

CONSENT

Bill No: SB 1165
Author: Caballero (D)
Amended: 4/16/26
Vote: 21

SENATE BUS., PROF. & ECON. DEV. COMMITTEE: 11-0, 4/13/26
AYES: Wahab, Choi, Archuleta, Arreguín, Caballero, Grayson, Menjivar, Niello,
Smallwood-Cuevas, Strickland, Umberg

SENATE REVENUE AND TAXATION COMMITTEE: 5-0, 4/22/26
AYES: McNerney, Alvarado-Gil, Ashby, Becker, Grayson

SENATE APPROPRIATIONS COMMITTEE: Senate Rule 28.8

SUBJECT: Contractor licenses: outstanding liabilities assessed by the California
Department of Tax and Fee Administration

SOURCE: Author

DIGEST: This bill (1) authorizes the Registrar of the Contractors State License Board (Board) to refuse to issue, reinstate, reactivate, or renew a license or to suspend a license for the failure of a licensee to resolve all outstanding final liabilities that may be assessed by the California Department of Tax and Fee Administration (CDTFA); (2) authorizes CDTFA to disclose tax information to the Registrar to effectuate such actions.

ANALYSIS:

Existing law:

- 1) Establishes the Contractors State License Board to license and regulate contractors and home improvement salespersons. (Business and Professions Code (BPC) § 7000 et seq.)

- 2) Authorizes the Board to appoint a Registrar to be the Executive Officer and Secretary of the Board, and who shall carry out all of the administrative duties, as provided by the Contractors State License Law (License Law). (BPC § 7011)
- 3) Authorizes the Registrar to refuse to issue, reinstate, reactivate, or renew a license or to suspend a license for the failure of a licensee to resolve all outstanding final liabilities, which include taxes, additions to tax, penalties, interest, and any fees that may be assessed by the Board, Department of Industrial Relations, Employment Development Department, Franchise Tax Board (FTB), or State Board of Equalization (BOE). (BPC § 7145.5(a))
- 4) Requires the application for a contractor's license to include an authorization by the applicant, in the form and manner mutually agreeable to the FTB and the Board, for the FTB to disclose tax information to the Registrar to administer this section. (BPC § 7145.5(d))
- 5) Provides that action against a contractor's license does not apply in the case of outstanding final liabilities assessed by the BOE if the licensee has entered into an installment payment agreement for that liability with the BOE and is in compliance with the terms of that agreement. (BPC § 7145.5(e))

This bill authorizes the Registrar to refuse to issue, reinstate, reactivate, or renew a contractor's license or to suspend a license for the failure of a licensee to resolve all outstanding final liabilities that may be assessed by the CDTFA and requires the application for a contractor's license to include an applicant's authorization for the CDTFA to disclose applicant tax information to the Registrar. This bill provides an exemption from action against a contractor's license when a licensee has entered into an installment payment agreement with CDTFA and is in compliance with the terms of that agreement.

Background

Contractors and the CSLB. CSLB is responsible for implementing and enforcing the License Law and regulations related to the licensure, practice and discipline of the construction industry in California. The CSLB licenses and regulates approximately 285,000 licensees in 44 license classifications.

California Department of Tax and Fee Administration. CDTFA administers tax programs that are concentrated in two general areas: 1) sales and use and 2) special taxes and fees. According to its 2023-24 Annual Report, CDTFA-administered programs generated more than \$96.3 billion in FY 2023-24, which supported local

essential services such as transportation, public safety and health, libraries, schools, social services, and natural resource management programs through the distribution of tax dollars going directly to local communities.

CSLB's role in enforcing tax liability. CSLB frequently partners with other state agencies to enforce compliance with laws outside CSLB's regulatory authority, such as payroll tax, workplace safety, and other labor laws. To help enforce these laws, the License Law leverages the contractor's license to obtain compliance. BPC § 7145.5 authorizes the Registrar to refuse to issue, reinstate, reactivate, or renew a license or to suspend a license when the licensee fails to meet their obligations, including taxes, penalties, interest, and any fees that may be assessed by various state entities, including the BOE, but does not include CDTFA.

In 2017, AB 102 (Committee on Budget, Chapter 16, Statutes of 2017) transferred various duties, powers, and responsibilities of the BOE relating to the administration of various taxes and fees to the CDTFA. However, not all duties, powers, and responsibilities of the BOE were transferred. BPC § 7145.5 was not updated to reflect the responsibilities of the new agency. This bill would make conforming changes to the License Law, while also ensuring CDTFA has authority to share information necessary for the Registrar to carry out the responsibilities authorized by BPC § 7145.5 as intended.

FISCAL EFFECT: Appropriation: No Fiscal Com.: Yes Local: No

SUPPORT: (Verified 5/4/26)

California State Council of Laborers
California Tax Reform Association
Flasher Barricade Association
Western Electrical Contractors Association

OPPOSITION: (Verified 5/4/26)

None received

ARGUMENTS IN SUPPORT: The California State Council of Laborers writes, "SB 1165 addresses a significant gap in state coordination by authorizing the California Department of Tax and Fee Administration (CDTFA) to share limited information with the Contractors State License Board (CSLB)...Because CDTFA lacks the authority to share this data, the CSLB is unable to fully utilize its existing power to suspend or deny licenses for tax debt. By aligning the enforcement authority of the CDTFA and CSLB, SB 1165 ensures that a contractor's license remains a privilege reserved for those who contribute to the state's success."

The California Tax Reform Association, a coalition of 14 member organizations, writes that SB 1165, “SB 1165 (Caballero) would further the California Tax Reform Association’s goal of advocating for fair taxes, ensuring that the state and local governments can collect critical unpaid revenues.”

The Flasher Barricade Association writes, “to offer [its] strong support of SB 1165 (Caballero), which strengthens tax enforcement by authorizing the California Department of Tax and Fee Administration (CDTFA) to coordinate with the Contractors State License Board (CSLB) to ensure contractors settle unpaid taxes.”

The Western Electrical Contractors Association adds that it, “supports SB 1165, which adds the California Department of Tax and Fee Administration (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.”

Prepared by: Yeaphana La Marr / B., P. & E.D. /
5/5/26 15:55:43

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