SENATE THIRD READING
SB 1165 (Caballero)
As Amended April 16, 2026
Majority vote

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.

Major Provisions

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 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 Board of Equalization (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).

COMMENTS

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, 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.

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. 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 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.

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."

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.

FISCAL COMMENTS

According to the Assembly Appropriations Committee:

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.

VOTES

SENATE FLOOR: 36-0-4
YES: Allen, Archuleta, Arreguín, Ashby, Becker, Blakespear, Cabaldon, Caballero, Cervantes, Choi, Cortese, Dahle, Durazo, Grayson, Hurtado, Jones, Laird, Limón, McGuire, McNerney, Menjivar, Ochoa Bogh, Padilla, Pérez, Reyes, Richardson, Rubio, Seyarto, Smallwood-Cuevas, Stern, Strickland, Umberg, Valladares, Wahab, Weber Pierson, Wiener
ABS, ABST OR NV: Alvarado-Gil, Gonzalez, Grove, Niello

ASM BUSINESS AND PROFESSIONS: 17-0-2
YES: Berman, Addis, Ahrens, Alanis, Bauer-Kahan, Caloza, Elhawary, Ellis, Haney, Hart, Irwin, Jackson, Dixon, Lowenthal, Macedo, Nguyen, Pellerin
ABS, ABST OR NV: Bains, Chen

ASM REVENUE AND TAXATION: 7-0-0
YES: Gipson, Sanchez, Carrillo, DeMaio, McKinnor, Quirk-Silva, Michelle Rodriguez

ASM APPROPRIATIONS: 11-0-4
YES: Wicks, Hoover, Arambula, Caloza, Dixon, Fong, Mark González, Krell, Pacheco, Solache, Ta
ABS, ABST OR NV: Calderon, Pellerin, Sharp-Collins, Tangipa

UPDATED

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