

Date of Hearing: June 16, 2026

ASSEMBLY COMMITTEE ON BUSINESS AND PROFESSIONS

Marc Berman, Chair

SB 1165 (Caballero) – As Amended April 16, 2026

NOTE: This bill is double-referred and, if passed by this Committee, will be re-referred to the Assembly Revenue and Taxation Committee.

SENATE VOTE: 36-0

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

SUMMARY: Clarifies that the Contractors State License Board (CSLB or board) may refuse to issue, reinstate, reactivate, or renew a license or may suspend a license for failure of the licensee to resolve all outstanding liabilities assessed by the California Department of Tax and Fee Administration (CDTFA), unless the licensee has entered into a written installment payment agreement and is in compliance with the terms of that agreement; requires the application for a contractor's license to include an authorization by the applicant for the CDTFA to disclose tax information that is required to implement this bill; and authorizes the CDTFA to audit these authorizations.

EXISTING LAW:

- 1) Establishes, until January 1, 2029, the CSLB under the Department of Consumer Affairs (DCA) to implement and enforce the Contractors State License Law (License Law). (Business and Professions Code (BPC) §§ 7000 *et seq.*)
- 2) Authorizes the CSLB to appoint a registrar of contractors to be the executive officer and secretary of the CSLB. (BPC § 2011)
- 3) Authorizes the registrar to refuse to issue, reinstate, reactivate, or renew a license or may 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, the Department of Industrial Relations, the Employment Development Department, the Franchise Tax Board, or the State Board of Equalization (BOE). (BPC § 7145.5(a))
- 4) Requires all versions of the application for a contractor's license to include, as part of the application, an authorization by the applicant, in the form and manner mutually agreeable to the Franchise Tax Board and the board, for the Franchise Tax Board to disclose the tax information that is required for the registrar to administer this section. The Franchise Tax Board may from time to time audit these authorizations. (BPC § 7145.5(d))
- 5) Exempts, in the case of outstanding final liabilities assessed by the BOE, any outstanding final liability if the licensee has entered into an installment payment agreement for that liability with the BOE and is complying with the terms of that agreement. (BPC § 7145.5(e))

- 6) Specifies that, except as provided, the CDTFA is the successor to, and is vested with, all of the duties, powers, and responsibilities of the BOE. All laws prescribing the duties, powers, and responsibilities of the BOE to which the CDTFA succeeds, together with all lawful rules and regulations established under those laws, are expressly continued in force, including, but not limited to, existing processes and remedies available to a taxpayer or feepayer such as settlement options and appeals processes. (Government Code (GOV) § 15570.22)
- 7) Specifies that, except as provided, and unless the context clearly requires otherwise, whenever any reference to the BOE appears in any statute, regulation, or contract, or in any other code, with respect to any of the functions transferred to the CDTFA, it shall be deemed to refer to the CDTFA. (GOV § 15570.24)
- 8) Makes it unlawful, except as specified, for the CDTFA, any person having an administrative duty, or any person who obtains access to information contained in, or derived from, sales or transactions and use tax records of the CDTFA to make known in any manner whatever the business affairs, operations, or any other information pertaining to any retailer or any other person required to report to the CDTFA or pay a tax, or the amount or source of income, profits, losses, expenditures, or any particular thereof, set forth or disclosed in any return, or to permit any return or copy thereof or any book containing any abstract or particulars thereof to be seen or examined by any person. (Revenue and Taxation Code § 7056(a))

THIS BILL:

- 1) Clarifies that the registrar may refuse to issue, reinstate, reactivate, or renew a license or may suspend a license to failure of the licensee to resolve all outstanding liabilities assessed by the CDTFA.
- 2) Requires all versions of the application for a contractor's license to include, as part of the application, an authorization by the applicant, in the form and manner mutually agreeable to the CDTFA and the board, for the CDTFA to disclose the tax information that is required for the registrar to administer this section. Authorizes the CDTFA to audit these authorizations from time to time.
- 3) Exempts, in the case of outstanding final liabilities assessed by the BOE *or* CDTFA, any outstanding final liability if the licensee has entered into a *written* installment payment agreement for that liability with the BOE *or* CDTFA and is in compliance with the terms of that agreement (emphasis added to distinguish from existing law).
- 4) Makes additional conforming changes.

FISCAL EFFECT: Pursuant to Senate Rule 28.8, no significant state costs anticipated.

COMMENTS:

Purpose. This bill is author-sponsored. According to the author:

[This bill] 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 [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. [This bill] 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.

Background. The CSLB is responsible for the implementation and enforcement of the Contractor State License Law, which governs the licensure, practice, and discipline of contractors in California. A license is required for construction projects valued at \$1,000 or more, including labor and materials. The CSLB issues licenses to business entities and sole proprietors. Each license requires a qualifying individual who satisfies the experience and examination requirements for licensure and directly supervises and controls construction work performed under the license. There are roughly 288,000 licensed contractors in California.¹

Current law authorizes the CSLB to withhold or suspend a license when a contractor has outstanding final liabilities (e.g., taxes, additions to tax, penalties, interest, and any fees) that may be assessed by the CSLB, the Department of Industrial Relations, the Employment Development Department, the Franchise Tax Board, or the BOE—except when a licensee with outstanding final liabilities assessed by the BOE is complying with a payment plan. The application for a contractor’s license includes an authorization by the applicant for the Franchise Tax Board to disclose tax information to CSLB, which it is otherwise prohibited from doing.

