

# Nevada Contractors Practice Test (Sample)

## Study Guide



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**SAMPLE**

## **Questions**

- 1. What is the total liability of the surety for claims against a bond?**
  - A. Limited to the face amount of the bond**
  - B. Up to 150% of the bond**
  - C. Limited to 50% of the face amount of the bond**
  - D. No limit to the surety liability**
- 2. What is the minimum passing score for the Nevada Contractors Exam?**
  - A. 70%**
  - B. 75%**
  - C. 80%**
  - D. 85%**
- 3. Can contractors be held liable for damages caused by subcontractors?**
  - A. No, subcontractors are responsible for their own actions**
  - B. Yes, they can be held responsible for the actions of their subcontractors**
  - C. Only if the subcontractor is uninsured**
  - D. Only if the contractor failed to supervise the subcontractor**
- 4. What is the primary purpose of workman's compensation insurance for contractors?**
  - A. To cover employee injuries that occur on the job**
  - B. To provide health care benefits for employees**
  - C. To insure the contractor against lawsuits**
  - D. To replace lost equipment on the job site**
- 5. What type of bond guarantees that the contractor will pay its subcontractors and suppliers?**
  - A. Performance bond.**
  - B. Completed operations.**
  - C. Bid bond.**
  - D. Payment bond.**

- 6. How many years of experience are typically required for a specific trade to qualify for a contractor's license in Nevada?**
- A. One year**
  - B. Two years**
  - C. Four years**
  - D. Five years**
- 7. For how many years must records for Federal employment taxes be maintained and available for IRS review?**
- A. 5 years**
  - B. 3 years**
  - C. 4 years**
  - D. 2 years**
- 8. Where can one obtain a state business license in Nevada?**
- A. Office of the county recorder**
  - B. Department of taxation**
  - C. State contractors board**
  - D. Department of labor**
- 9. In the event of a property foreclosure due to multiple liens, who is prioritized for payment from the proceeds?**
- A. Laborers**
  - B. Material suppliers**
  - C. Subcontractor**
  - D. General contractors**
- 10. What is the maximum amount for a single residential recovery claim?**
- A. \$10,000**
  - B. \$20,000**
  - C. \$25,000**
  - D. \$40,000**

## **Answers**

SAMPLE

- 1. A**
- 2. B**
- 3. B**
- 4. A**
- 5. D**
- 6. C**
- 7. C**
- 8. B**
- 9. A**
- 10. D**

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## **Explanations**

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**1. What is the total liability of the surety for claims against a bond?**

**A. Limited to the face amount of the bond**

**B. Up to 150% of the bond**

**C. Limited to 50% of the face amount of the bond**

**D. No limit to the surety liability**

The total liability of the surety for claims against a bond is indeed limited to the face amount of the bond. This means that the surety, which acts as a guarantor for the principal (the contractor or entity obtaining the bond), is only responsible for paying up to the specified dollar amount stated in the bond agreement. This limitation serves as a crucial aspect of suretyship; it defines the extent of financial exposure that the surety has in the event of a default or claim. If claims exceed the face amount of the bond, the surety is not obligated to cover those additional costs. Understanding this limitation is important for contractors and other parties involved in bonding arrangements, as it clarifies the extent of protection provided by the bond and helps in assessing risk before entering into contracts requiring surety bonds. Other options that suggest higher or no limits on the surety liability diverge from traditional surety bond practices and could mislead someone regarding the financial limits inherent in bond agreements.

**2. What is the minimum passing score for the Nevada Contractors Exam?**

**A. 70%**

**B. 75%**

**C. 80%**

**D. 85%**

The minimum passing score for the Nevada Contractors Exam is 75%. This benchmark is established to ensure that candidates possess a sufficiently high level of knowledge and understanding of the relevant laws, regulations, and practices involved in contracting. A passing score signifies that the individual has demonstrated adequate competency to perform the responsibilities required in the contracting field safely and effectively. Setting the passing score at 75% helps maintain a standard that safeguards the quality of contractors entering the industry, thus protecting consumers and ensuring compliance with state regulations. This score reflects a balance between demonstrating substantial knowledge and allowing for some margin of error, acknowledging that contractors may have diverse backgrounds and areas of expertise.

