

Licenses and Permits Required to Start a Construction Business

Anytime you find yourself thinking about [starting your own construction business](#), know that there are many things to prepare for such an endeavor. The construction industry is not any different from all the rest; not only should [business plans](#) be drawn up, but there are also licenses and permits to acquire and secure before you can start.

Due to the hassle this can create for you, it comes highly recommended to learn as much as you can about the requirements as soon as possible. A few are needed across the board for all construction companies, but there are those with certain niches that will need specific licenses before they can get their plans off the ground. With that said, below are the licenses and permits that you are expected to have in order to establish your own construction business.

The General Contractor License

The most common license needed to operate a construction business would have to be the general contractor license. This is due to the fact that the majority of states within the United States require this in order for you to be able to work legally. There are two primary ways that you can acquire this, and that is through either your local Department of Labor or the State Contractors' Board.

As common as this may be, take note that there are going to be variations that will depend on certain circumstances. One such circumstance, for example, would be whether your company intends to work on commercial projects or residential ones. Even then, it should also be noted that this will differ from state to state. Some may require a specific kind of general contractor license for remodeling projects, but won't demand anything if your company is hired to create a certain building from scratch.

In turning towards the topic of what is needed to get a general contractor license, be aware that each state in the U.S. will also have different requirements. Be prepared to do your own research insofar as what your local government or agency is asking of you, but there are also shared requirements that you can learn about now. Among those shared requirements include the following:

The Passing of Either a Business Exam, a Trade Exam, or a Law Exam

It can be assumed that this requirement is included because it would certify those who intend to work in the construction industry as professionals who can display certain levels of proficiency.

Proof of a Specific Contractor's Work Experience

This is needed so that the state can be assured that you, or any other contractor that you intend to hire, have the necessary experience for the jobs intended to be taken by your company.

Proof of a Specific Contractor's Educational Attainment

This requirement is similar to the ones above, in that it will provide proof that you and your contractors know what you are doing. Any lack of experience and education will lower your customers' confidence in you, which may also lead towards long term problems down the line.

A Financial Bond

This would be the fixed income instrument representing loans made by your investors. Typically, these are used in order to finance your construction company's various operations and projects, serving as proof to your local government or agency that you have the capacity to keep yourself afloat.

A General Liability Insurance

Insurance is often required considering how dangerous construction projects can be. It should come as no surprise that a general liability insurance is among the top requirements before you can be given a general contractor license.

Specialty Contractor License

When you've got contractors who also happen to be experts in a particular field, then it is prudent to secure a specialty contractor license. Depending on what niche your construction company intends to carve out, you may end up looking into at least sixteen different specialties, as divided by the Construction Specification Institute codes. The majority of states follow these codes in order to categorize workers such as electricians, painters, roofers, carpenters, and more, into having different licensing requirements.

If you are not sure whether your state requires you to get a specialty contractor license, then it is best to consult its state-by-state guide. Just like with general contractor licenses, there is a strong chance that you may be required to get a local-level license through your county or municipality. Below are some examples of the requirements that can be expected:

Showing Relevant Work Experience

This shows that you are proficient enough within your chosen speciality by having enough work experience to qualify.

Being Certified or Passing Approved Training Courses

Professional certifications can go a long way in legitimizing you as a specialized contractor who is skilled and educated enough to warrant a license.

Passing Trade, Business, and Law Exams

This is practically identical to the general contractor license requirement mentioned above. By passing any or all of the exams stated, you prove to your local government that you are reliable enough for them to license as a specialty contractor.

Present Proof that You are Financially Solvent

Proof can come in the form of asset examination, for example. Doing so will prove to your local government or agency that you can easily get the cash needed to pay your company's bills and debts in the long run.

Present Proof of Having the Necessary Insurance

Operating a construction company means getting the right kind of insurance for whatever [risks that you will be taking](#). This can include general liability insurance, along with more complex and specialized insurance. Examples include architects and engineers liability, environmental legal liability, and project-specific coverage.

Regardless if you want to get this license for yourself or for your future employees, it is worth noting that most states that demand specialist contractor licenses will also need a professional to have only a single specialization. Hiring someone to be a specialized carpenter, for example, will mean that that same person cannot be specialized as an electrician later on. Another interesting fact is that there are other states that can allow professionals to carry out various kinds of specialized work provided that the job value remains under a specific amount.

