

PRACTICE EXAM 9: ALABAMA BUSINESS & LAW SIMULATION

Time allowed: 120 minutes | Questions: 50 | Passing score: 70% (35 correct)

Instructions for this exam: Each item provides a definition, description, or function. Select the term among the four options that most accurately matches the description provided.

1. The individual person whose practical experience, examination performance, and character substantively support a contracting company's authority to hold an Alabama contractor license is most accurately referred to as the:

- A. Qualifying Party
- B. License Holder of Record
- C. Designated Officer
- D. Master Licensee

2. The maximum dollar value of a single project a licensed Alabama contractor may bid, established by the Board during the application process based on documented financial strength, is most accurately referred to as the:

- A. Working Capital Requirement
- B. Surety Bonding Cap
- C. Net Worth Ceiling
- D. Bid Limit

3. The accreditation program that satisfies the trade-knowledge portion of contractor licensing in 17 participating jurisdictions through a single examination, while leaving each state's Business and Law examination separately required, is most accurately referred to as the:

- A. ICC Commercial Building Inspector Examination
- B. NASCLA Accredited Commercial Building Contractor Examination
- C. PSI National Contractor Examination
- D. NCEES Construction Knowledge Examination

4. The Alabama administrative agency that issues, renews, suspends, and revokes licenses for general contractors performing commercial work at or above \$50,000 is most accurately referred to as the:

- A. Alabama Department of Construction Regulation
- B. Alabama Contractor Certification Authority
- C. Alabama Licensing Board for General Contractors
- D. Alabama Public Works Licensing Commission

5. The Alabama state board with jurisdiction over construction of residential one- and two-family dwellings is most accurately referred to as the:

- A. Alabama Residential Contractor Authority
- B. Alabama Home Builders Licensure Board
- C. Alabama Single-Family Construction Board
- D. Alabama Department of Residential Building

6. The doctrine under which an unlicensed contractor in Alabama cannot enforce a contract for payment in court, even if the work was performed competently, is most accurately referred to as the:

- A. Quantum Meruit Bar Doctrine
- B. Unlicensed Contractor Enforcement Bar

C. Statutory Forfeiture Rule

D. Equitable Estoppel Principle

7. The federal Internal Revenue Code provision that permits the IRS to assess unpaid trust fund taxes personally against responsible persons, piercing the corporate or LLC liability shield, is most accurately referred to as the:

A. Personal Tax Assessment Penalty

B. Federal Corporate Veil Provision

C. Officer Liability Assessment

D. Trust Fund Recovery Penalty

8. The disciplinary sanction in which the Alabama Licensing Board allows a contractor to continue operating subject to specific conditions monitored for a defined period is most accurately referred to as:

A. License probation with conditions

B. Conditional license withdrawal

C. Restrictive license modification

D. Suspended sanctions agreement

9. The federal information return issued at year-end to independent contractors paid \$600 or more during the calendar year is most accurately referred to as:

A. Form W-2 Wage Statement

B. Form 1099-MISC Miscellaneous Income

C. Form 1098 Mortgage Interest Statement

D. Form 1099-NEC Nonemployee Compensation

10. The federal employment tax return filed quarterly by employers reporting wages, federal income tax withheld, and FICA taxes is most accurately referred to as:

- A. Form 940 Annual Federal Unemployment Return
- B. Form 944 Annual Small Employer Return
- C. Form 941 Employer's Quarterly Federal Tax Return
- D. Form 945 Annual Return of Withheld Income Tax

11. The federal annual employment tax return filed by employers reporting federal unemployment tax owed for the year is most accurately referred to as:

- A. Form 941 Quarterly Return
- B. Form 944 Annual Small Employer Return
- C. Form 945 Annual Withheld Income Tax
- D. Form 940 Annual FUTA Return

12. The federal electronic payment system through which employers must remit federal employment tax deposits is most accurately referred to as:

- A. ACH Direct Pay
- B. EFTPS (Electronic Federal Tax Payment System)
- C. IRS Direct Deposit Portal
- D. Federal Tax Wire Transfer System

13. The IRS three-factor analytical framework that distinguishes employees from independent contractors based on behavioral control, financial control, and the relationship of the parties is most accurately referred to as the:

- A. Common law test
- B. ABC test
- C. Economic realities test
- D. Right-to-control test

14. The federal form completed by a new employee that documents identity and work authorization, retained by the employer for the duration of the federal retention period, is most accurately referred to as:

