

Date of Hearing: June 22, 2026

ASSEMBLY COMMITTEE ON REVENUE AND TAXATION

Mike Gipson, Chair

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

Majority vote. Fiscal committee.

SENATE VOTE: 36-0

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

SUMMARY: Updates the Contractors State License Law by adding the California Department of Tax and Fee Administration (CDTFA) to the list of state entities with whom a licensee or applicant may be required to resolve all outstanding final liabilities. Specifically, **this bill:**

- 1) Clarifies that the registrar 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 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 Contractors State License Board (CSLB), for the CDTFA to disclose the tax information that is required for the registrar to administer this section and 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 the CDTFA, any outstanding final liability if the licensee has entered into a written installment payment agreement for that liability with the State Board of Equalization (BOE) or the CDTFA and is in compliance with the terms of that agreement.

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. (Business and Professions Code (B&PC) Section 7000 *et seq.*)
- 2) Authorizes the CSLB to appoint a registrar of contractors to be the executive officer and secretary of the CSLB. (B&PC Section 2011)
- 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 CLSB, the Department of Industrial Relations (DIR), the Employment Development Department (EDD), the Franchise Tax Board (FTB), or the BOE. (B&PC Section 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 FTB and the CLSB, for the FTB to disclose the tax information that is required for the registrar to administer this law. The FTB may from time to time audit these authorizations. (B&PC Section 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. (B&PC Section 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 Section 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. (Government Code Section 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 (R&TC) Section 7056(a).)
- 9) Provides that, except as otherwise provided, it is a misdemeanor for the FTB, or any member thereof, or any deputy, agent, clerk, or other officer or employee of the state, including its political subdivisions, or a jury commissioner, or any former officer or employee or other individual, who in the course of their employment or duty has or had access to returns, reports, or documents required to be filed, to disclose or make known in any manner information as to the amount of income or any particulars, including the business affairs of a corporation, set forth or disclosed, as required. (R&TC Section 19542.)

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

COMMENTS:

- 1) The author has provided the following statement in support of this bill:

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) This bill is supported by the Western Electrical Contractors Association (WECA), which notes, in part:

CDTFA collects California's sales and use taxes, a critical source of revenue for state and local governments, particularly during challenging budget years. Under existing law, the CSLB may suspend a contractor's license when taxes remain unpaid. However, CDTFA lacks the statutory authority to share necessary information with the CSLB to support the CSLB's enforcement of unpaid taxes. As a result, CDTFA cannot fully use licensing as a compliance and collection tool. SB 1165 authorizes CDTFA to share limited tax information with the CSLB for enforcement purposes and allows CDTFA to request that the CSLB suspend, deny, reinstate, or refuse to renew a contractor's license when a contractor has significant tax debt. It also establishes clear notice requirements to ensure due process for contractors and preserves flexibility for taxpayers who are actively complying through installment payment agreements.

- 3) Committee Staff Comments:

- a) *Double-referred*: In addition to this Committee, this bill was referred to the Assembly Committee on Business and Professions, which passed this bill on June 16, 2026, as a Consent item. For additional discussion regarding issues that fall under that Committee's jurisdiction, please refer to that Committee's analysis.
- b) *Background on the CSLB*: 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.

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, DIR, EDD, FTB, or 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 FTB to disclose tax information to CSLB, which is otherwise prohibited.

- c) *Taxpayer privacy and data-sharing*: The information contained on taxpayer returns is confidential and both state and federal law prohibit the use of this kind of data for purposes other than the administration of tax laws unless expressly provided in statute. Improper disclosure of federal tax information is punishable as a felony, and improper disclosure of state tax information is punishable as a misdemeanor. Accordingly, appropriate safeguards must be in place to ensure the security of taxpayer data. In addition to coordination with licensing authorities as described above, the FTB also collects and shares information with departments to assist with program administration, such as providing voter registration information to the Secretary of State and facilitating individual requests for health care coverage information from the California Health Benefit Exchange.
- d) *Prior legislation*:
- i) AB 1307 (Skinner), Chapter 734, Statutes of 2011, in addition to authorizing the BOE to refuse issuance of a seller's permit to an applicant with an outstanding final liability, provided that the CSLB's registrar's powers to refuse to issue, reinstate, reactivate, renew, or suspend a license for the failure of a licensee to resolve all outstanding final liabilities does not apply if the licensee has entered into an installment agreement for that liability with the BOE and is in compliance with the terms of the installment agreement.
 - ii) AB 1424 (Perea), Chapter 455, Statutes of 2011, among other provisions, required a state governmental licensing entity to suspend, or refuse to issue, reinstate, reactivate, or renew a license, if a taxpayer's name is included on either the FTB's or BOE's Top 500 delinquency lists and authorized the State Bar and the Department of Alcohol Beverage Control to suspend or to refuse to issue, reactivate, reinstate, or renew a license, and required the Department of Motor Vehicles to suspend a license if a taxpayer's name is included on either the FTB's or BOE's Top 500 delinquency lists.
 - iii) AB 2282 (Eastin), Chapter 1386, Statutes of 1990, authorized CSLB's registrar to suspend or refuse to issue, reinstate, reactivate, or renew the license of a licensee who failed to resolve all outstanding final liabilities with the CSLB, DIR, EDD, or FTB.

REGISTERED SUPPORT / OPPOSITION:

Support

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

Opposition

None on file

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