

Utah Contractor Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. Which of the following is true about FUTA tax?**
 - A. It is applicable to all employees**
 - B. It has a limit on taxable income**
 - C. It supports unemployment compensation**
 - D. It is deducted from employee's wages**

- 2. Which term refers to debt obligations extending beyond one year?**
 - A. Assets**
 - B. Long-term liabilities**
 - C. Current liabilities**
 - D. Working capital**

- 3. What type of insurance must employers provide their employees for on-the-job injuries in Utah?**
 - A. Health insurance**
 - B. Life insurance**
 - C. Workers' compensation insurance**
 - D. Disability insurance**

- 4. Which of the following is NOT a reason for a contractor to keep change orders?**
 - A. Tax purposes**
 - B. Legal requirements**
 - C. Payment verification**
 - D. Client requests**

- 5. A home improvement contract must include details about:**
 - A. Amount of each payment as a sum in dollars and cents**
 - B. Specific reference to the amount of work and services**
 - C. Specific reference to materials and equipment to be supplied**
 - D. All of the above**

- 6. Which corporate structure has a crucial drawback of double taxation?**
- A. S corporation**
 - B. C corporation**
 - C. LLC**
 - D. Sole proprietorship**
- 7. What is the maximum down payment a licensed contractor may receive for a home improvement contract of \$25,000?**
- A. \$500**
 - B. \$1,000**
 - C. \$1,500**
 - D. \$2,500**
- 8. Why does a contractor keep change orders on file?**
- A. For tax purposes**
 - B. To get paid when the job is over**
 - C. By law**
 - D. UBC requirement**
- 9. What does it mean when a subcontractor signs a waiver and release form on a public works project?**
- A. The subcontractor gives up the right to lien the real property**
 - B. The subcontractor gives up the right to lien the construction funds**
 - C. The subcontractor waives the right to lien both real property and construction funds**
 - D. The subcontractor is no longer responsible for correcting defective work**
- 10. Which of the following jobs does not require a contractor's license?**
- A. Building a six-foot high fence**
 - B. Any project less than \$1,000**
 - C. Painting the interior or exterior of a building**
 - D. Installing a French door**

Answers

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

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Explanations

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1. Which of the following is true about FUTA tax?

- A. It is applicable to all employees**
- B. It has a limit on taxable income**
- C. It supports unemployment compensation**
- D. It is deducted from employee's wages**

The chosen answer accurately reflects the purpose of the Federal Unemployment Tax Act (FUTA) tax. FUTA tax is primarily designed to fund unemployment compensation programs at the federal and state levels. This tax is collected from employers and is critical for providing benefits to workers who have lost their jobs through no fault of their own. The funds generated from this tax help support state unemployment insurance programs, ensuring that individuals receive assistance during periods of unemployment. Other options address different aspects of FUTA tax but do not accurately convey its primary purpose. For instance, while it is true that FUTA tax does not apply to all employees—certain types of employment may be exempt or receive a different treatment—it is specifically aimed at employer contributions rather than being a burden on employee wages. Additionally, regarding the limit on taxable income, while there is a wage base limit for FUTA calculations, this would not capture the essence of what FUTA tax is fundamentally about. Lastly, FUTA tax is not deducted from employee wages; instead, it is an employer tax. Thus, option C succinctly identifies the correct focus of the FUTA tax's function within the broader context of employment and economic support systems.

2. Which term refers to debt obligations extending beyond one year?

- A. Assets**
- B. Long-term liabilities**
- C. Current liabilities**
- D. Working capital**

Long-term liabilities refer to debt obligations that are due to be settled over a period extending beyond one year. This category of liabilities is important for understanding a company's long-term financial structure and its capability to manage resources effectively over time. Examples of long-term liabilities include long-term loans, bonds payable, and mortgages. In contrast, current liabilities are financial obligations that are due within a one-year period, such as accounts payable and short-term loans. Assets represent what a company owns and can include both current assets, which are expected to be converted to cash within a year, and long-term assets, which take longer to convert. Working capital is a measure of a company's short-term financial health, calculated as current assets minus current liabilities, and does not encompass obligations exceeding one year. Thus, the distinction made by the term "long-term liabilities" is crucial for evaluating a company's financial resilience and planning for future expenditures and obligations.

