

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Gorell Analyst: Brian Werking Bill Number: AB 560
Related Bills: See Legislative History Telephone: 845-5103 Introduced and Amended Dates: February 16, 2011, and April 6, 2011
Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Limited Liability Partnerships & Foreign Limited Liability Partnerships/Architecture/Extend Repeal Date

SUMMARY

This bill would continue to allow licensed architects to organize and operate as limited liability partnerships (LLPs) indefinitely.

RECOMMENDATION AND SUPPORTING ARGUMENTS

No position.

Summary of Amendments

The April 4, 2011, amendments removed the sunset provision as it applies to the ability of architects to organize and register as an LLP in California. This is the department's first analysis of the bill.

PURPOSE OF THE BILL

According to the author's office, the purpose of this bill is to repeal or extend the sunset date of the LLP authorization to allow multistate architecture firms who have organized as LLPs outside of California to register as an LLP within California as well.

EFFECTIVE/OPERATIVE DATE

This bill would become effective January 1, 2012, and would apply as of that date.

ANALYSIS

FEDERAL/STATE LAW

Existing state law, under the Business and Professions Code pertaining to architecture, defines "person" to include any individual, firm, partnership, general corporation, professional corporation, or limited liability partnership.

Board Position:

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Executive Officer

Date

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

Existing state law under the Uniform Partnership Act defines “professional limited liability partnership services” as the practice of architecture, the practice of public accountancy, the practice of engineering, the practice of land surveying, or the practice of law.

Existing state law under 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, engineering, land surveying, 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 notice of cessation or withdrawal of registration is filed with the SOS or the LLP ceases to do business in this state, whichever is later.

Under existing state law, the authority to practice architecture as an authorized professional limited liability partnership service will expire on January 1, 2012.

THIS BILL

This bill would eliminate the sunset date under which licensed architects are allowed to organize and operate as LLPs. As a result, licensed architects would be authorized to practice architecture as an authorized professional limited liability partnership service indefinitely.

LEGISLATIVE HISTORY

AB 2914 (Leno, Stats. 2006, Ch. 426) allowed registered and foreign LLPs to engage in the practice of architecture until January 1, 2012.

AB 1596 (Shelley, Stats. 2001, Ch. 595) allowed registered and foreign LLPs to engage in the practice of architecture 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 laws showed that all of the states, with the exception of *Florida*, allow LLPs to practice the profession of architecture.

FISCAL IMPACT

This bill would not impact the department's costs.

ECONOMIC IMPACT

Revenue Estimate

This bill would result in the following revenue losses:

Estimated Revenue Impact of AB 560 For Taxable Years Beginning On or After January 1, 2012 Enactment Assumed After June 30, 2011 (\$ in Millions)		
2011-12	2012-13	2013-14
-\$1.3	-\$1.4	-\$1.6

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

SUPPORT/OPPOSITION¹

Support: American Institute of Architects, California Council.

Opposition: None on file.

ARGUMENTS

Pro: It could be argued that this bill would encourage multistate LLP architecture firms to register within the state of California.

Con: It could be argued that this bill would continue to limit consumers' ability to receive compensation for damages caused by LLP architecture firms.

LEGISLATIVE STAFF CONTACT

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¹ As reported by the Assembly Committee on Business, Professions and Consumer Protection in their bill analysis dated April 4, 2011. The analysis is available at: http://www.leginfo.ca.gov/pub/11-12/bill/asm/ab_0551-0600/ab_560_cfa_20110404_102217_asm_comm.html.