- A. Form W-2 Wage and Tax Statement
- B. Form SS-5 Social Security Card Application
- C. Form I-9 Employment Eligibility Verification
- D. Form W-4 Employee Withholding Certificate

15. The contract pricing structure under which the owner reimburses all actual costs incurred plus an agreed fee, with no guaranteed maximum price, is most accurately referred to as:

- A. Time and materials contract
- B. Unit price contract
- C. Cost plus fee contract
- D. Lump sum contract

16. The contract clause that establishes owner payment as a condition precedent to the contractor's obligation to pay the subcontractor, thereby shifting credit risk to the subcontractor, is most accurately referred to as a:

- A. Pay-if-paid clause
- B. Pay-when-paid clause
- C. Conditional payment clause
- D. Sequential payment clause

17. The contract provision specifying a fixed dollar amount the contractor will pay the owner for each day of unexcused delay in completion is most accurately referred to as a:

- A. Penalty damages clause
- B. Consequential damages provision

- C. Liquidated damages clause
- D. Compensatory damages provision

18. The body of state law requiring certain categories of contracts to be in writing to be enforceable, including contracts not performable within one year and contracts for interests in real property, is most accurately referred to as the:

- A. Uniform Commercial Code (UCC)
- B. Doctrine of Promissory Estoppel
- C. Statute of Frauds
- D. Mailbox Rule

19. The owner's right to end a construction contract without contractor breach, typically requiring payment for work performed plus a defined percentage of unperformed profit, is most accurately referred to as termination for:

- A. Convenience
- B. Cause
- C. Default
- D. Material breach

20. The written document executed by both owner and contractor that authorizes a modification to the contract scope, schedule, or price during construction is most accurately referred to as a:

- A. Change order
- B. Construction Change Directive
- C. Field Order
- D. Architect's Supplemental Instruction

21. The financial security required by Alabama public project bid documents, typically in the amount of 5% of the bid, guaranteeing that the awarded bidder will execute the contract, is most accurately referred to as a:

- A. Performance bond
- B. Bid bond
- C. Payment bond
- D. Maintenance bond

22. The detailed measurement of every component shown in the contract drawings, organized by trade or specification section, that supports the estimator's pricing of the work is most accurately referred to as the:

- A. Bill of materials
- B. Cost breakdown
- C. Procurement schedule
- D. Quantity takeoff

23. The category of construction costs that exist only because the specific project exists — including materials, the contractor's own labor on the project, equipment, and subcontracted scopes — is most accurately referred to as:

- A. Job overhead
- B. General overhead
- C. General conditions
- D. Direct costs

24. The cost category covering project-specific items such as the on-site superintendent's salary allocated to the project, the project trailer, project permits, and project-specific insurance is most accurately referred to as:

- A. Job overhead (general conditions)

- B. General overhead
- C. Direct labor cost
- D. Indirect material cost

25. The Alabama statute requiring competitive bidding for public construction contracts exceeding \$50,000, mandating award to the lowest responsible and responsive bidder, is most accurately referred to as the:

- A. Alabama Procurement Code
- B. Alabama Open Bid Act
- C. Alabama Competitive Bid Law
- D. Alabama Public Works Law

26. The construction accounting method under which revenue is recognized in proportion to costs incurred relative to total estimated costs at completion is most accurately referred to as the:

- A. Cash basis method
- B. Completed-contract method
- C. Percentage-of-completion method
- D. Accrual basis method

27. The financial report showing the contractor's billings, costs incurred, revenue earned, percent complete, and over/under billing position by project is most accurately referred to as the:

- A. Cost-loaded schedule
- B. Schedule of Values
- C. Project ledger summary
- D. Work in Progress (WIP) schedule

28. The document executed at the start of each project that breaks down the contract sum into specific line items supporting periodic payment applications is most accurately referred to as the:

- A. Schedule of Values
- B. Project budget
- C. Cost-loaded CPM
- D. Application for Payment

29. The owner's withholding of a specified percentage from each progress payment, intended to provide leverage for final completion and protect against contractor default, is most accurately referred to as:

- A. Liquidated damages reserve
- B. Pay application offset
- C. Performance security deposit
- D. Retainage

30. The financial measure equal to current assets minus current liabilities, used by sureties and the Alabama Licensing Board to evaluate short-term financial strength, is most accurately referred to as:

- A. Net worth
- B. Working capital
- C. Current ratio
- D. Liquidity reserve

31. The federal law that sets minimum wage, overtime, recordkeeping, and child labor standards for private employment in the United States is most accurately referred to as the:

