

Date of Hearing: July 1, 2026

ASSEMBLY COMMITTEE ON APPROPRIATIONS

Buffy Wicks, Chair

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

Policy Committee:	Business and Professions	Vote:	17 - 0
	Revenue and Taxation		7 - 0

Urgency: No State Mandated Local Program: No Reimbursable: No

SUMMARY:

This bill updates the Contractors State License Law to include the California Department of Tax and Fee Administration (CDTFA) on the list of state entities with whom a licensee or applicant may be required to resolve all outstanding final liabilities.

Specifically, this bill:

- 1) Authorizes the Contractors State License Board (CSLB) to refuse to issue, reinstate, reactivate, or renew a license or suspend a license because of 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 for the CDTFA to disclose the tax information required for CSLB to administer the license actions in item 1, above, and authorizes the CDTFA to audit these authorizations from time to time.
- 3) Exempts from CSLB consideration, in the case of outstanding final liabilities assessed by the CDTFA, any outstanding final liability if the licensee has entered into a written installment payment agreement for that liability with the CDTFA and is in compliance with the terms of that agreement.

FISCAL EFFECT:

- 1) CSLB estimates one-time minor and absorbable costs (special fund) for increased workload in its Public Affairs Division to update online and printed materials and in its Information Technology Program to update and create a code specific to track CDTFA requests for reporting purposes. CSLB does not anticipate the overall number of outstanding tax liabilities referred to CSLB to increase as a result of this bill.
- 2) CDTFA estimates one-time absorbable implementation costs for taxpayer education and outreach, revisions to procedures and publications, and staff training.
- 3) CDTFA anticipates future increased General Fund revenue of an unknown amount. This bill is expected to increase collection of sales and use tax revenues by incentivizing licensed contractors to resolve outstanding final liabilities with CDTFA to avoid CSLB license suspension.

COMMENTS:1) **Purpose.** According to the author:

[This bill] strengthens tax enforcement and promotes fairness for law-abiding contractors by improving coordination between state agencies. The [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. 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.

2) **Background.** CSLB, within the Department of Consumer Affairs, 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. CSLB issues licenses to business entities and sole proprietors.

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. Existing law authorizes the CSLB to withhold or suspend a license when, among other things, a contractor has outstanding final liabilities, including taxes, 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 (FTB), or the Board of Equalization (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 the FTB is otherwise prohibited from doing. This authorization does not extend to the BOE or CDTFA.

In 2017, AB 102 (Committee on Budget, Chapter 16, Statutes of 2017) transferred various, but not all, duties, powers, and responsibilities of the BOE relating to the administration of various taxes and fees to the CDTFA. The Contractor State License Law was not updated to reflect the responsibilities of the new agency. This bill makes conforming changes to the Contractor State License Law, and ensures CDTFA has authority to share information necessary for the CSLB to carry out its enforcement responsibilities.

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