

FEBRUARY 1, 2012

CALIFORNIA CONTRACTORS STATE LICENSE BOARD NOW ACCEPTING CONTRACTORS LICENSE APPLICATIONS BY LIMITED LIABILITY COMPANIES

As previously [reported](#), on September 30, 2010, the Governor signed Senate Bill No. 392 which permitted a limited liability company (“LLC”) to be licensed as a contractor under the Contractors’ State License Law. SB 392 finally brought California in line with the majority of states that permit a contractor to be formed as an LLC and amended the License Law to treat LLCs on par with corporations with respect to licensing.

Although SB 392 took effect January 1, 2011, the Contractors State License Board (CSLB) was not required to begin processing applications until January 1, 2012. The CSLB finally started accepting applications within the last several weeks.

The following are requirements specific to LLCs:

- Filing of a \$100,000 surety bond to ensure payment of employee wages and benefits. (This bond is in addition to the \$12,500 contractor’s bond required of all licensees.) If the LLC is signatory to a collective bargaining agreement, the bond will be required to cover fringe benefit trust fund contributions.
- Proof of liability insurance coverage in an amount of not less than \$1,000,000, and up to \$5,000,000, depending on the number of persons listed on the personnel of record of the LLC.
- Every officer, member, responsible manager, or director must be listed as personnel of record on the LLC application.
- An LLC can qualify for a license by examination of either a responsible managing officer, manager, member, or employee.

An LLC may serve as a partner on a partnership license, provided the surety bond and liability insurance requirements are met if listed as a general partner. An LLC can also be listed as an entity on a joint venture license.

Existing sole owner and corporate licenses may be transferred to an LLC under certain conditions. However, care should be taken when transferring an existing license to an LLC to be certain that existing contracts and construction activities will not be adversely affected.

The CSLB has indicated that LLC applications will be processed in the same manner and with the same timing as other applications. Therefore, LLCs should plan sufficiently in advance of their needs when applying.

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