

HOUSE RESEARCH

Bill Summary

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This bill involves an existing state law that provides a cause of action for damages resulting from a breach of a required new home or home improvement warranty. These warranties, called “statutory warranties,” are provided under state law regardless of whether the contractor explicitly makes the warranties. In new home construction, the vendee (the person purchasing the home) may sue the vendor (person or company responsible for building the home) for damages caused by the violation, or to require the vendor to fix the defects. In home improvement cases, the home owner may sue the home improvement contractor in the same manner. The warranty relevant to this bill warrants that there are no major structural construction defects that will cause damage within the first ten years.

This short but complex bill changes the deadline for starting a lawsuit against the contractor on the basis of a breach of these statutory warranties. This type of deadline is called a “statute of repose” because it provides an absolute endpoint to the possibility of being sued for a past incident. Under current law, a lawsuit to enforce the warranty must be started within two years after discovery of the breach, but no later than twelve years after the warranty date (date of purchase or occupancy by the original owner, whichever comes first). “Discovery” of a breach of this warranty occurs only after the homeowner has discovered the problem, learned that it meets the definition of a “major construction defect” under the statute, and learned that the contractor cannot or will not fix the problem. Under current law, lawsuits based on a breach discovered during the ninth or tenth years must be started within two years after discovery. This has been interpreted as implying that a lawsuit is not allowed at all if the breach of warranty is discovered more than ten years after the warranty date, even if the defect caused damage within the ten-year warranty period. This bill would change that to provide that a lawsuit based on a breach of warranty discovered more than ten years after the warranty date may still be enforced provided that the lawsuit is started within one year after discovery of the breach, but not later than 12 years after the warranty date. In other words, a breach discovered between the ten-year and twelve-year point may still be pursued, but only if it is started before the twelve year point, and no later than one year after discovery of the breach.

In a separate provision, the bill includes within the twelve-year outer limit for starting a lawsuit, lawsuits based on explicit written warranties, in addition to the statutory warranties that are the main focus of the bill.

This bill is effective the day following final enactment, and would apply to any lawsuits pending or begun on or after that date.

As background information, the following warranties relevant to this bill are required by current law:

New Home Construction Warranties (section 327A.02, subdivision 1):

In every sale of a completed dwelling, and in every contract for the sale of a dwelling to be completed, the vendor shall warrant to the vendee that:

- (a) during the one-year period from and after the warranty date the dwelling shall be free from defects caused by faulty workmanship and defective materials due to noncompliance with building standards;
- (b) during the two-year period from and after the warranty date, the dwelling shall be free from defects caused by faulty installation of plumbing, electrical, heating, and cooling systems due to noncompliance with building standards; and
- (c) during the ten-year period from and after the warranty date, the dwelling shall be free from major construction defects due to noncompliance with building standards.

Home Improvement Warranties (section 327A.02, subdivision 3):

(a) In a sale or in a contract for the sale of home improvement work involving major structural changes or additions to a residential building, the home improvement contractor shall warrant to the owner that:

- (1) during the one-year period from and after the warranty date the home improvement shall be free from defects caused by faulty workmanship and defective materials due to noncompliance with building standards; and
- (2) during the ten-year period from and after the warranty date the home improvement shall be free from major construction defects due to noncompliance with building standards.

(b) In a sale or in a contract for the sale of home improvement work involving the installation of plumbing, electrical, heating or cooling systems, the home improvement contractor shall warrant to the owner that, during the two-year period from and after the warranty date, the home improvement shall be free from defects caused by the faulty installation of the system or systems due to noncompliance with building standards.

(c) In a sale or in a contract for the sale of any home improvement work not covered by paragraph (a) or (b), the home improvement contractor shall warrant to the owner that, during the one-year period from and after the warranty date, the home improvement shall be free from defects caused by faulty workmanship or defective materials due to noncompliance with building standards.