

2023 LEGISLATIVE UPDATE

South Carolina Contractor's Licensing Board



LICENSEES:

Important information is being provided below on significant changes made this year to Chapter 11 of Title 40 of the South Carolina Code. The Board recognizes that this is a lot of information to review, but it is necessary for you to read all of it as the changes impact your license(s).

LEGISLATIVE UPDATE

[Bill H4115](#), ratified and signed by the Governor, has resulted in modifications to Chapter 11 of Title 40 of the South Carolina Code related to licensing groups, financial statements and net worth requirements for licensed contractors. These modifications include, but are not limited to, updated definitions, an increased cost threshold for licensure, alterations to the surety bond requirement, and revisions to licensing groups. The revisions to the licensing groups include increased minimum net worth requirements and a new, alternative option to qualify for groups through minimum working capital requirements. These modifications are currently in effect, and licensees are advised to familiarize themselves with the changes prior to submitting their financial documents, as their licensing groups may have changed. Licensees wishing to remain in their current licensing group will be required to meet the increased net worth requirements or the newly established working capital requirements at the time of renewal.

NOTABLE CHANGES

- **Licensure Threshold** – The cost threshold requiring licensure for both general and mechanical contracting has increased. A license is now required when the total cost of construction is greater than \$10,000.
- **Project Limitations, Net Worth, and Working Capital Requirements** – The project bid, job limitations, and net worth requirements applicable to each licensing group were

increased. The increased project costs limitations are currently in effect. Licensees will be required to meet the increased net worth requirements or the new working capital requirements at the time of renewal in order to remain in their current licensing groups.

- **Residential Pools** – The construction, service, and repair of residential pools has been added to the General Contractors-Specialty Swimming Pools subclassification. **A General Contractor license with the Swimming Pools subclassification or a Residential Builder license from the Residential Builders Commission is now required to construct, service, or repair any residential pool when the total cost of construction meets the statutory cost threshold for licensure.** In addition, work performed on residential pools is now subject to the Board's enforcement and disciplinary jurisdiction. The Board recognizes that the new licensure requirement will impact individuals and entities who are not currently licensed to perform work on swimming pools. Any active licensees, or non-licensees, who have previously performed work on residential swimming pools but are not currently authorized to perform work in this subclassification should contact the Board to apply for the appropriate license. The Board intends to expedite and process these applications as quickly as possible to assist impacted parties with coming into compliance with the new licensure requirement.
 - For General Contractor licensees currently authorized to perform work in the Swimming Pools subclassification, no further action is needed at this time.
 - Actively licensed Residential Builders can continue installing residential swimming pools and do not need to become licensed as a General Contractor with the Swimming Pools subclassification. These licensees will remain subject to the Commission's jurisdiction when constructing residential swimming pools.
 - **Individuals and entities who are not currently licensed as a General Contractor with the Specialty Swimming Pools subclassification or as a Residential Builder with the Residential Builders Commission, must obtain the appropriate license before performing or offering to perform construction, service, and repair work on residential pools, if such work meets the cost threshold for licensure. Licensure requirements and application procedures are available [here](#).**

TECHNICAL CHANGES

Section 40-11-30. Licensing Requirement. – The licensing requirement was amended to increase the total cost of construction requiring licensure from \$5,000 to greater than \$10,000 for both general and mechanical contracting. The thresholds for residential building construction and residential specialty trades remain the same.

Section 40-11-20. Definitions. – The following definitions were added:

- “Ancillary work” means work that is directly associated with the building or structure that the licensee has been engaged to construct.
- “GAAP” stands for Generally Accepted Accounting Principles and means accounting principles generally accepted in the United States of America.
- “Net worth” means the total wealth of a company taking account of all financial assets and liabilities.
- “Working capital” means the capital of a business calculated as the current assets minus the current liabilities.

Section 40 11 410. License classifications and subclassifications. – Below is a summary of the changes to the license classification and subclassifications for general and mechanical contractors. The Board is working to implement these changes with the examination provider and other interested parties throughout the state, and appreciates your patience during this process. If the name of your current classification has changed, you will receive an updated licensure certificate in the coming months. Further information concerning these changes, including any changes to the examination requirements, will be provided by the Board as that information becomes available.