**3. Can contractors be held liable for damages caused by subcontractors?**

- A. No, subcontractors are responsible for their own actions**
- B. Yes, they can be held responsible for the actions of their subcontractors**
- C. Only if the subcontractor is uninsured**
- D. Only if the contractor failed to supervise the subcontractor**

Contractors can indeed be held liable for damages caused by subcontractors because of the legal principle known as vicarious liability. This principle holds that an employer (or contractor) can be responsible for the negligent actions of their employees or agents (which include subcontractors) while they are performing work on behalf of the contractor. The rationale is that the contractor hires these subcontractors and, as such, has a duty to ensure that the work is completed in a safe and proper manner. In this context, when a subcontractor causes damage or injury while performing their duties, the contractor may face liability claims, particularly if it can be demonstrated that the contractor had the authority to control the work being performed. Additionally, issues such as inadequate oversight or not having proper safety protocols in place can increase the likelihood of liability. The other options presented do not accurately capture the nature of this responsibility. For instance, the idea that subcontractors are solely responsible for their actions overlooks the overarching liability that contractors might have. Suggestions that liability is contingent on factors such as whether the subcontractor is insured or if the contractor supervised the subcontractor are overly restrictive and do not reflect the broad implications of liability that contractors face in practice.

**4. What is the primary purpose of workman's compensation insurance for contractors?**

- A. To cover employee injuries that occur on the job**
- B. To provide health care benefits for employees**
- C. To insure the contractor against lawsuits**
- D. To replace lost equipment on the job site**

The primary purpose of workman's compensation insurance is to cover employee injuries that occur on the job. This insurance is essential for contractors because it provides financial protection for both employees and employers in the event of work-related injuries or illnesses. When an employee is injured while performing their job duties, workman's compensation insurance ensures that they receive appropriate medical care, rehabilitation, and compensation for lost wages during their recovery. This coverage alleviates the financial burden on the contractor by ensuring that they meet their legal obligations to provide support to injured workers, while also protecting contractors from potential lawsuits that could arise from workplace injuries. The insurance acts as a safety net, creating a system where employees can report injuries without fear of retribution or loss of income, which helps maintain a healthier workplace dynamic. The other options, while related to aspects of employee welfare or risk management, do not capture the primary role of workman's compensation insurance. For instance, providing health care benefits specifically refers to a different type of coverage that is focused on overall health care rather than injury-related compensation. Similarly, insuring the contractor against lawsuits is not the main function of workman's compensation but may relate to general liability insurance. Finally, replacing lost equipment pertains to property insurance, which again diverges from the core

**5. What type of bond guarantees that the contractor will pay its subcontractors and suppliers?**

- A. Performance bond.**
- B. Completed operations.**
- C. Bid bond.**
- D. Payment bond.**

The payment bond is specifically designed to ensure that a contractor fulfills its obligation to pay subcontractors and suppliers for the work they provide on a project. This bond offers protection to subcontractors and suppliers by guaranteeing that they will receive payment, even if the contractor fails to pay them due to financial difficulties or project issues. This bond is critical in construction projects where multiple parties are involved, as it helps maintain trust and financial stability among all stakeholders. When a payment bond is in place, subcontractors and suppliers can work on a project with greater confidence that they will be compensated for their contributions, reducing the risk of non-payment. In contrast, a performance bond secures the completion of a project according to the contract terms, a completed operations bond relates to liability coverage for work done after project completion, and a bid bond is typically submitted with a bid to ensure that the contractor will accept the contract if selected. None of these options directly guarantee payment to subcontractors and suppliers.