- A. Fair Labor Standards Act (FLSA)
- B. National Labor Relations Act (NLRA)
- C. Employment Standards Act (ESA)

D. Civil Rights Act of 1964

32. The Alabama state law that requires every Alabama employer to use the federal E-Verify system to confirm work authorization for each new hire is most accurately referred to as the:

- A. Alabama Workforce Verification Act
- B. Alabama Immigration Compliance Code
- C. Beason-Hammon Alabama Taxpayer and Citizen Protection Act
- D. Alabama Lawful Employment Act

33. The federal law providing protection against employment discrimination on the basis of race, color, religion, sex, or national origin for employers with 15 or more employees is most accurately referred to as:

- A. Title VII of the Civil Rights Act of 1964
- B. The Equal Employment Opportunity Act of 1972
- C. The Fair Employment Practices Act
- D. The Civil Rights Restoration Act of 1991

34. The federal law providing protection against employment discrimination on the basis of age for workers 40 and older, applying to employers with 20 or more employees, is most accurately referred to as the:

- A. Older Workers Protection Act
- B. Senior Employment Rights Act
- C. Title VII Age Provision
- D. Age Discrimination in Employment Act (ADEA)

35. The federal law providing eligible employees with up to 12 weeks of unpaid leave per year for specified family and medical reasons, applying to employers with 50 or more employees within a 75-mile radius, is most accurately referred to as the:

- A. Family Leave Protection Act
- B. Family and Medical Leave Act (FMLA)
- C. Workplace Medical Leave Act
- D. Employee Family Leave Standards Act

36. The insurance coverage that protects the project under construction itself — including the structure being built, materials installed in place, and stored materials — is most accurately referred to as:

- A. Commercial General Liability insurance
- B. Inland marine insurance
- C. Builders' risk insurance
- D. Property and casualty insurance

37. The mandatory state-administered insurance that covers employee work-related injuries and illnesses as the exclusive remedy against the employer is most accurately referred to as:

- A. Disability income insurance
- B. Workers' compensation insurance
- C. Employer's liability insurance
- D. Occupational injury coverage

38. The surety bond that guarantees completion of the contract by the principal contractor according to the contract terms, typically required at 100% of contract value on Alabama public projects, is most accurately referred to as a:

- A. Bid bond
- B. Performance bond
- C. Maintenance bond
- D. Supply bond

39. The surety bond that guarantees payment to subcontractors and material suppliers on a public construction project under the Alabama Little Miller Act is most accurately referred to as a:

- A. Bid bond
- B. Performance bond
- C. Payment bond
- D. Subcontractor bond

40. The set of four most common fatal hazards in construction — falls, struck-by, caught-in/between, and electrocutions — that together account for approximately 60% of construction worker fatalities is most accurately referred to as the:

- A. Big Four Construction Hazards
- B. Fatal Hazard Group
- C. OSHA Focus Four
- D. Critical Risk Categories

41. The OSHA form on which work-related recordable injuries and illnesses are entered as they occur throughout the calendar year is most accurately referred to as:

- A. OSHA Form 300, Log of Work-Related Injuries and Illnesses
- B. OSHA Form 300A, Annual Summary
- C. OSHA Form 301, Injury and Illness Incident Report
- D. OSHA Form 200, Workplace Injury Report

42. The federal permit program administered in Alabama by ADEM that regulates stormwater discharges from construction sites disturbing 1 or more acres of land is most accurately referred to as the:

- A. EPA Construction Site Discharge Permit
- B. NPDES Construction General Permit

C. Federal Stormwater Discharge License

D. Clean Water Act Site Permit

43. The written plan required of construction projects under the NPDES Construction General Permit, identifying pollution sources and best management practices for sediment and erosion control, is most accurately referred to as the:

A. Construction Environmental Management Plan

B. Erosion and Sediment Control Plan (ESCP)

C. Stormwater Pollution Prevention Plan (SWPPP)

D. Construction Stormwater Management Plan

44. The project scheduling methodology that uses a network diagram with activity logic and dependency relationships to identify the longest path through the project network is most accurately referred to as the:

A. Program Evaluation and Review Technique (PERT)

B. Critical Path Method (CPM)

C. Gantt chart scheduling

D. Resource-loaded scheduling

45. The amount of time an activity on a CPM schedule can be delayed without delaying the overall project completion date is most accurately referred to as:

