

Arizona Registrar of Contractors Statutes and Rules Exam



Glossary

Key Term	Definition
§	Section symbol. This is used in legal citations to identify a specific section of a law.
Actual damages	The reasonable cost of completing a contract and repairing a contractor's defective performance, minus the part of the contract price still unpaid. A.R.S. § 32-1132.01(H)
Appropriately licensed	The contractor holds a valid license that is in active status (not canceled, inactive, expired, suspended or revoked) and that covers the scope of work to be performed.
Appurtenances	Structures and improvements (such as driveways, fences, patios, swimming pools, landscaping, sport courts, and gazebos) that occur within residential property lines, but exclude the residential structure itself. In terms of license classifications, it's important to know whether the scope of the residential or dual license classification includes the ability to perform construction or repair on just the residential structure, just one or more residential appurtenances, or both the structure and appurtenance(s). A.A.C. R4-9-101
Arizona Administrative Code	A collection of rules passed by the Arizona Legislative body. The Registrar of Contractors has the authority to create rules for how they will carry out specific statutes.
Arizona Corporation Commission	The state agency in Arizona that approves filings for all articles of incorporation for Arizona businesses, all articles of organization for limited liability companies and grants authority to foreign corporations to transact business in Arizona.
Arizona Revised Statutes	Laws governing the State of Arizona. Laws for contractors are found in Title 32 Chapter 10 of the Arizona Revised Statutes.
Assessment	This is a fee required for residential and dual licensed contractors when applying for a new license and when renewing an existing license. The assessment funds the Recovery Fund. A.A.C. R4-9-130(5)
Biennial	Two years; License fees and renewal fees are for two-year licenses. Applicants and licensees may petition the Registrar in writing to request a one-year license due to a real and immediate hardship and pay half the biennial fee. A.R.S. § 32-1123.01
Bond	A bond provides a specified amount of financial coverage so that a consumer can be compensated for losses. Bond amounts are based on the license classification and estimated volume of work within the State of Arizona. There are no exemptions from bonding. A license application will not be approved without one, a license cannot be renewed without one, and should it ever lapse or be depleted, the Registrar will suspend the license until corrected. A.A.C. R4-9-112; A.R.S. §§ 32-1152 & 32-1152.01
Citation	An enforcement method by which the Registrar of Contractors may allege violations of statutes.
Claimant	Person or business making a claim for payment to cover damages
Commercial construction	All construction that is not residential. A.R.S. § 32-1101
Construction contract	A written agreement relating to the construction, alteration, repair, maintenance, moving, demolition or excavation or other development or improvement to land. A.R.S. § 32-1154(B)(2)(a)
Construction	A state-regulated industry that includes self-performance or supervision of others (either directly or indirectly) to construct, alter, repair, add to, subtract from, improve, move, wreck or demolish any building, highway, road, railroad, excavation or other structure, project, development or improvement, or to do any part thereof, including the erection of scaffolding or any other structure or work; connect such structure or improvements to utility service lines and metering devices and the sewer line; provide mechanical or structural service for any such structure or improvements; includes subcontractors, specialty contractors, floor covering contractors, hardscape contractors and consultants who represent that they are able to supervise or manage a construction project for the property owner's benefit, including hiring and firing specialty contractors, scheduling work on the project and selecting and purchasing construction material. A.R.S. 32-1101(A)(3)