• **General Contractors-Building** – This license classification now includes all work under the subclassifications of Wood Frame Structures, Nonstructural Renovation, Masonry, Pre-engineered Metal Buildings, Roofing, Structural Framing, and Miscellaneous Metals.

- Licensees under this classification may perform ancillary work in the specifically listed subclassifications, provided that the work is directly associated with the building or structure that the licensee has been engaged to construct. In addition, the ancillary work must be performed by the licensee, and it cannot exceed 20% of the total cost of construction. Otherwise, the work must be performed by a contractor licensed in the appropriate subclassification. Unlicensed subcontractors are not authorized to perform ancillary work under the supervision of the licensee.
- Ancillary work may include work referenced within the following subclassifications: Concrete, Concrete Paving, Asphalt Paving, Glass and Glazing, Grading, Public Electrical Utility, and Highway Incidental.
- If a project includes work performed under a Mechanical Contractor subclassification or any of the following subclassifications, the licensee must have a license for the work or use a contractor with the

appropriate licensing classification: Swimming Pools, Bridges, Boring and Tunneling, Water and Sewer Lines, Pipe Lines, Railroad Lines, Marine, and Water and Sewer Plants.

• **General Contractors-Highway** – The following subclassifications have been amended:

• **Bridges** – This subclassification has been amended to define bridges as “structures over a depression or an obstruction such as water, highway, or railway, having a track or passageway designed for carrying vehicular traffic weighing over two thousand pounds.”

• **Asphalt Paving** – This subclassification now includes repairs and rehabilitation of driveways.

• **General Contractors-Specialty** – The following subclassifications have been amended:

• **Nonstructural Renovation** – This subclassification was formerly titled “Interior Renovation.” It has been amended to clarify that it includes both interior and exterior activities that do not alter load-bearing portions of a structure.

• **Marine** – Licensees under this subclassification may now perform ancillary work that includes fill grading and foundations, including piling.

- **Masonry** – This subclassification has been redefined to remove the list of products common to the masonry industry. Work under this subclassification includes the installation, alteration, and repair of poured in place concrete foundations (e.g. footings or reinforced slabs), brick, concrete block, and products common to the masonry industry, including mortarless types and synthetic masonry products common to the building industry.

- **Pre-engineered Metal Buildings** – The size limitations have been removed from this subclassification, which now includes the construction of pre engineered metal buildings consisting of no more than a concrete floor slab, metal frame, metal roof, metal sidewalls, foundations, and building insulation; but does not include mechanical work as described in Section 40 11 410(5).

- **Roofing** – This subclassification will replace the General Roofing and Specialty Roofing subclassifications. All active licensees with the previous classifications will now have the “Roofing (RF)” classification. Roofing includes the installation and repair of roofs and roof decking on commercial, industrial, residential, and institutional structures requiring materials that form a water-tight and weather-resistant surface. This license subclassification includes cedar, cement, asbestos, clay tile and composition shingles, all types of metal coverings, wood shakes, single ply and built up roofing, protective and reflective roof and deck coatings, sheet metal valleys, flashings, gravel stops, gutters and downspouts, and bituminous waterproofing.

- **Miscellaneous Metals** – This subclassification was formerly titled “Structural Shapes.” In addition to the work previously included under the Structural Shapes subclassification, Miscellaneous Metals includes fabricating, assembling, installing, and replacing solar panels and related components common to the building industry. Provided, however, that roof mounting of solar panels only may be performed by a licensed General Contractor with the Roofing or Building subclassification. Wiring and connections only may be performed by a licensed Mechanical Contractor with the Electrical subclassification. If a roof requires structural upgrades for the mounting and installing of solar panels, any structural upgrading of the roof must be performed by a licensed General Contractor with either the Building or Structural Framing subclassifications. Fences not

over seven feet high do not require licensure under this subclassification.

- **Swimming Pools** – This subclassification has been amended to reflect that it now includes work on residential swimming pools. Any active licensees who have previously performed work on residential swimming pools but are not currently authorized to perform work in this subclassification, should contact the Board to apply for the appropriate license.

- **Glass and Glazing** – This subclassification has been amended to include the glass guard and handrail systems, and other fixed openings.

- **Mechanical Contractors** – The following subclassifications have been amended:

- **Air Conditioning** – This subclassification description now specifically includes work under the subclassifications of Packaged Equipment and Refrigeration.

- **Heating** – This subclassification description now specifically includes boilers.