A. Buffer time

B. Total float (or slack)

C. Lag time

D. Lead time

46. The project milestone reached when the work is sufficiently complete that the owner can occupy the project for its intended purpose, even though minor punch list items remain, is most accurately referred to as:

- A. Final completion
- B. Practical completion
- C. Beneficial occupancy
- D. Substantial completion

47. The statutory security interest in real property that allows contractors, subcontractors, and materialmen to enforce a claim for unpaid labor or materials by foreclosing against the property is most accurately referred to as a:

- A. Mechanic's lien
- B. Judgment lien
- C. Equitable lien
- D. Statutory garnishment lien

48. The Alabama county-level court office in which a verified statement of mechanic's lien must be filed within the statutory deadline to perfect the lien is most accurately referred to as the:

- A. Probate court
- B. Circuit court
- C. District court
- D. Recorder of deeds

49. The document filed with the Alabama Secretary of State that establishes a limited liability company as a registered legal entity is most accurately referred to as the:

- A. Articles of Organization

- B. Operating Agreement
- C. Certificate of Formation
- D. LLC Registration Statement

50. The federal tax election that permits an eligible smaller corporation to be taxed as a pass-through entity rather than at the C corporation level is most accurately referred to as the:

- A. Pass-through election under Subchapter C
- B. Corporate small business election
- C. LLC tax classification election
- D. S corporation election under Subchapter S

PRACTICE EXAM 9: ANSWER KEY AND EXPLANATIONS

1. A — Qualifying Party. This is the natural person whose experience, examinations, and character substantively underpin a contracting company's authority to hold the license. The QP must be designated on the application, and the company has 60 days to designate a replacement if the QP departs.
2. D — Bid Limit. The maximum dollar value of a single contract a licensed contractor may bid is set by the Board during the application process based on submitted financial statements. The Board may revise the bid limit through updated financial submissions as the contractor's financial position grows.
3. B — NASCLA Accredited Commercial Building Contractor Examination. NASCLA's single examination satisfies the trade-knowledge portion of licensing in 17 participating states including Alabama. The Business and Law examination remains separately required by each state and is never satisfied by NASCLA accreditation.
4. C — Alabama Licensing Board for General Contractors. This Board issues, renews, suspends, and revokes licenses for general contractors performing commercial work at or above the \$50,000 threshold and all public works. It is the administrative agency with statutory authority over the General Contractor classification in Alabama.
5. B — Alabama Home Builders Licensure Board. The HBLB has jurisdiction over residential construction of one- and two-family dwellings under Alabama Code Title 34, Chapter 14A. Commercial work above \$50,000 falls under the General Contractors Board, creating a clean jurisdictional split between the two boards.
6. B — Unlicensed Contractor Enforcement Bar. Under Alabama law and case authority, an unlicensed contractor cannot enforce a contract for payment in court, even if the work was performed competently. The bar applies regardless of work quality, making unlicensed contracting commercially unworkable at scale.