Glossary, continued

Key Term	Definition
Corporation	A type of legal entity that can apply for and hold a contractor's license. A corporation is formed or created by submitting Articles of Incorporation to the Arizona Corporation Commission (A.C.C.). Only corporations that are "Active" and "In Good Standing" with the A.C.C. may apply for or renew a Registrar of Contractor's license. A.R.S. § 32-1122(B)(1)(g)
Disassociation	When the qualifying party and license stop working together (for example, if the qualifying party is fired or quits). Statute requires a qualifying party and licensee to notify the Registrar of Contractors within 15 days of when the qualifying party is no longer representing the licensee in that capacity. Failure to notify the Registrar is grounds for suspension. The licensee must re-qualify through another person within 60 days of the date of disassociation or the license will be automatically suspended until a new qualifying party is approved by the Registrar. A.R.S. §§ 32-1127.01 & 32-1154(A)(18)
Duly licensed	Indicates that the license is in active status and able to contract for work appropriate to the allowable scope of the license classification.
Dwelling	A house, apartment, or other place of residence.
Final completion	The earliest of the following: (a) When the work, or the work under a portion of a construction contract for which the contract states a separate price, has been completed in accordance with the terms and conditions of the construction contract. (b) The date of final inspection and final written acceptance by the governmental body that issues the building permit for the building, structure or improvement. A.R.S. 32-1181(A)(3)
Inactive license	A voluntary license status that indicates the license is not authorized to perform work. An inactivation period lasts up to five years and can be requested by the licensee up to two times during the life of a license. An inactive license may be renewed by applying for reactivation. Contracting or offering to contract or submitting a bid while the license is on inactive status is grounds for suspension or revocation. A.R.S. §§ 32-1125.01 & 32-1154(A)(17)
Indemnification	Compensation for someone's harm or loss.
Jurisdiction	Legal authority to enforce a statute or rule.
Lessee	Someone who has a lease to rent property. The property owner is called the lessor.
Licensed contractor / Licensee	A sole proprietor, partnership, corporation, limited liability company or trust that holds an active, inactive, or suspended Arizona Registrar of Contractor's license. The license belongs to the business entity and not to the qualifying party.
Limited Liability Company (LLC)	A type of legal entity that can apply for and hold a contractor's license. An LLC is formed or created by submitting Articles of Organization to the Arizona Corporation Commission ("A.C.C."). Only LLC's that are "Active" and "In Good Standing" according to A.C.C. can apply for or renew a Registrar of Contractor's license. A.R.S. § 32-1122(B)(1)(g)
Owner-occupant	A person who holds legal title, resides in or intends to reside in the dwelling and does not intend to sell or lease it to someone else.
Partnership	A type of legal entity that can apply for and hold a contractor's license. The names and addresses of all partners with a designation of any limited partners must be submitted on the license application. A.R.S. § 32-1122(B)(1)(c)
Primary residence	The home where someone lives in or resides full-time or at least most of the time.
Progress payment	A partial payment made to a contractor after the completion of a predefined stage of work. A.R.S. § 32-1181
Qualifying party	A person regularly employed by the licensee who has the necessary knowledge, skills, and experience to supervise or perform the work under the scope of the license and is responsible for ensuring the licensee complies with statutes and rules for contractors. A.R.S. § 32-1122(E), 32-1127 & 32-1162(B)
Registrar of Contractors	An agency of the State of Arizona that licenses and regulates residential and commercial contractors and investigates and works to resolve complaints against licensed contractors and unlicensed individuals and businesses. A.R.S. § 32-1104
Residential	Construction that takes place within residential property lines, including the main residence as well as any appurtenances. A.R.S. 32-1101(A)(10)
Residential Recovery Fund	A form of financial protection provided through assessments paid by Arizona residential and dual contractors to residential homeowners. A.R.S. § 32-1132 (Also called "Recovery Fund")

Glossary, continued

Key Term	Definition
Retention	Portion of a progress payment that was withheld. A.R.S. § 32-1181(A)(5)
Rule	Standard or guide that regulates conduct or procedure.
Solar Exam	Exam required in A.R.S. § 32-1122(E)(2) that demonstrates the qualifying party's solar knowledge for license classifications that include a solar scope of work. A.A.C. R4-9-106(A)(2). ARS 32-1170.02
Sole proprietor	A type of legal entity that can apply for a contractor's license. A sole proprietorship is a business that is owned and operated by one person. A.R.S. § 32-1122(B)(1)(b)
Statute	A written law passed by a legislative body.
Statutes and Rules Exam (SRE)	The exam required in A.R.S. § 32-1122(E)(2) that demonstrates the qualifying party's understanding the laws and rules that apply to licensed contractors in the State of Arizona. A.A.C. R4-9-106(A)(1)
Subcontractor	A license holder that has a direct contract with a contractor or another subcontractor to perform a portion of the work under a construction contract. Subcontractors are included in the definition of "contractor" under A.R.S. 32-1101(A)(3)
Substantially complete	When a construction project is complete enough for the owner to occupy or use the property. ARS 32-1181(A)(7)
Suspended license	A license status that indicates the license is not in good standing and is not authorized to perform work. A license may be suspended for administrative or disciplinary reasons. Contracting or offering to contract or submitting a bid while the license is on suspended status is grounds for suspension or revocation of the license. A.R.S. § 32-1154(A)(17)
Suspend performance	Refers to a contractor's right to pause or terminate a contract when an owner fails to make timely payments. A.R.S. § 32-1185
Trade Exam	The exam required in A.R.S. § 32-1122(E)(2) that demonstrates the qualifying party's understanding of the desired scope of work and covers the standards of construction, techniques and practices, and knowledge of applicable construction plans and specifications related to the particular industry or craft. A.A.C. R4-9-106(A)(2)
Trust	A type of legal entity that can apply for and hold a contractor's license. A.R.S. § 32-1122(B)(1)(j)
Workers' compensation	Under Arizona law, it is mandatory for employers to secure workers' compensation insurance for their employees. Workers' compensation is a "no fault" system in which an injured employee is entitled to receive benefits for an industrial injury, no matter who caused the job-related accident. The Arizona Industrial Commission administers and enforces state laws relating to workers' compensation. In order to apply for or renew a contractor's license, the business entity must attest compliance with the statutes and rules governing workers' compensation insurance. If A.R.S. § 23-916 requires it, the business entity, with their attestation, must provide the policy number or proof of self-insurance to the Registrar. A.R.S. § 32-1122(B)(1)(i)
Workmanship standards	Minimum standards for construction adopted by the Registrar of Contractors that must be met by licensed contractors. If there is any conflict between the workmanship standards and building code requirements, the latter prevail. The Registrar may not issue a citation for failing to meet workmanship standards if the contractor is not provided an opportunity to inspect the work within 15 days after receiving a notice from the Registrar or if the contractor's work has been subject to neglect, modification or abnormal use. A.R.S. § 32-1104(5), 32-1154(B), & 32-1155(D)