Business Registration

For the vast majority of small businesses, the act of registering can be quite simple. All you need to do is register your business name with both your state and local governments. It should be noted that there are cases where registration is not even necessary, such as those who decide to conduct business under their legal name. The main drawback of not registering is the fact that you may miss out on legal and tax benefits, as well as any personal liability protection. Those who have goals of trademarking their construction company or [construction branding](#), then the best way to do this is to approach the United States Patent and Trademark office so you can file a registration.

Building Permit

This serves as an official approval that is issued by your local government agency. It basically grants you and your company permission to get started with a certain construction project. The necessity of this permit is due to the fact that it shows that the project you intend to undertake is guaranteed to comply with all of the local standards regarding zoning, land usage, and construction.

Such standards are not only put in place to secure occupational [safety for the workers](#) involved in the construction site, but also to secure the safety of all present and future owners and occupants. There are also specific issues that the entire building permit process will address, and included would be the following:

Framing Work Structural Integrity

In construction, framing is where pieces are fitted together in order to create structural shape and support. Overall, this involves making sure that not only will everything fit according to plan, but will also be strong enough to support immense load without deforming or breaking.

Zoning

This is where land within a certain municipality is divided into certain zones. From there, particular land uses can be either allowed or prohibited.

Sewer Lines

These would refer to the underground tunneling system where sewage is transported from both commercial and residential buildings. The establishment of sewer lines will enable greater water pollution control and the prevention of blockage, among other benefits.

Fire Protection

This is a system built into buildings for the purpose of preventing or reducing fire damage to the building and its occupants.

Electrical Service

These will involve the transmitting and distribution of electricity, electrical lights, power over lines, wires, and cables throughout a specific building.

An important thing to take note of would be the fact that not every construction project is going to require a building permit. Should your services include simple replacements and repairs, those can be done by your contractors without any need for this particular permit. Going beyond that -- such as when you have a project that demands major changes to the structure of a home or involves mechanical systems -- is going to require you to secure a building permit. Concerning its requirements, it is best to be aware that those are also going to vary, depending primarily on where your construction company is based.

License and Permit Bonds

Before certain business owners can be issued licenses or permits, it is imperative that they get license and permit bonds for themselves. To those who are not familiar with what this is, these are a certain type of commercial surety bonds that many industries require. Not only is this dealt with on a local government scale, but also on federal and state levels. What these bonds do is protect the clients of businesses from potential harm through the guarantee of said businesses adhering to any relevant laws that are enforced by local, state, and federal government agencies. It is worth remembering that each license bond is quite distinct to their specific industries. Businesses that are bonded will be prevented from performing any kind of fraudulent practices that can cause immense harm to their customers or clients. When it comes to the cost, it is worth noting that many surety bonds are issued for a minimal amount, which will be only one percent of the complete bond amount. For example, if your construction company has a required bond that costs \$10,000 all in all, you would only be required to pay \$100 for the premium.

There are those license and permit bonds that are issued instantly, but some will also require review and inspection from a licensed underwriter. Among its most important requirements for approval will be the business owner's financial history. If your credit is good, then you will have a better chance of getting approved than those with more questionable credit scores. For the different types of surety bonds, business owners can expect the following examples among many:

Contractor License Bond

This would be the bond variation that would interest you the most, since it will be needed before you can be licensed legally to work in the construction industry. Specific construction projects may require separate contract bonds.

Collection Agency Bond

This variation is to ensure that business professionals are doing their jobs in accordance with the many industry regulations and standards. It is practically a necessity when it comes to providing both credibility and dependability to bonded agencies.

Insurance Adjuster Bond

Within many states, this is needed so that insurance adjusters can be licensed. Both the state and its many residents benefit from this since it ensures that there are no unlawful acts committed by insurance adjusters.

Insurance Broker Bond

Considering the role that insurance plays in a dangerous industry like construction, it is only fitting that insurance brokers must first get an insurance broker bond before they can be properly licensed.

Conclusion

As you can see, starting a construction business means having to deal with all of these various licenses and permits. Considering how useful and even necessary each of these are, it makes sense to try and familiarize yourself with them as soon as you can. Now that you have gained the right knowledge, all that is left is for you to do your individual research regarding what requirements are demanded by the state in which you live. By doing that, you take an extra step closer to making your construction company dreams a reality.