7. D — Trust Fund Recovery Penalty. Under IRC §6672, the IRS may assess unpaid trust fund taxes personally against responsible persons who willfully failed to collect or pay over the taxes. The TFRP pierces the corporate or LLC liability shield, making it the most dangerous unpaid payroll tax exposure for business owners.
8. A — License probation with conditions. The Board may impose probation as a disciplinary sanction, allowing the contractor to continue operating subject to specified conditions monitored over a defined period. Probation is less severe than suspension or revocation and serves both rehabilitative and deterrent functions.
9. D — Form 1099-NEC Nonemployee Compensation. The 1099-NEC is the federal information return for nonemployee compensation of \$600 or more paid to independent contractors during the calendar year. It was reinstated as a separate form (split from 1099-MISC) in 2020 to isolate contractor reporting.
10. C — Form 941 Employer's Quarterly Federal Tax Return. Form 941 is filed quarterly to report total wages, federal income tax withheld, and Social Security and Medicare taxes for the period. It is the principal quarterly payroll tax filing for most employers in the United States.
11. D — Form 940 Annual FUTA Return. Form 940 is the annual federal unemployment tax return filed by January 31 to report the employer's FUTA liability for the prior calendar year. FUTA is paid entirely by the employer and is not withheld from employees.
12. B — EFTPS (Electronic Federal Tax Payment System). EFTPS is the mandatory federal electronic payment system through which employers remit federal employment tax deposits. Paper or check deposits are not accepted for routine deposits; enrollment in EFTPS is required for compliance.
13. A — Common law test. The IRS common law test evaluates worker classification using three categories of evidence — behavioral control, financial control, and the relationship of the parties. It is the controlling federal framework for distinguishing employees from independent contractors under IRC §3121(d).
14. C — Form I-9 Employment Eligibility Verification. The I-9 documents the employee's identity and authorization to work in the United States and must be completed within three business days of the start date. It is retained for the longer of three years after hire or one year after separation.
15. C — Cost plus fee contract. Under a cost plus fee structure, the owner reimburses all actual costs incurred plus an agreed fee to the contractor. Without a guaranteed maximum price, cost overrun risk falls entirely on the owner — the opposite of a lump sum contract.
16. A — Pay-if-paid clause. A pay-if-paid clause makes owner payment a condition precedent to the contractor's obligation to pay the subcontractor, shifting the credit risk of owner default to the sub. The "condition precedent" language is the textual marker that distinguishes pay-if-paid from pay-when-paid clauses.
17. C — Liquidated damages clause. A liquidated damages provision specifies a fixed dollar amount the contractor will pay for each day of unexcused delay. To be enforceable in Alabama, the amount must be a reasonable estimate of anticipated damages and not function as a penalty.
18. C — Statute of Frauds. The Statute of Frauds requires certain categories of contracts to be in writing to be enforceable, including contracts not performable within one year and contracts for interests in real property. Failure to satisfy the writing requirement renders the contract unenforceable in court.
19. A — Convenience. Termination for convenience permits the owner to end the contract without any breach by the contractor, typically requiring payment for work performed plus a defined percentage of unperformed profit. Termination for cause, by contrast, requires material breach by the contractor.

20. A — Change order. A change order is the bilaterally executed document that authorizes a modification to the contract scope, schedule, or price during construction. Construction change directives and field orders serve more limited functions and do not finalize the price and time impact of changes.
21. B — Bid bond. A bid bond, typically 5% of the bid amount, secures the owner's right to enforce the bid if accepted by guaranteeing the awarded bidder will execute the contract. Submission without a compliant bid bond renders the bid non-responsive and subject to rejection.
22. D — Quantity takeoff. The quantity takeoff is the detailed measurement of every component shown in the drawings, organized by trade or specification section. It is the foundation of cost estimating; pricing without an accurate takeoff produces unreliable bid totals.
23. D — Direct costs. Direct costs are project-specific expenditures that exist only because the specific project exists — materials installed, the contractor's own labor on the project, equipment, and subcontracted scopes. They are separate from job overhead and general overhead, which are recovered through markup.
24. A — Job overhead (general conditions). Job overhead captures project-specific items not tied to a particular direct trade scope — superintendent salary allocated to the project, the project trailer, project permits, and project-specific insurance. It is recovered as a separate cost category in the bid, distinct from general overhead.
25. D — Alabama Public Works Law. Title 39 of the Alabama Code requires advertising and competitive bidding for public construction contracts exceeding \$50,000, mandating award to the lowest responsible and responsive bidder. The Competitive Bid Law in Title 41-16 covers general state purchases at a \$15,000 threshold but does not match the \$50,000 public construction threshold.
26. C — Percentage-of-completion method. Under percentage-of-completion accounting, revenue is recognized in proportion to costs incurred relative to total estimated costs (the cost-to-cost method). It is the standard accounting method for long-term construction contracts spanning multiple accounting periods.
27. D — Work in Progress (WIP) schedule. The WIP schedule consolidates each active project's contract price, costs incurred, percent complete, revenue earned, and over/under billing position. It is the bridge between project ledgers and the company's overall financial statements.
28. A — Schedule of Values. The Schedule of Values breaks the contract sum into specific line items at project start, supporting periodic payment applications throughout construction. Architects review and approve the SOV to ensure reasonable distribution before progress payments begin.
29. D — Retainage. Retainage is the owner's withholding of a percentage (typically 5% to 10%) from each progress payment, providing leverage for final completion and protecting against contractor default. It is released at substantial completion in most cases with final adjustments at closeout.
30. B — Working capital. Working capital equals current assets minus current liabilities and measures short-term financial strength. Sureties and the Alabama Licensing Board both use working capital as a primary metric in evaluating bonding capacity and bid limit eligibility.
31. A — Fair Labor Standards Act (FLSA). The FLSA sets federal minimum wage, overtime, recordkeeping, and child labor standards for private employment. Non-exempt employees earn overtime at 1.5 times the regular rate for hours over 40 in a workweek under the Act.
32. C — Beason-Hammon Alabama Taxpayer and Citizen Protection Act. Beason-Hammon, enacted in 2011, requires every Alabama employer to use E-Verify for each new hire regardless of employer size. It is one of the strictest immigration compliance statutes in the country at the state level.

