EMPLOYEE OR INDEPENDENT CONTRACTOR?

EMPLOYEE LEASING OR LICENSE PEDDLING?

The Board has received questions about licensees using workers who do not receive a W-2 from the licensee, and is addressing the use of labor contractors. Payment, supervision, control of detail, risk and other factors are involved. While the Board will not tolerate license peddling, the Board is aware that there may be situations where leased employees may be in compliance with Board rules.

Pursuant to NCGS 87-25, an employee in the course of his work as a bona fide employee of a licensee of the Board is not required to hold a license of his own. Board Rule .0512 also sets out conditions that must be met. This rule identifies specific conditions the Board will require and evaluate to determine whether a person will be considered by the Board as an employee. Typical situations are shown below. Suggested items to keep in your files include:

EMPLOYER FORMS or VALID CERTIFICATES

- SS-4 Federal Employer Identification Number
  
  www.irs.gov

- AS/RP1 State Employer Identification Number
  
  www.dor.state.nc.us

- W-2 Employee Wage & Tax Statement
  
  www.irs.gov

- Insurance Certificates
  
  www.ncesc.com  www.comp.state.nc.us

EMPLOYEE FILE

- W-4 Employee Federal Withholding Form
  
  www.irs.gov

- NC-4 Employee State Withholding Form
  
  www.dor.state.nc.us

- I-9 Employment Eligibility Verification Form
  
  www.uscis.gov

- NC New Hire Reporting Form
  
  www.ncnewhires.com

EMPLOYEE or INDEPENDENT CONTRACTOR

TYPICAL SITUATIONS

Example 1.

Cool Mechanical (Cool) has worked with a General Contractor (GC) for many years. GC calls to say he has a motel project in Goldsboro that is too far for daily commute. Cool would hate for GC to start using somebody else. Cool finds Jerry Jones near Snow Hill. Jerry has no license but agrees to help Cool handle the work for $20,000.00 if Cool supplies fixtures. Cool gets the permit and sends a superintendent every Monday.

(continued on page 2)
Jerry Jones is there every day, provides the people and keeps the job together the rest of the week.

Legal or not? What happens when the work fails inspection or doesn’t get done on time?

Answer: Cool is guilty of both peddling license and inadequate supervision and faces suspension of license and loss of business which took years to build. Jerry Jones and all his people are guilty of working without license. Neither Jerry Jones nor any of the helpers are “bona fide employees” of Cool. Most likely Cool gave Jerry Jones a 1099-MISC Form, and Jerry Jones gave cash to the helpers. Sending a superintendent once a week was inadequate supervision.

Example 2.
Les Getuit has built his business up to three crews plus a service truck, doing mostly residential work. Last week, General Contractor (GC) calls to see if Les can take on the new Medical Office Building near the hospital. This is a great chance for Les to add some commercial work. He already has the necessary H-2 license.

Les doesn’t have enough people. Les sees that GC picks up crews for painting and framing, etc., pays on a 1099-MISC Form, and seems to make plenty of money. Les runs into Frank Brooks who says he has Fridays and weekends free and can get some more guys to help. Frank Brooks says he can line up 10 guys.

Is Les headed for riches or ruin? The latter. Frank Brooks and the boys are not bona fide employees. License trades are different from painters, masons and roofers. Lives depend on the work being right. All the people on Les Getuit’s office building must be bona fide employees and Les must supervise and direct their work.

Les can’t build his business picking up labor like roofers or painters. Even though Les plans to be on the job every day, Frank Brooks and the boys are not bona fide employees. Frank is a supplier of mechanical work, not a supplier of labor.

Example 3.
After talking to the guys at the County Association meeting and reading the Board newsletter, Les realizes he can put Frank Brooks on the payroll, even if it’s just three days per week, and even if they also work somewhere else. With good supervision from Les, there will be no problem knowing who controls the work and who provides supervision.

Example 4.
A year goes by. Frank Brooks calls Les and says “I finally passed the board’s exam. I’d like to catch some of your overflow work”. Les thinks to himself – I can’t afford to hire Frank Brooks as an employee – I just don’t get enough to keep it going.

Does Les have to say “No” to Frank Brooks?

Answer: No. Subbing work to another licensee with the correct license is not a problem. The work will be supervised and Frank Brooks can remain self-employed. The helpers do not need to be bona fide employees of Les, but they must be bona fide employees of Frank.

