



CONTRACTORS STATE LICENSE BOARD

# CALIFORNIA LICENSED CONTRACTOR

Fall 2010

| Stephen P. Sands, Registrar

| Arnold Schwarzenegger, Governor



## Kick-Backs Can Cost You

Remember that it is illegal for contractors or subcontractors to accept or pay referral or "kick-back" fees in order to secure construction or remodeling projects. Violators may face fines or disciplinary action against their license.

### § 7157. Prohibited inducements

- (a) Except as otherwise provided in subdivision (b), as a part of or in connection with the inducement to enter into any home improvement contract or other contract, which may be performed by a contractor, no person may promise or offer to pay, credit, or allow to any owner, compensation or reward for the procurement or placing of home improvement business with others.
- (b) A contractor or his or her agent or salesperson may give tangible items to prospective customers for advertising or sales promotion purposes where the gift is not conditioned upon obtaining a contract for home improvement work if the gift does not exceed a value of five dollars (\$5) and only one such gift is given in connection with any one transaction.
- (c) No salesperson or contractor's agent may accept any compensation of any kind, for or on account of a home improvement transaction, or any other transaction involving a work of improvement, from any person other than the contractor whom he or she represents with respect to the transaction, nor shall the salesperson or agent make any payment to any person other than his or her employer on account of the sales transaction.
- (d) No contractor shall pay, credit, or allow any consideration or compensation of any kind to any other contractor or salesperson other than a licensee for or on account of the performance of any work of improvement or services, including, but not limited to, home improvement work or services, except: (1) where the person to or from whom the consideration is to be paid is not subject to or is exempted from the licensing requirements of this chapter, or (2) where the transaction is not subject to the requirements of this chapter.

As used in this section "owners" shall also mean "tenant." Commission of any act prohibited by this section is a misdemeanor and constitutes a cause for disciplinary action. Added Stats 1969 ch 1583 § 3, as B&P C § 7026.9. Renumbered by Stats 1972 ch 1138 § 1.3. Amended Stats 1997 ch 812 § 7 (SB 857), ch 813 § 5 (SB 825).