33. A — Title VII of the Civil Rights Act of 1964. Title VII prohibits employment discrimination on the basis of race, color, religion, sex, or national origin and applies to private employers with 15 or more employees. It is the foundational federal employment discrimination statute.
34. D — Age Discrimination in Employment Act (ADEA). The ADEA protects workers age 40 and older from age-based employment discrimination and applies to employers with 20 or more employees. It is a separate statute from Title VII, which does not cover age as a protected category.
35. B — Family and Medical Leave Act (FMLA). FMLA provides eligible employees up to 12 weeks of unpaid, job-protected leave per year for specified family and medical reasons. It applies to employers with 50 or more employees within a 75-mile radius of the relevant worksite.
36. C — Builders' risk insurance. Builders' risk protects the project under construction itself — the structure being built, materials installed in place, and (under broad forms) stored materials. Damage to the project is excluded from CGL, making builders' risk essential for project-level coverage.
37. B — Workers' compensation insurance. Workers' comp is the mandatory state-administered insurance covering employee work-related injuries and illnesses as the exclusive remedy against the employer. The no-fault, statutory benefits framework forecloses tort claims by the employee against the employer.
38. B — Performance bond. A performance bond guarantees completion of the contract by the principal contractor according to the contract terms. Alabama public projects typically require performance bonds at 100% of contract value under the Little Miller Act framework.
39. C — Payment bond. The payment bond guarantees payment to subcontractors and material suppliers on public construction projects under the Alabama Little Miller Act. Public projects typically require both performance and payment bonds at 100% of contract value.
40. C — OSHA Focus Four. The Focus Four are falls, struck-by, caught-in/between, and electrocutions, which together account for approximately 60% of construction worker fatalities. These four categories receive priority enforcement and outreach attention from OSHA in the construction industry.
41. A — OSHA Form 300, Log of Work-Related Injuries and Illnesses. Form 300 is the running log on which recordable injuries and illnesses are entered as they occur throughout the calendar year. Form 300A is the annual summary posted afterward, and Form 301 is the detailed incident report.
42. B — NPDES Construction General Permit. The federal Construction General Permit, administered in Alabama by ADEM, regulates stormwater discharges from construction sites disturbing 1 or more acres of land. Coverage under the permit requires a written SWPPP before earth disturbance begins.
43. C — Stormwater Pollution Prevention Plan (SWPPP). The SWPPP is the written plan required under the NPDES Construction General Permit, identifying pollution sources and best management practices for sediment and erosion control. It must be maintained on site and updated as site conditions change during the project.
44. B — Critical Path Method (CPM). CPM scheduling uses a network diagram with activity logic and dependency relationships to identify the longest path through the project — the critical path — that determines the minimum total project duration. Activities on this path have zero total float.
45. B — Total float (or slack). Total float is the amount of time an activity can be delayed without delaying the overall project completion date. Activities with zero total float lie on the critical path; activities with positive float can absorb delays within their available slack.
46. D — Substantial completion. Substantial completion is the project milestone reached when the work is sufficiently complete that the owner can occupy the project for its intended purpose,

despite minor punch list items remaining. It triggers the warranty period, releases part of retainage, and stops accrual of liquidated damages.

47. A — Mechanic's lien. The mechanic's lien is the statutory security interest in real property that allows contractors, subcontractors, and materialmen to enforce a claim for unpaid labor or materials by foreclosing against the property. It operates against the property regardless of the underlying contract counterparty.
48. A — Probate court. In Alabama, verified statements of mechanic's lien are filed in the probate court of the county where the property is located, within the statutory deadline (6 months for original contractors, 4 months for materialmen). The probate court is where county-level real property records are maintained.
49. C — Certificate of Formation. The Certificate of Formation is filed with the Alabama Secretary of State under the Alabama Limited Liability Company Law to establish an LLC as a registered legal entity. The Operating Agreement is a separate internal document governing the LLC's affairs and is not filed publicly.
50. D — S corporation election under Subchapter S. The S corporation election under Subchapter S of the Internal Revenue Code permits eligible smaller corporations to be taxed as pass-through entities rather than at the C corporation level. The election is made by filing Form 2553 with the IRS within the prescribed window.