Example 5.
Cool has worked with GC for many years. GC calls to say he has a motel project in Goldsboro that is to far for daily commute. Cool would hate for GC to start using somebody else. Cool calls Manpower Labor Supply. Cool and Manpower Labor Supply enter into a contract. Manpower Labor Supply will provide its employees to Cool, and give them W-2s, medical and workers compensation. Cool will have complete control and all liability and responsibility for the job, will direct all details, including the ability to order any of Manpower’s people off the job, and will pay Manpower Labor Supply for all the labor time used. The licensee of Cool is a bona fide employee (gets a W-2 Tax Statement) of Cool. Is Cool legal?

ANSWER: Yes, for tax purposes, these workers are considered employees of Manpower and leased workers to Cool, and the contract is very clear that whether the work gets done, and how well, is up to Cool. The payroll and supply service of Manpower does not mean the workers are working without license, and Cool is not peddling the license. For purposes of liability, control, direction, and responsibility, these are employees of Cool. Supervision is real, not theoretical.

SUMMARY
Failure to meet NCGS 87-25 will cause the person to be treated as an independent contractor engaging in the business of contracting without a license, a misdemeanor offense, or be subject to a Court order to stop. Also, the licensee will be treated as having sold or assigned the license and aided and abetted an unlicensed person, commonly called license peddling, a prohibited offense which can result in revocation of license.

Prepared by:
Nick Fountain, Board Attorney
State Board of Examiners
Plumbing, Heating & Fire Sprinkler Contractors
ASHRAE, ACCA Publish
Load Calculation Standard

ATLANTA – A new standard that establishes minimum requirements for performing load calculations has been published by the American Society of Heating, Refrigerating and Air-Conditioning Engineers. The standard was developed in conjunction with the Air Conditioning Contractors of America (ACCA).


Proper load calculations are the first step in any design process, says Chris Wilkins, chair of the committee that wrote the standard. “Efficiency and comfort are only possible if the equipment is selected to match the load.”

The standard establishes minimum requirements for building loads that are inclusive of as many procedural methods as possible while identifying core elements that impact heat loss and gains. Requirements are non-prescriptive and are aimed at ensuring that developers of load calculation methodologies observe recognized good practices. The specifics in undertaking a load are left to the discretion of the industry professional by their selection and application of load methodologies that meet the standard.

The need for the standard was driven largely by the desire of the code enforcement community. Code references to the ASHRAE Handbook existed, making it the de facto standard.

“The industry recognized that we were the appropriate source for load calculation guidance, but the problem was that the ASHRAE Handbook was never intended to be a standard,” says Wilkins. “Standard 183 now provides an appropriate compliance reference that reconciles each organization’s needs.”

“We are pleased that the standard meets the needs of our members,” says Phil Forner, ACCA 2007 – 2008 chairman. “ACCA wants contractors to have access to the most accurate, efficient and effective design standards, and this will help contractors with commercial building load calculations.”

The cost of Standard 183-2007 is $24 (ASHRAE members, $19) and is available in print and download versions. To order, contact ASHRAE Customer Service at 1-800-527-4723 (United States and Canada) or 404-636-8400 (worldwide); fax 404-321-5478; by mail at 1791 Tullie Circle NE, Atlanta, GA 30329; or visit the Bookstore at www.ashrae.org.

Gov. Easley Appoints Tucker to Board of Examiners

The Board is proud to announce the appointment of Wyatt Thomas Tucker, Sr. as the air conditioning representative for the Board. He received an honorable discharge from the Navy in 1969.

Mr. Tucker is president of Parks Heating and Air Conditioning, Inc. He has been in the industry since 1978. Mr. Tucker has an extensive background in leadership positions, such as: Weddington City Council—Mayor Pro Tem, Union County Commissioner and Chairman and trustee of Carolinas Medical Center-Union.

Mr. Tucker has utilized his knowledge and skills working with community services like Union County Partnership for Children, Turning Point Battered Women’s Shelter and United Way Big Brother/Big Sister Program. He is also a deacon in his church.

Mr. Tucker and wife, Diane, have two grown children Wyatt and Leslie.

The Board looks forward to utilizing Mr. Tucker’s vast knowledge and experience he brings with him.