3. What type of insurance must employers provide their employees for on-the-job injuries in Utah?

- A. Health insurance**
- B. Life insurance**
- C. Workers' compensation insurance**
- D. Disability insurance**

In Utah, employers are required to provide workers' compensation insurance to their employees to cover on-the-job injuries. This type of insurance is specifically designed to provide medical benefits, rehabilitation, and wage replacement for workers who are injured or become ill as a result of their work. Workers' compensation aims to ensure that employees receive necessary care and compensation without having to prove fault, thus protecting both the worker and the employer. Health insurance, while important for overall healthcare coverage, does not specifically address workplace injuries or the job-related incidents that workers' compensation is meant to cover. Life insurance pertains to providing benefits to beneficiaries in the event of an employee's death, which is unrelated to on-the-job injuries. Disability insurance offers income replacement for individuals who cannot work due to injury or illness, but it may not specifically cater to job-related incidents in the same manner as workers' compensation. Thus, workers' compensation insurance is a distinct and necessary requirement for protecting employees from the specific risks associated with their work environment.

4. Which of the following is NOT a reason for a contractor to keep change orders?

- A. Tax purposes**
- B. Legal requirements**
- C. Payment verification**
- D. Client requests**

Keeping change orders is essential for contractors for several valid reasons. Each of the reasons provided highlights an important aspect of project management and compliance. For instance, maintaining change orders is crucial for tax purposes because they help document changes in the project scope, which can impact the overall financials and reporting for tax liabilities. Legal requirements also play a significant role, as change orders often serve as formal documentation of modifications to a contract, safeguarding both parties in case of disputes or misunderstandings. Payment verification is another vital reason. Change orders provide a clear record of additional work or material costs incurred, ensuring that contractors can accurately bill clients and receive payment for the extra work performed. This documentation is critical to maintaining cash flow and avoiding disputes over billing. However, while client requests may prompt a contractor to make changes, they do not serve as a formal reason that necessitates the keeping of change orders. Change orders are typically formalized processes initiated by either party to ensure there is a clear understanding and agreement on the modifications made to the original contract. Therefore, client requests, while important in the communication of changes, do not inherently justify the need for keeping change orders. They must be documented appropriately through the change order process to establish a legal and financial basis for those changes.

- 5. A home improvement contract must include details about:**
- A. Amount of each payment as a sum in dollars and cents**
 - B. Specific reference to the amount of work and services**
 - C. Specific reference to materials and equipment to be supplied**
 - D. All of the above**

A home improvement contract is designed to protect both the homeowner and the contractor by clearly outlining the terms of the agreement. Including details about the amount of work and services ensures that both parties have a clear understanding of what is being provided, which can prevent disputes related to scope and expectations. Identifying specific materials and equipment to be supplied is crucial as it ensures that the homeowner knows exactly what to expect in terms of quality and type of materials, which can significantly affect the project's outcome. Clearly stating the amount of each payment as a sum in dollars and cents provides transparency regarding the financial obligations of the homeowner. Altogether, these elements form a comprehensive contract that serves to clarify expectations, enhance communication, and protect the legal interests of both parties involved in the home improvement project. Thus, including all these aspects in a home improvement contract is essential for its completeness and effectiveness.

- 6. Which corporate structure has a crucial drawback of double taxation?**
- A. S corporation**
 - B. C corporation**
 - C. LLC**
 - D. Sole proprietorship**

The concept of double taxation is primarily associated with the C corporation structure. In this form of corporate organization, the income generated by the corporation is taxed at the corporate level. When profits are subsequently distributed to shareholders as dividends, those dividends are taxed again at the individual level. This results in the same earnings being taxed twice, hence the term "double taxation." This framework is crucial for understanding how profits and taxation work in corporate settings, especially when compared to other structures. For instance, in an S corporation, profits and losses pass through to the individual shareholders' personal tax returns, thereby avoiding the double taxation scenario. Similarly, LLCs and sole proprietorships also benefit from pass-through taxation, where the income is only taxed once at the individual level. This distinction is important for contractors and those in the construction business who are considering the implications of different corporate structures on their taxation and overall financial strategy. Understanding the repercussions of double taxation can influence decisions on how best to structure a business for both liability and tax efficiency.

