



## Bill Analysis

Author: Limón

Sponsor:

Bill Number: SB 1168

Related Bills: See Legislative  
History

Introduced: February 14, 2024

Amended: March 21, 2024

### SUBJECT

Secretary of State Document Filings for Business Entities

### SUMMARY

This bill would allow the Secretary of State (SOS) to cancel the business entity if there is a court order showing unlawful use of personally identifying information.

### RECOMMENDATION

No position—The Franchise Tax Board (FTB) has not formally voted or taken a position on this bill.

### SUMMARY OF AMENDMENTS

The March 21, 2024, amendments removed provisions of the bill authorizing the SOS to cancel articles of domestic corporations, statements and designations by foreign corporations, articles of specified nonprofit corporations, articles of cooperative corporations, certificates of limited partnerships (LPs), applications and certificates of registration of foreign LPs statements of partnerships, registrations of limited liability partnerships (LLPs), articles of organization of LLPs, and applications and certificates of registration of foreign limited liability companies (LLC), upon reasonable belief that the entity was created for specified purposes, including, but not limited to, an unlawful, false, or fraudulent purpose.

### REASON FOR THE BILL

The reason for the bill is to allow SOS to cancel a business entity if there is a court order showing unlawful use of personally identifying information, and to allow an individual, believing that a business entity is unlawfully using their personal information, to file a disclaimer of proper authority with SOS.

**ANALYSIS**

This bill would allow SOS to cancel a LLC or corporation if a court orders the LLC or corporation to redact or label unlawfully used personal information as impersonated, if an updated statement of information has not been filed with the SOS. The bill would also allow an individual, who has learned that a business entity is unlawfully using their personal information, to file a disclaimer of proper authority with SOS.

*Effective/Operative Date*

If enacted in 2024, this bill will be effective and operative January 1, 2025.

*Federal/State Law**Federal Law*

No comparable provision in federal law.

*State Law*

Under Corporations Code (CORP) section 17702.09, LLCs are required to file a biennial statement of information with SOS. Under CORP section 17713.10, SOS will suspend an LLC for failure to file the biennial statement required under CORP section 17702.09. Under CORP section 1502, corporations are required to file an annual statement with SOS. Under CORP section 2205, SOS will suspend a corporation for failure to file the annual statement required under CORP section 1502.

LLCs or corporations may be suspended under Revenue and Taxation Code (RTC) section 23301 for failure to pay taxes. Under RTC section 23301.5, LLCs or corporations may also be suspended for failure to file a tax return.

The Information Practices Act of 1977 is contained in Chapter 1 of Title 1.8 of the Civil Code and governs the use as well as the penalties and remedies of the misuse of personal data.

*Implementation Considerations*

None noted.

*Technical Considerations*

None noted.

*Policy Considerations*

None noted.

**LEGISLATIVE HISTORY**

SB 1202 (Limón, Chapter 617, Statutes of 2022) allows SOS to cancel a corporation's articles of conversion if a check or other remittance accepted in payment of the filing fee or franchise tax is not paid upon presentation. The bill also requires SOS to provide a non-profit public or cooperative corporation with a 90-day notice of cancellation because the check or other remittance was not paid upon presentation.

SB 1196 (Jackson, Chapter 696, Statutes of 2018) authorizes an individual who reasonably suspects that his or her personal identifying information has been unlawfully used in a business entity filing to petition a court for a determination of unlawful use.

**PROGRAM BACKGROUND**

None noted.

**OTHER STATES' INFORMATION**

None noted.

**FISCAL IMPACT**

The FTB's costs to implement this bill have yet to be determined. As the bill moves through the legislative process, costs will be identified.

**ECONOMIC IMPACT***Revenue Estimate*

This bill as introduced on February 14, 2024, and amended March 21, 2024, would not impact state income or franchise tax revenue.

**LEGAL IMPACT**

None noted.

**EQUITY IMPACT**

None noted.

**APPOINTMENTS**

None noted.

**SUPPORT/OPPOSITION**

Senate Rules Committee Analysis 05/07/2024, or Senate Judiciary Committee Analysis 04/05/2024

*Support:*

Shirley N. Weber, Ph.D., California Secretary of State

*Opposition:*

None on File.

**ARGUMENTS**

*Proponents:*

None on file.

*Opponents:*

None on file.

**LEGISLATIVE CONTACT**

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