WELCOME
New Administrative Officers
Tom Johnston
Tom has spent over ten years in the HVAC industry doing custom chiller work and recently in the service technician working with both residential and commercial equipment. Tom lives in the Triad area with his wife of seven years.

Moises “Jimmy” Jimenez
Jimmy brings with him 10 years of US Army experience in investigations, personal security, and defending our nations freedom. After traveling the world Jimmy and his family have settled in Wilmington, North Carolina.

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BRYANT, DAVID MICHAEL  
**d/b/a AMERICAN AIR HEATING & COOLING REPAIR, INC. and AMERICAN AIR HEATING & COOLING SERVICE & REPAIRS**  
Oxford NC  
Heating contracting without a license. Complaint filed 11/14/06. Judgment filed 3/21/07 in Granville County Superior Court enjoining defendant from engaging in business as a plumbing, heating or fire sprinkler contractor until properly licensed by the Board.

CORBI, MICHAEL  
Charlotte, NC  
Request for reinstatement of license. Hearing held 7/11/06.  
Order issued 8/2/06 granting applicant’s request to sit for Plumbing Class I and Class II examination upon continuing compliance with conditions that any subsequent disciplinary or licensure issues regarding the Applicant be heard initially before the Board, not the Resolution Committee and that license be withdrawn in the event of a future drug or alcohol conviction.

GERRELL, AARON D.  
**d/b/a AG’s HEATING & AIR CONDITIONING SERVICE, LLC**  
Selma NC  
Heating contracting without a license.  
Complaint for injunction filed 1/14/07. Service of process obtained 1/16/07. Permanent Injunction Judgment filed 2/2/07 enjoining defendant from engaging in business as a plumbing, heating or fire sprinkler contractor until properly licensed by the Board.

KELLEY, MARC STEVEN  
Wilmington, NC  
**d/b/a AES PLUMBING & MECHANICAL**  
License #15513 P-I  
Allegations of misconduct in the business of plumbing contracting. Respondent has obtained permits during the period from November 1, 2005, to May 1, 2006, for work requiring license from the Board. As of August 30, 2006, Respondent had 62 outstanding permits that have expired due to age and inactivity and have never received final inspection. The evidence was that Respondent performed work at an acceptable level. The evidence also established that Respondent regularly purchases permits in connection with work for which license from the Board is required. The Respondent stipulated that he did not request inspections in connection with the installations of hot water heaters. Respondent further stipulated there were many such open or expired permits for which inspections had not been requested. Respondent contended he had made substantial progress in catching up the open permits since the investigation of the matter began. The Respondent contends the Board is wrong to require inspections of hot water heater installations.  
Formal hearing was held 2/13/07.  
Order issued 2/23/07 placing the license of Respondent on probation for 12 months with provisions that Respondent: obtain final inspections within 90 days of the effective date of the order on all outstanding water heater permits or show that satisfactory efforts were made to arrange inspections; in the event of failure to satisfy those conditions, license will be suspended for 90 days; implement procedures within his business adequate to assure that final inspection is requested within 5 days of substantial completion of each installation including all water heater installations or replacements and that the results of the inspection are known and of record in Respondent’s business within a like period of time; implement procedures to call for reinspection if necessary, within 10 days after request for final inspection and commit no violation of Article 2, Chapter 87 or the Rules of the Board.

KUNZ, MARK  
**d/b/a KLEIN, RALPH JOSEPH & ASSOC., INC.**  
Bryson City, NC  
Allegations of misconduct in the business of plumbing contracting. Respondent failed to obtain final inspections within 90 days of the effective date of the order on all outstanding water heater permits or show that satisfactory efforts were made to arrange inspections; in the event of failure to satisfy those conditions, license will be suspended for 90 days; implement procedures within his business adequate to assure that final inspection is requested within 5 days of substantial completion of each installation including all water heater installations or replacements and that the results of the inspection are known and of record in Respondent’s business within a like period of time; implement procedures to call for reinspection if necessary, within 10 days after request for final inspection and commit no violation of Article 2, Chapter 87 or the Rules of the Board.