7. What is the maximum down payment a licensed contractor may receive for a home improvement contract of \$25,000?

- A. \$500
- B. \$1,000**
- C. \$1,500
- D. \$2,500

In Utah, the maximum down payment a licensed contractor can receive for a home improvement contract is regulated by law to protect consumers from large upfront payments that can lead to potential loss if the contractor fails to complete the project. For a contract that totals \$25,000, the maximum down payment allowed is set at \$1,000. This regulation ensures that a contractor is incentivized to complete the work rather than taking a significant amount of money upfront without a commitment to deliver the promised services. By allowing only a limited down payment, it encourages contractors to maintain good business practices and keeps the consumer's interests safeguarded, as they will not be tied to a large financial commitment before work has commenced. This framework builds trust in home improvement markets by minimizing the risk of abandoning projects or taking deposits without intention to follow through, ensuring that both parties are more likely to uphold their responsibilities in the contractual agreement.

8. Why does a contractor keep change orders on file?

- A. For tax purposes
- B. To get paid when the job is over
- C. By law**
- D. UBC requirement

Keeping change orders on file serves important legal and operational purposes for contractors. By maintaining a record of change orders, contractors ensure compliance with various laws and regulations governing construction projects. Legal documentation is essential to clarify the scope of work, changes to the original contract, and any adjustments in costs or timelines. In the event of disputes, having these records on hand can provide necessary evidence to resolve issues related to the project, which can be critical if legal action is taken or if there's a need for mediation or arbitration. Thus, proper documentation of change orders is both a best practice and a legal necessity in the construction industry.

9. What does it mean when a subcontractor signs a waiver and release form on a public works project?
- A. The subcontractor gives up the right to lien the real property
 - B. The subcontractor gives up the right to lien the construction funds**
 - C. The subcontractor waives the right to lien both real property and construction funds
 - D. The subcontractor is no longer responsible for correcting defective work

When a subcontractor signs a waiver and release form on a public works project, it specifically means that the subcontractor gives up the right to lien the construction funds. In construction contracts, particularly in public works projects, lien rights are governed by specific laws that protect the flow of funds to ensure that all parties are paid for their work. By signing a waiver and release for the construction funds, the subcontractor relinquishes their claim to those funds in exchange for payment received or to be received. This is important in maintaining cash flow within the project and protecting the interests of the project owner and general contractor. This context is essential when considering the other options. The option that refers to the right to lien real property or both real property and construction funds expands beyond what is typically covered in a waiver specific to public works. Additionally, waiving responsibility for correcting defective work does not relate to lien rights at all; instead, it pertains to the quality and accountability of work completed.

10. Which of the following jobs does not require a contractor's license?
- A. Building a six-foot high fence
 - B. Any project less than \$1,000**
 - C. Painting the interior or exterior of a building
 - D. Installing a French door

The option indicating that any project less than \$1,000 does not require a contractor's license is accurate because generally, many jurisdictions, including Utah, allow homeowners to undertake projects that fall below a certain monetary threshold without needing a professional contractor's license. This is often based on the idea that small projects are manageable by homeowners or skilled individuals without extensive oversight or regulation. It is important for contractors and homeowners alike to understand the legal and regulatory thresholds that define when a contractor's license is necessary. Larger projects or those that involve structural changes typically necessitate a licensed contractor to ensure compliance with safety standards and regulations. In contrast, building a six-foot high fence, painting a building, or installing a French door typically requires a contractor's license because they are often considered significant renovations or constructions that can affect the safety, integrity, or value of a property. Each of these activities usually requires a certain level of skill, knowledge of local codes, and adherence to building regulations, thus necessitating a licensed professional to perform the work lawfully and effectively.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://utahcontractor.examzify.com>

We wish you the very best on your exam journey. You've got this!

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