**6. How many years of experience are typically required for a specific trade to qualify for a contractor's license in Nevada?**

- A. One year**
- B. Two years**
- C. Four years**
- D. Five years**

In Nevada, the requirement for obtaining a contractor's license typically includes having four years of experience in the specific trade for which the license is being sought. This period of experience is crucial as it ensures that the applicant has sufficient hands-on knowledge and expertise in their field, which is essential for managing construction projects and understanding trade practices. The state recognizes that a substantial amount of experience is necessary not just for technical proficiency, but also for familiarity with safety regulations, business operations, and legal responsibilities relevant to contracting. Thus, the four-year experience requirement is designed to prepare licensees to effectively handle the complexities of their work, providing a foundation for quality craftsmanship and compliance with community standards and regulations.

**7. For how many years must records for Federal employment taxes be maintained and available for IRS review?**

- A. 5 years**
- B. 3 years**
- C. 4 years**
- D. 2 years**

The correct answer is that records for Federal employment taxes must be maintained for four years. This requirement is based on the IRS guidelines, which state that employers must keep records for at least four years from the date the tax becomes due or the date it was paid, whichever is later. This duration allows for sufficient time for the IRS to audit a taxpayer or for a taxpayer to respond to any claims or inquiries regarding employment taxes. Maintaining accurate records for this timeframe ensures compliance and protects against potential penalties. The other options do not align with IRS regulations. For instance, maintaining records for three or two years would not be sufficient, as it could lead to potential legal issues or failure to meet compliance standards. Similarly, five years would exceed the required period and may not be the most efficient use of recordkeeping resources. Understanding the specific timeframes for retaining employment tax records is crucial for contractors to avoid issues related to audits and compliance.

**8. Where can one obtain a state business license in Nevada?**

- A. Office of the county recorder**
- B. Department of taxation**
- C. State contractors board**
- D. Department of labor**

In Nevada, a state business license can be obtained through the Department of Taxation. This department is responsible for the administration of state tax laws and also manages the issuance of business licenses. When starting a business in Nevada, it is essential to register with the Department of Taxation to ensure compliance with state regulations. This process involves submitting an application and paying the associated fee, which grants the business the legal authority to operate within the state. The other options represent various state departments that handle different areas. The office of the county recorder primarily deals with recording real estate documents, the state contractors board focuses on licensing and regulating contractors specifically, and the department of labor handles issues related to employment and labor laws, but it does not issue business licenses. Therefore, for obtaining a state business license, the Department of Taxation is the correct authority to approach.

**9. In the event of a property foreclosure due to multiple liens, who is prioritized for payment from the proceeds?**

**A. Laborers**

**B. Material suppliers**

**C. Subcontractor**

**D. General contractors**

In the case of property foreclosure involving multiple liens, laborers are prioritized for payment from the sale proceeds due to their essential role in the construction process and the legal protections afforded to them. Laborers often have a unique position as they provide direct labor that is foundational to any construction project. Under many lien laws, laborers are granted a priority status that allows them to be compensated for their wages before other parties receive funds in the event of a foreclosure. This is in recognition of their fundamental contribution to the project, which can be seen as a means of protecting the rights of workers who may not receive their due compensation in other circumstances. Other parties such as material suppliers, subcontractors, and general contractors typically follow in the hierarchy of claims against the proceeds, but they do not enjoy the same priority as laborers. Consequently, laborers' claims are considered more urgent and are settled first when distributing the foreclosure proceeds.

**10. What is the maximum amount for a single residential recovery claim?**

**A. \$10,000**

**B. \$20,000**

**C. \$25,000**

**D. \$40,000**

The maximum amount for a single residential recovery claim is set at \$40,000. This limit is established to offer protection to homeowners who feel they have incurred losses due to a contractor's improper actions or unfulfilled obligations. It serves as a safeguard in the construction industry, ensuring that homeowners can seek compensation when they suffer damages from fraud, breach of contract, or other reasons directly related to contractor performance. Setting the maximum amount at \$40,000 allows for a significant level of financial protection, helping trade professionals maintain accountability while also providing homeowners with a remedy for their grievances. This amount underscores the importance of licensed contractors fulfilling their obligations to clients and adhering to industry standards in Nevada.