KLEIN, RALPH JOSEPH  
Wilmington, NC  
**License #22995 H-3-II**  
Allegations of misconduct in the business of heating contracting.  
Order issued 1/22/07 revoking the license of Ramzi Moham-med Kharbat and the firm of Heat Wave HVAC and Heat Wave Heating & Cooling. The Board will issue no license in the name of either Respondent, neither Respondent may carry out work for which license is required; Ramzi Moham-med Kharbat may work as a bona fide employee of a con-tractor licensed by this Board so long as he is not an officer, partner, director or executive of such firm, holds no position higher than foreman, and is not involved in sales for the firm. Aiding or abetting violation of this Order by a licensee of this Board may result in revocation of the license of such other person or firm. The Board will not consider a request for reinstatement of license by either Respondent for a minimum of 2 years.

KLEIN, RALPH JOSEPH  
Wilmington, NC  
**License #22995 H-3-II**  
Allegations of misconduct in the business of heating con-
An Order was issued by the Board on August 24, 2006, re-

At Mr. Klein’s request, the Board staff extended the time for compliance with the terms of the probation order. By the terms of the Order, the six month deadline for completion of coursework ran out October 10, 2002. The staff of the Board agreed to an extension to January 28, 2003, then to June 2003 and eventually to February 2005. The staff modified the course requirements of subsection (e) of the Order so as to accept a consolidated business management course offered by Umpire Technologies. The Respondent failed to enroll in and pass Level 3 Building Code course, even after the staff indicated it would accept a Level 1 Building Code course, within the six month period mandated by the Order nor within the period of additional time provided by Board staff, and failed to take the required fuel piping course mandated by the Order. During the period the probation had been extended by Board staff, Respondent verbally contracted to install and installed a Heating Group 2 system and contracted beyond his license qualification as a Heating, Group No. 3, Class II contractor in that a Heating, Group No. 3, Class II license is limited to single family dwellings and not commercial work; failed to obtain a permit in violation of the North Carolina State Building Code; and failed to adequately support the gas lines in violation of the North Carolina State Building Code; misrepresented the job as being performed by John Bottiger, as licensee; and failed to have a written contract as required by the Board Order.

Respondent contracted to install and installed a heating group 3 system consisting of a Carrier gas pack unit with air conditioning and an electrostatic air cleaner at a residence and in the course of completion of the contract, Respondent discharged the exhaust directly onto the regulator after improper field modifications of the discharge apparatus; failed to respond promptly to calls for service from the homeowners; failed to correct problems responsible for the odor of gas and fumes both outside and inside the residence; failed to provide adequate control of gas pressures; damaged the internal regulator of the gas valve due to high entering pressure; failed to adequately support the ductwork in violation of the North Carolina State Building Code; and failed to adequately support the gas lines in violation of the North Carolina State Building Code. After inspection by the local Code Enforcement Official and examination by another licensed contractor, the furnace was declared unsafe to use and gas and power to the unit was turned off. The evidence at the hearing made clear the failure to diagnose and correct the gas pressure problem resulted in the full force of gas pressure from the propane tank being applied to the equipment. This overloaded the system, allowed excess fuel to enter, causing multiple explosions and ruining the components of the system downstream from the fuel tank. The residents were exposed to severe risk of personal injury or property damage.

An Order was issued by the Board on August 24, 2006, re-

voking the license of Respondent effective the date of the Order, directing the Respondent to arrange for any partially completed jobs to be completed by a licensed contractor and directing Respondent not to complete those jobs and to refund any unearned funds. Respondent has appealed to Swain County Superior Court. Hearing held in Swain County on 2/5/07. The Court affirmed the Order of the Board and denied the request of Petitioner to remand the matter to the Board for additional evidence. The matter may be appealed further.

SCARLETT, WILLIAM MICHAEL Mebane NC
Allegations of heating contracting without a license.
Complaint for injunction filed 3/28/06. A&P forwarded to the Clerk on 4/18/06. Service of Process obtained 5/15/06.
Entry of Default filed 6/22/06. Default Judgment filed 8/29/06 enjoining defendant from engaging in business as a plumbing, heating or fire sprinkler contractor until properly licensed by the Board.

STANSBURY, GARY Kinston, NC 3/27/06
Allegations of heating contracting without a license.
Complaint for to Clerk 4/18/06. Extension of Time to Answer to 6/23/06 obtained by Defendant. Defendant filed Affirmative Defenses and Answered 6/21/06.Consent Order filed 10/12/06 enjoining defendant from engaging in business as a plumbing, heating or fire sprinkler contractor until properly licensed by the Board.

