

Franchise Tax Board

ANALYSIS OF ORIGINAL BILL

Author: Leno Analyst: Rachel Coco Bill Number: AB 2914

Related Bills: See Legislative History Telephone: 845-4328 Introduced Date: February 24, 2006

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Limited Liability Partnerships/Architecture/Delete Repeal Date

SUMMARY

This bill would permanently allow limited liability partnerships (LLP) to engage in the practice of architecture.

PURPOSE OF THE BILL

According to the author’s staff, the purpose of the bill is to encourage LLPs to continue to pursue the profession of architecture.

EFFECTIVE/OPERATIVE DATE

This bill would be effective and operative beginning January 1, 2007.

POSITION

Pending.

ANALYSIS

STATE LAW

Existing state law, in the Business and Professions Code pertaining to architecture, defines “person” to include any individual, firm, corporation, or LLP.

Existing state law defines “professional services” as any type of services that may be lawfully rendered only pursuant to a license, certificate, or registration authorized by the Business and Professions Code or the Chiropractic Act.

Existing state law in the Uniform Partnership Act defines “professional LLP services” to mean the practice of architecture, public accountancy, or law.

Board Position:	Department Director	Date
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Existing state law in the Uniform Partnership Act defines “registered LLP” and “foreign LLP” to mean a limited liability partnership, other than a limited partnership, that engages in the practice of architecture, public accountancy, or law.

Existing state law imposes an annual tax in an amount equal to the minimum franchise tax (currently \$800) on every LLP organized in this state, registered with the Secretary of State (SOS), or doing business in this state. This annual tax is payable until a certificate of cancellation is filed with the SOS or the LLP ceases to do business in this state, whichever is later.

The authority to practice architecture as a registered or foreign LLP will expire on January 1, 2007.

THIS BILL

This bill would repeal the sunset date in the act that allows registered and foreign LLPs to engage in the practice of architecture only until January 1, 2007. As a result, this bill would allow LLPs to engage in the practice of architecture indefinitely.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department’s programs and operations.

LEGISLATIVE HISTORY

AB 1596 (Shelley, Stats. 2001, Ch. 595) allowed registered and foreign LLPs to engage in the practice of architecture only until January 1, 2007.

AB 469 (Cardoza, Stats. 1998, Ch. 504) added architecture to the list of professional practices that could lawfully be engaged in by registered and foreign LLPs.

OTHER STATES’ INFORMATION

The states surveyed include *Florida, Illinois, Massachusetts, Michigan, Minnesota, and New York*. These states were selected due to their similarities to California’s economy, business entity types, and tax laws.

A review of each state’s tax laws showed that all the states, with the exception of *Massachusetts* and *Florida*, allow LLPs to practice the profession of architecture.

FISCAL IMPACT

This bill would not impact the department’s costs.

ECONOMIC IMPACT

Revenue Discussion

Any revenue impact this extension may have pertaining to certain firms operating as an LLP rather than some other entity type is unknown but may be insignificant.

According to the latest departmental data, there were 69 LLPs registered in the state in 2004 providing architectural services.

LEGISLATIVE STAFF CONTACT

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