
SENATE COMMITTEE ON REVENUE AND TAXATION

Senator Jerry McNerney, Chair

2025 - 2026 Regular

Bill No:	SB 1165	Hearing Date:	4/22/26
Author:	Caballero	Tax Levy:	No
Version:	4/16/26 Amended	Fiscal:	Yes
Consultant:	Grinnell		

CONTRACTOR LICENSES: OUTSTANDING LIABILITIES ASSESSED BY THE CALIFORNIA DEPARTMENT OF TAX AND FEE ADMINISTRATION

Adds the California Department of Tax and Fee Administration to the list of agencies where CSLB's registrar can suspend or refuse to issue, reinstate, reactivate, or renew a license for the failure of a licensee to resolve all outstanding final tax liabilities.

Background

Contractors State License Board. Housed within the Department of Consumer Affairs, the Contractors State License Board (CSLB) licenses and regulates approximately 285,000 licensees in 44 licensing classifications, mostly regarding the practice and discipline of the construction industry under the Contractors State License Law.

The California Department of Tax and Fee Administration. The California Department of Tax and Fee Administration (CDTFA) administers the Sales and Use Tax, Motor Vehicle Fuel Tax, Use Fuel Tax, Cigarette and Tobacco Products Tax, Timber Yield Tax, Energy Resources Surcharge, Emergency Telephone Users Surcharge, Hazardous Substances Tax, Integrated Waste Management Fee, Oil Spill Prevention and Response Fee, Underground Storage Tank Maintenance Fee, and the Diesel Fuel Tax. Each of these statutes imposes a tax or fee on a specific person or entity, and sets forth the mechanisms and other administrative procedures to timely remit the fee or tax. CDTFA also administers other taxes and fees using the Fee Collections Procedures Law, the state's general purpose fee collection statute.

Prior to 2017, the State Board of Equalization (BOE) administered these taxes. The Legislature enacted the Taxpayer Transparency and Fairness Act of 2017, which created the California Department of Tax and Fee Administration (CDTFA) and shifted all of the Board of Equalization's (BOE's) statutory tax administration functions to the newly formed Department (AB 102, Committee on Budget). As a result, CDTFA now operates almost all tax and fee programs previously administered by BOE. BOE continues to administer its core property tax functions as provided in the California Constitution. BOE also assesses the gross premiums tax imposed on insurers (Article XIII, Section 28) and collects excise taxes imposed by the Legislature on the manufacture, importation, and sale of alcoholic beverages in this State (California Constitution, Article XX, Section 22). However, CDTFA administers both of those taxes pursuant to an interagency agreement for ease of administration.

AB 102 included a provision that stated whenever any reference to BOE appears in any statute, regulation, or contract, or in any other code, with respect to any of the functions AB 102 transferred to CDTFA, it instead refers to CDTFA. While the Legislature has updated references

in several bills enacted since AB 102, hundreds, if not thousands, of references to BOE remain in statute.

Tax enforcement. When taxpayers fail to pay lawfully imposed fees and taxes, CDTFA provides several mechanisms for collecting delinquent tax or fee liabilities, including penalties, revoking a seller's permit, and offering taxpayers affordable installment plans, among others. Additionally, the Department of Motor Vehicles or the Department of Alcoholic Beverage Control can suspend certain licenses it issues under specified circumstances for non-payment of CDTFA-administered taxes.

In 2011, the Legislature authorized the registrar of the CSLB to suspend or refuse to issue, reinstate, reactivate, or renew a license for the failure of a licensee to resolve all outstanding final liabilities, which include CDTFA-administered taxes (then BOE-administered), building off an authority the Legislature had authorized for liabilities assessed by the Department of Industrial Relations, the Employment Development Department, and the Franchise Tax Board- (AB 1307, Skinner). Licenses remain suspended until the debt has been satisfied or the personnel of record disassociate themselves from the licensee.

The section of law that provides the authority for the registrar to take a specified licensing action contains several provisions, including one that requires all versions of the contractor's license application to include an authorization from the applicant that any of the above tax enforcement agencies could disclose information necessary for the registrar to implement the licensing action. However, the law includes BOE, not CDTFA, and CSLB has not yet updated its form to reflect the enactment of AB 102.

The author wants to update the statute to include CDTFA so it can share information with CSLB, which can then take appropriate license action for non-payment of CDTFA-imposed taxes.

Proposed Law

Senate Bill 1165 adds CDTFA to the list of agencies where CSLB's registrar can suspend or refuse to issue, reinstate, reactivate, or renew a license for the failure of a licensee to resolve all outstanding final tax liabilities.

State Revenue Impact

CDTFA estimates increased revenue of an unknown amount.

Comments

1. **Purpose of the bill.** According to the author, "SB 1165 strengthens tax enforcement and promotes fairness for law-abiding contractors by improving coordination between state agencies. The Contractors' State Licensing Board (CSLB) can already act to suspend a contractor's license due to outstanding unpaid taxes. However, the California Department of Tax and Fee Administration (CDTFA) lacks the statutory authority to share necessary taxpayer information with CSLB to facilitate collection and enforcement of unpaid sales & use taxes. As a result, CDTFA is unable to fully utilize CSLB licensing as a compliance and collection tool to collect taxes that are owed. The State currently has a combined outstanding sales & use tax liability among construction contractors of approximately \$42.5 million. This lack of coordination among state agencies creates serious consequences for state and local revenues. SB 1165

authorizes limited information sharing between CDTFA and CSLB to allow appropriate licensing action, while preserving due process and flexibility for law-abiding taxpaying contractors. This bill improves accountability and helps ensure the state collects lawfully owed revenues.”

2. Paying the bill. While a contractor’s license status affects their ability to generate income, it can be a significant incentive for noncompliant taxpayers to pay final liabilities. The program SB 1165 amends only applies to *final* liabilities, not those under protest or appeal, or where the delinquent taxpayer has entered into an installment agreement. According to CDTFA, there are currently 124,348 sales and use tax accounts that are delinquent, with a total outstanding final liability exceeding \$3.4 billion. Construction contractor accounts represent about 1,743 of these delinquent accounts, with a total outstanding final liability of approximately \$52.8 million.

Support and Opposition (4/16/26)

Support: California State Council of Laborers
California Tax Reform Association
Flasher Barricade Association

Opposition: None received.

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