STEPHEN, TARRONE Charlotte, N.C. d/b/a A ZONE COMFORT AIR & HEATING
Complaint filed 7/21/06 with Catawba County Superior Court. Forwarded Summons to Sheriff of Mecklenburg County on 7/28/06 for service on Defendant. Service obtained 8/27/06. Permanent Injunction Judgment filed 11/20/06 enjoining defendant from engaging in business as a plumbing, heating or fire sprinkler contractor until properly licensed by the Board.

SUTTON, TIMOTHY SCOTT Gastonia, NC d/b/a HOMETIME HOME REPAIR
Allegations of heating contracting without a license. Motion for Default Judgment filed 10/4/06. Judgment of Permanent Injunction filed 11/20/06 enjoining defendant from engaging in business as a plumbing, heating or fire sprinkler contractor until properly licensed by the Board.

WESTER, MICHAEL RAY, a/k/a MIKE WESTERS Candler, NC
Allegations of contracting without a license. Complaint forwarded on 8/1/06 to Buncombe County Superior Court. Service obtained on Defendant. Motion for Entry of Default and Entry of Default forwarded to Clerk 9/27/06. Default Judgment filed 11/28/06 enjoining defendant from engaging in business as a plumbing, heating or fire sprinkler contractor until properly licensed by the Board.
**Consent Agreement Report**

A Consent Agreement is an affidavit taken from unlicensed individuals performing plumbing, heating and fire sprinkler work without a license. These individuals sign a Consent Agreement stating that they will not perform any work requiring a license until they are properly licensed to do so. If you see these businesses or individuals in the field please report them to this office.

Alvarez, Norland Jose  
Clayton, NC  
07/28/2006

Bain, James Anthony  
Wade, NC  
08/14/2006

Bish, John Albert  
Newton, NC  
10/26/2006

Blalock, Tristan S.  
Albemarle, NC  
04/26/2006

Bowers, Bobby R.  
Lexington, NC  
08/30/2006

Carns, Jeremy  
Burlington, NC  
10/18/2006

Clements, John Michael  
Jacksonville, FL  
04/03/2006

Dunn, Lonnie L.  
Albemarle, NC  
04/26/2006

Elder, John Paul  
Hickory, NC  
11/13/2006

Evans, Richard M.  
Charlotte, NC  
06/13/2006

Forbes, Douglas  
Southern Pines, NC  
12/06/2006

Griffith, Johnny  
Raleigh, NC  
11/30/2006

Grogan, Michael Anthony  
Raleigh, NC  
01/10/2006

Hayes, Wattie “Sonny” L.  
Asheboro, NC  
06/15/2006

Johnson, David Craig  
Garnet, NC  
09/25/2006

Koehler, Robert Timothy  
Greensboro, NC  
06/28/2006

Marze, Douglas A.  
Rockwell, NC  
05/08/2006

Melton, Michael Dan  
Sylva, NC  
09/13/2006

Mitchell, Charles  
Four Oak, NC  
07/25/2006

Potter, Johnny Ray  
Willow Spring, NC  
09/20/2006

Schaus, John M.  
Fuquay Varina, NC  
08/31/2006

Starks, Eugene  
Wilmington, NC  
10/28/2006

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**ATTENTION EXPIRED LICENSEES**

**IMPORTANT NOTICE**

**Licenses Expired 12/31/2004**

In order to avoid re-examination, the Board requires that all licenses expired 12/31/2004 must have fees paid through 2007, 18 hours of continuing education obtained (4 of which must be in code changes and amendments) and the VR-2007 from completed and received correctly no later than December 31, 2007. General Statutes 87-22 provides in part “…the Board requires re-examination upon failure of a licensee to renew license within three years after expiration.” Board Rule 21NCAC50.0409 REINSTATEMENT OF EXPIRED LICENSE – A license which expires may be reinstated within three years of the date of expiration upon written request and upon payment of the current license fee, the license fee for the unpaid prior years together with the processing fee impose by GS 87-22.
Correction to Consent Agreement Report
November-December 2006 Newsletter

It was inadvertently reported that J. E. Mintz of Wilmington, NC signed a Consent Agreement on March 29, 2006. Mr. J. E. Mintz of Wilmington, NC is a licensed plumbing contractor and his license is in good standing.

Publisher Sandra O’Brien, Executive Director
Layout & Design Scott Waterhouse