

SUMMARY ANALYSIS OF AMENDED BILL

Author: Florez Analyst: Angela Raygoza Bill Number: SB 392
 Related Bills: See Prior Analysis Telephone: 845-7814 Amended Date: March 25, 2010
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Limited Liability Companies/Contractors

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended _____.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENTS CONCERNS stated in the previous analysis of bill as introduced/amended _____.

FURTHER AMENDMENTS NECESSARY.

DEPARTMENT POSITION CHANGED TO _____.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED

April 21, 2009, STILL APPLIES.

OTHER – See comments below.

SUMMARY

This bill would allow contractors to organize and operate as limited liability companies (LLCs).

SUMMARY OF AMENDMENTS

The March 25, 2010, amendments would do the following:

- Modify insurance bond requirements,
- Require the Contractors' State License Board (CSLB) to begin issuing licenses to LLCs no later than July 1, 2011, and
- Remove the operative date of January 1 of the year following the effective date of the Budget Bill in which the Contractors' State License Board receives an appropriation.

As a result of the March 25, 2010, amendments, the "Effective/Operative Date," and "Economic Impact" discussions, as provided in the department's analysis of the bill as amended April 21, 2009, have been revised. The remainder of that analysis still applies. The "This Bill" discussion has been provided below for convenience.

Board Position:	Legislative Director	Date
<input type="checkbox"/> S <input type="checkbox"/> NA <input type="checkbox"/> NP <input type="checkbox"/> SA <input type="checkbox"/> O <input type="checkbox"/> NAR <input type="checkbox"/> N <input type="checkbox"/> OUA <input checked="" type="checkbox"/> PENDING	Brian Putler	05/20/10

This analysis does not address the bill's changes to the Business and Professions Code related to the insurance bond requirements as they do not impact the department.

EFFECTIVE/OPERATIVE DATE

This bill would be effective January 1, 2011, and would specifically require the Contractors' State License Board to begin issuing licenses to LLCs no later than July 1, 2011.

ANALYSIS

THIS BILL

This bill would allow an individual or a business providing services as a contractor to form and operate as an LLC. In addition, this bill would authorize the CSLB to issue a contractor's license to an LLC under the Business and Professions Code. Any LLC would be treated in the same manner as a corporation relative to the issuance, renewal, suspension, re-issuance, or termination of a contractor's license.

As a result, contractor's that form and operate as an LLC would be required to pay an \$800 annual tax to the Franchise Tax Board.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue gains:

Estimated Revenue Impact of SB 392 As Amended March 25, 2010 Effective For Tax Years Beginning On or After January 1, 2011 Enactment Assumed After September 30, 2010 (\$ in Millions)		
2010-11	2011-12	2012-13
\$0	+\$9	+\$12

This analysis does not consider the possible changes in employment, personal income, or gross state product that could result from this bill.

LEGISLATIVE STAFF CONTACT

Legislative Analyst

Angela Raygoza

(916) 845-7814

angela.raygoza@ftb.ca.gov

Revenue Manager

Monica Trefz

(916) 845-4002

monica.trefz@ftb.ca.gov

Legislative Director

Brian Putler

(916) 845-6333

brian.putler@ftb.ca.gov