- **Packaged Equipment** – This subclassification now reflects that ventilation systems includes kitchen exhaust and other hood systems.

FINANCIAL STATEMENT AND BOND CHANGES

Section 40 11 260. Financial statements; net worth requirements. – The net worth requirements applicable to each license group were adjusted, as provided in the tables below. In addition, applicants now have the option of qualifying for license groups by meeting either the net worth or working capital requirements with the provided financial documentation. In order to remain in your current licensing group, you must meet the increased net worth or working capital requirements at the time of renewal. Licensees are not required to meet both the working capital and net worth requirements, but must meet one option to qualify for the requested group limit.

General Contractors				
Group	Bid and Job \$ Limitation	Working Capital ¹	Net Worth ² / Total Equity	Surety Bond Requirement
Group #1	\$100,000	\$10,000	\$20,000	\$20,000
Group #2	\$400,000	\$40,000	\$60,000	\$60,000
Group #3	\$1,000,000	\$100,000	\$150,000	\$150,000
Group #4	\$3,000,000	\$175,000	\$250,000	\$250,000
Group #5	\$Unlimited	\$250,000	\$350,000	\$350,000

Mechanical Contractors				
Group	Bid and Job \$ Limitation	Working Capital	Net Worth / Total Equity	Surety Bond Requirement
Group #1	\$35,000	\$3,500	\$7,000	\$7,000
Group #2	\$100,000	\$10,000	\$15,000	\$15,000
Group #3	\$200,000	\$20,000	\$30,000	\$30,000
Group #4	\$400,000	\$40,000	\$60,000	\$60,000
Group #5	\$Unlimited	\$200,000	\$300,000	\$300,000

Section 40 11 262. Surety bonds in lieu of providing financial statements. - The amount of the surety bond an applicant may provide in lieu of providing a financial statement showing a minimum net worth or working capital for a license group as required by Section 40-11-260 was reduced from two times the net worth for the applicant's license group to now require a bond in the same amount as the net worth for the applicant's license group.

In addition, upon a finding of a violation by a licensee, the Board may now require the licensee to increase the amount of a surety bond. Any increase must be proportional to the seriousness or repeated nature of the offense or related to the financial condition of the applicant. The Board may reduce an increased surety bond after one year upon a finding that the violations have been cured by appropriate corrective action.

¹ Current assets minus current liabilities. S.C. Code Ann. § 40-11-20(28).

² The total wealth of a company taking account of all financial assets and liabilities. S.C. Code Ann. § 40-11-20(18).

If you have a current bond on file with the Board, at the next license renewal or at expiration of the bond, you may submit a continuation certificate and bond rider change form to reflect the new amounts indicated above. If you wish to submit a surety bond at the next renewal cycle, the Surety Bond forms have been updated on the [Board's website](#).

2023-2025 MECHANICAL CONTRACTOR LICENSE RENEWALS

Mechanical Contractor's license renewals for 2023-2025 will open in August. Prior to accessing the online renewal system, all license groups are required to submit an appropriate financial statement, valid surety bond, or surety bond continuation form. There will not be a grace period to submit this information at a later date. Licensees are encouraged to familiarize themselves with the group limit changes prior to submitting their financial documents, as their licensing groups may have changed. In an effort to give licensees ample time to complete this two-step renewal process, you may start submitting financial documentation now via the Board's [Document Submission](#) page. Licensees who submitted financial documentation prior to May 19, 2023, will be required to submit new documentation to reflect the adjusted net worth or working capital requirements. Once your financial documentation has been accepted, you will be able to complete the online renewal process when renewals officially open in August. If all documents and fees are not received or postmarked by October 31, 2023, your license will lapse.

As a reminder, acceptable financial statements must have a balance sheet date no more than twelve months prior to the date of renewal showing a minimum net worth for each license group. If you currently have a surety bond on file and it is expiring with the renewal, a continuation certificate or a new surety bond needs to be on file before expiring. If this is your first time submitting a surety bond, you must provide the Surety Bond form (a link to the form is provided below) to your bonding company. The original surety bond must be submitted with the Surety's signature, Principal's signature, a visible surety company seal, and the Power of Attorney document attached to the form. Docusign is not an acceptable form of signature. If you already have a surety bond on file that has not yet expired, you are not required to submit anything at this time. Surety Bonds payable to the South Carolina Residential Builders Commission are not accepted by the South Carolina Contractor's Licensing Board for license renewal.

