my signature.

Sincerely,

DAVID Y. IGE
Governor, State of Hawaii
A BILL FOR AN ACT

RELATING TO CONTRACTORS.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAI'I:

SECTION 1. The legislature finds that chapter 444, Hawaii Revised Statutes, requires that a licensed contractor be hired for any construction work that costs more than $1,000 or that requires a building permit. However, the handyman exemption to chapter 444, Hawaii Revised Statutes, allows the hiring of a person not licensed as a contractor if the total value of the project, including labor and materials, is equal to or less than $1,000.

The legislature further finds that as housing costs have increased in Hawaii, the cost of housing materials has also increased. As a result, small home repair projects may easily exceed $1,000. Additionally, Act 195, Session Laws of Hawaii 2009, increased the monetary sanctions for engaging in contracting without the required license in violation of the contractors licensing law. Fines were increased from $500 to $2,500 for the first offense and from $1,000 to $3,500 for the second offense. This represents a fivefold increase in the
amount of the first offense fine and over a threefold increase
in the second offense fine.

Despite an increase in costs and a shortage of licensed
contractors, the handyman exemption amount has not been
increased since 1992. Accordingly, the legislature finds that
in order to combat high housing costs, the handyman exemption
should be expanded to provide faster, easier access to
construction services for smaller projects.

The legislature finds that it is necessary to raise the
handyman exemption for several reasons. First, increasing the
exemption threshold brings the exemption more in line with the
increased fines imposed by Act 195 and reduces that law's
potential impact on handymen who take on small projects in good
faith and face rising materials costs. Second, raising the
handyman exemption will help landlords and homeowners reduce the
costs of maintaining a home or for repairs to make rentals
marketable. Third, in rural parts of the State, it is often
difficult to find licensed contractors for these projects
because the job is either too small or contractors are not
available. Finally, if the exemption threshold remains as it
is, senior citizens who are unable to find contractors may be
forced to attempt dangerous repairs themselves, thereby placing senior citizen homeowners at risk of injury.

The purpose of this Act is to broaden the contractor licensing law's handyman exemption threshold amount by removing all costs other than labor and materials from its calculation and raising the amount to $1,500.

SECTION 2. Section 444-2, Hawaii Revised Statutes, is amended to read as follows:

"§444-2 Exemptions. This chapter shall not apply to:

(1) Officers and employees of the United States, the State, or any county while in the performance of their governmental duties;

(2) Any person acting as a receiver, trustee in bankruptcy, personal representative, or any other person acting under any order or authorization of any court;

(3) A person who sells or installs any finished products, materials, or articles of merchandise that are not actually fabricated into and do not become a permanent fixed part of the structure, or to the construction,
alteration, improvement, or repair of personal
property;

(4) Any project or operation for which the aggregate
contract price for labor[,] and materials[,] taxes, and
all other items] is not more than [[$1,000+] $1,500.
This exemption shall not apply in any case where a
building permit is required regardless of the
aggregate contract price, nor where the undertaking is
only a part of a larger or major project or operation,
whether undertaken by the same or a different
contractor or in which a division of the project or
operation is made in contracts of amounts not more
than [[$1,000] $1,500 for the purpose of evading this
chapter or otherwise;

(5) A registered architect or professional engineer acting
solely in the person's professional capacity;

(6) Any person who engages in the activities regulated in
this chapter as an employee with wages as the person's
sole compensation;

(7) Owner-builders exempted under section 444-2.5;
(8) Any joint venture if all members thereof hold licenses issued under this chapter;

(9) Any project or operation where it is determined by the board that less than ten persons are qualified to perform the work in question and that the work does not pose a potential danger to public health, safety, and welfare; or

(10) Any public works project that requires additional qualifications beyond those established by the licensing law and which is deemed necessary and in the public interest by the contracting agency."

SECTION 3. Statutory material to be repealed is bracketed and stricken. New statutory material is underscored.

SECTION 4. This Act shall take effect on July 1, 2019.
S.B. No. 767, S.D. 1, H.D. 1, C.D. 1

THE SENATE OF THE STATE OF HAWAI‘I

Date: April 30, 2019
Honolulu, Hawaii 96813

We hereby certify that the foregoing Bill this day passed Final Reading in the Senate of the Thirtieth Legislature of the State of Hawai‘i, Regular Session of 2019.

President of the Senate

Clerk of the Senate
THE HOUSE OF REPRESENTATIVES OF THE STATE OF HAWAII

Date: April 30, 2019
Honolulu, Hawaii

We hereby certify that the above-referenced Bill on this day passed Final Reading in the House of Representatives of the Thirtieth Legislature of the State of Hawaii, Regular Session of 2019.

Scott K. Saiki
Speaker
House of Representatives

Brian L. Takeshita
Chief Clerk
House of Representatives