In 2017, numerous duties, powers, and responsibilities of the BOE were transferred to a new department, the CDTFA, including the administration of sales and use, fuel, tobacco, alcohol, and cannabis taxes, as well as a variety of other taxes and fees that fund specific state programs. The BOE retained the administration of property taxes, assessment of taxes on insurers, and collection of excise taxes on the manufacture, importation, and sale of alcoholic beverages. Nonetheless, pursuant to interagency agreements, the CDTFA co-administers the insurance tax program and administers the alcohol beverage tax program for the BOE.^{2 3}

The CDTFA reports that in Fiscal Year 2024, the 42 tax and fee programs it administers generated \$97.8 billion in revenue, which helps fund essential services for Californians.⁴ The CDTFA reports that as of February 28, 2026, there are 124,348 sales and use tax accounts in delinquent status, with total outstanding final liabilities exceeding \$3.4 billion. This figure does

¹ Contractors State License Board, *CSLB Home*, <https://www.cslb.ca.gov/> (last visited June 10, 2026).

² California State Board of Equalization, *Tax on Insurers (Insurance Tax)*, https://www.boe.ca.gov/sptaxprog/tax_on_insurers.htm (last visited June 10, 2026)

³ California State Board of Equalization, *Alcoholic Beverage Tax Program*, https://boe.ca.gov/sptaxprog/alcoholic_bev_tax.htm (last visited June 10, 2026).

⁴ California Department of Tax & Fee Administration, *California Department of Tax and Fee Administration Annual Report 2024–25* (Pub. 306, May 2026), <https://cdtfa.ca.gov/formspubs/pub306-2024-25.pdf>.

not include liabilities currently in bankruptcy, under an offer in compromise, or under an installment payment agreement. Construction contractor accounts represent about 1,743 of these delinquent accounts, with a total outstanding final liability of approximately \$52.8 million.

CDTFA is not authorized to share tax information with the CSLB and is therefore unable to use the CSLB as a tax collection tool, unlike other state agencies, including BOE. This bill would update the Contractor State License Law to reflect the transfer of most of the BOE's tax administration functions to CDTFA. Specifically, this bill would allow the CSLB to withhold or suspend a license for a contractor's failure to resolve all outstanding liabilities assessed by the CDTFA, unless the licensee is complying with a payment plan, and all payment plans to be in writing. This bill would also require the CSLB to update license applications to include applicants' authorization for the CDTFA to disclose tax information to the CSLB, and to authorize the CDTFA to audit these authorizations.

Prior Related Legislation. AB 102 (Committee on Budget), Chapter 16, Statutes of 2017, established within the Government Operations Agency, the CDTFA, and specified that the CDTFA is the successor to, and is vested with, all duties, powers, and responsibilities of the BOE to which the CDTFA succeeds, except as provided.

AB 1307 (Skinner), Chapter 734, Statutes of 2011, authorized CSLB to refuse to issue, reinstate, reactivate, or renew a license or to suspend the license of a contractor for the failure of the licensee to resolve all outstanding final liabilities assessed by the BOE, if the licensee has not entered into a payment plan for that liability and is in compliance with it.

AB 2332 (Eng) of 2010 would have authorized CSLB to refuse to issue, reinstate, reactivate, or renew a license or to suspend the license of a contractor for the failure of the licensee to resolve all outstanding final liabilities assessed by the BOE. *That bill was vetoed.*

AB 2282 (Eastin), Chapter 1386, Statutes of 1990, authorized the CSLB to refuse to issue, reinstate, reactivate, or renew or suspend a license for the failure of the licensee to resolve all outstanding final liabilities assessed by the CSLB, Department of Industrial Relations, Employment Development Department, or the Franchise Tax Board, as specified. That bill also required all versions of the application for contractors' licenses to include an authorization by the applicant for the Franchise Tax Board to disclose tax information to the CSLB.

ARGUMENTS IN SUPPORT:

The *CSLB* writes in support:

California Contractors License Law authorizes the CSLB Registrar to refuse to issue, reinstate, reactivate, or renew a license or to suspend a license when the licensee fails to resolve outstanding final liability from other state agencies. The purpose of this law is to encourage licensees and applicants to meet their legal obligations by linking compliance to their ability to obtain or maintain a license. [This bill] simply updates outstanding liability enforcement provisions of the Contractors Law to include the [CDTFA] and does not have any anticipated impact on workload.

ARGUMENTS IN OPPOSITION:

There is no opposition on file.

REGISTERED SUPPORT:

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

REGISTERED OPPOSITION:

None on file

Analysis Prepared by: Kaitlin Curry / B. & P. / (916) 319-3301