FINANCIAL STATEMENT OR SURETY BOND REQUIREMENTS FOR RENEWALS:

Groups 1 and 2 (submit one):

- [Owner-Prepared Financial Statement, Doc #172](#); or
- [Surety Bond Form for Mechanical Contractors](#)

Groups 3 and 4 (submit one):

- [Owner-Prepared Financial Statement, Doc #172](#); or
- Compiled financial statement from a licensed CPA, prepared in accordance with GAAP, including all disclosures required by GAAP, or
- [Surety Bond Form for Mechanical Contractors](#)

Group 5 (submit one):

- Reviewed financial statement from a licensed CPA, prepared in accordance with GAAP, including all disclosures required by GAAP (cannot be on an "income-tax basis"); or
- [Surety Bond Form for Mechanical Contractors](#)

2024-2026 GENERAL CONTRACTOR LICENSE RENEWALS

The current bid and job limitation increase by group is now in effect. All General Contractor licensees will be required to meet the updated financial requirements or bond requirements at the next renewal cycle in 2024 to remain in their current group. You are encouraged to become familiar with these changes and discuss any potential impacts with a licensed CPA. If you feel you do not currently qualify for your current group or would like to make changes, please submit those requests in writing to the Board by [email](#) and someone will be happy to assist.

IMPACTS ON CURRENT LICENSES

As described in the technical changes section, several existing licensure classifications have been updated to include a scope of work change and/or a name change. Over the next month, licensees will see changes in the [LLR Licensee Lookup Database](#) reflecting the new licensure classification names. Licensure certificates will be updated and mailed at the next renewal cycle.

- General Roofing (GR) and Specialty Roofing (SR) – Active licensees with these classifications will now see Roofing (RF) on their license.
- Interior Renovation (IR) – Active licensees with this classification will now see Nonstructural Renovation (NR) on their license.
- Structural Shapes (SS) – Active licensees with this classification will now see Miscellaneous Metals (MM) on their license.

THE BOARD WANTS TO REMIND YOU

It is a requirement to operate in the name as it appears on your license.

SECTION 40-11-370(B) It is unlawful to engage in construction under a name other than the exact name which appears on the license issued pursuant to this chapter. "Engaging in construction" includes marketing, advertising, using site signs, and submitting contracts. This requirement does not include advertising on vehicles, which may use an abbreviated version of the license name so long as the advertising is not misleading.

It is a requirement to notify the Board of any PQP changes within 15 days.

SECTION 40-11-230(B)(3) When a primary qualifying party ceases to serve as a primary qualifying party for a licensee, the licensee or the primary qualifying party shall notify the department in writing within fifteen days of the disassociation. If the licensee or primary qualifying party notifies the department within the prescribed time, the license remains in good standing for ninety days from the date the department receives notice of the disassociation. Failure to notify the department within fifteen days of a primary qualifying party's disassociation may result in license and certificate cancellation.

If you need to make a change to your licensed name, submit the [Revision Application, Doc #180](#). If the change occurred more than 15 business days in the past with a new Federal ID# and/or style of business (i.e. Corp. to LLC), you must submit the [Initial Application, Doc #165](#), including all required financial documents and application fees.

Board Updates Applications and Forms

The Board has updated their applications and forms. Previous versions of these documents will no longer be accepted. You can find all updated applications and forms [here](#).

All licenses are renewed biennially by October 31st.

All General Contractor licenses expire October 31st in even-numbered years.

All Mechanical Contractor licenses expire October 31st in odd-numbered years.

Boiler compliance inspections cannot be performed by General and Mechanical Contractors.

Boiler installations can be performed by either a General Contractor with the Boiler Installation (BL) classification or a Mechanical Contractor with the Heating (HT) classification.

Annual and biennial boiler compliance inspections must be performed by special inspectors who are certified with the South Carolina Boiler Safety Program. General and Mechanical contractors are not authorized to perform boiler inspections.

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Disclaimer: This statutory update is not intended as legal advice. LLR is providing this update to notify licensees of recently updated statutes that may impact his or her practice area or license. This statutory update provides only a summary of the updated statutes and licensees are urged to review the updated statutes in their entirety, which are available in the hyperlinks above.