

CONTRACTORS MAY NOW BE LICENSED AS A LIMITED LIABILITY COMPANY

Prior to the enactment of California SB 392 ("SB 392"), a California limited liability company ("LLC") may engage in any lawful business activity, except certain professional services. The Contractors' State License Law only authorizes the issuance of contractors' licenses to individuals, partnerships, and corporations. Thus, all contractors establishing their business in California, and those out of state contractors who want to operate in California, have been restricted from conducting business as a LLC.

On January 1, 2011, this changed. SB 392 allows California contractors to conduct their business as a LLC. The law requires LLCs to post a \$100,000 surety bond (in addition to the \$12,500 contractor's bond required for all licensees), unless otherwise exempt, as well as errors and omissions insurance coverage in an amount of not less than \$1,000,000 and possibly up to \$5,000,000 depending on the number of persons listed on the personnel of record of the LLC. The California Legislature implemented these requirements as a way to protect employees that may be damaged by the LLC's failure to pay wages, interest on wages, or fringe benefits. The law also provides, under certain conditions, for the transfer of an existing license number to an LLC.

SB 392 enables new and existing contractors the ability to benefit from the limited liability protection and other business advantages afforded to LLCs without having to meet the maintenance requirements of a corporation. If you would like any additional information regarding the nuances of the SB 392, please give us a call.

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