

AMENDED IN ASSEMBLY JANUARY 15, 2014

AMENDED IN ASSEMBLY JANUARY 6, 2014

AMENDED IN ASSEMBLY APRIL 30, 2013

AMENDED IN ASSEMBLY APRIL 4, 2013

CALIFORNIA LEGISLATURE—2013–14 REGULAR SESSION

ASSEMBLY BILL

No. 1260

Introduced by Assembly Member Medina
(Principal coauthor: Assembly Member V. Manuel Pérez)
(Coauthors: Assembly Members Brown, Daly, and Perea)

February 22, 2013

An act to add Section 27 to the Government Code, relating to businesses.

LEGISLATIVE COUNSEL'S DIGEST

AB 1260, as amended, Medina. California family owned business. Existing law provides various definitions for various purposes.

This bill would define a California family owned business for purposes of the Government Code.

Vote: majority. Appropriation: no. Fiscal committee: no. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 SECTION 1. The Legislature finds and declares the following:
- 2 (a) In 2007, California was home to 1.4 million family owned
- 3 businesses, which employed nearly 7 million people.

1 (b) Both large and small family owned businesses have been
 2 recognized through numerous academic studies as having unique
 3 characteristics. Those studies verify that family owned businesses
 4 invest more in their employees in terms of training and benefits,
 5 promote more women to high-level management positions, and
 6 are less likely to lay off employees or downsize in tough economic
 7 times.

8 (c) California family owned businesses continually demonstrate
 9 extraordinary commitment to the communities in which they
 10 operate because they are headquartered in the state. California
 11 family owned businesses have been shown to engage in high levels
 12 of local, community-based philanthropic giving, and are strong
 13 stewards of the environment by virtue of their long-term
 14 perspective and sense of duty to past, present, and future
 15 generations within the state.

16 SEC. 2. It is the intent of the Legislature to enact legislation
 17 that would aid, counsel, assist, and protect the interests of
 18 California family owned businesses in order to preserve free
 19 competitive enterprise and support family owned enterprises.

20 SEC. 3. Section 27 is added to the Government Code, to read:

21 27. (a) For the purposes of this code, “California family owned
 22 business” means a business that meets all of the following
 23 requirements:

- 24 (1) Is independently operated as a privately held business by
 25 family members.
- 26 (2) Maintains its principal executive office in California.
- 27 (3) Has been in business for more than 10 continuous years.
- 28 (4) Is conducted by a sole proprietorship owned by a family
 29 member domiciled in California, or by an entity in which family
 30 members domiciled in California hold ~~at least 20 percent~~ a majority
 31 of the equity interests.
- 32 (5) A family member or members exhibit strategic influence
 33 and control of the business that is conducted by the sole
 34 proprietorship owned by a family member or an entity in which
 35 family members hold a majority of the voting interest.
- 36 (6) Demonstrates an intent to continuously operate as a family
 37 owned business in the future through any of the following:
 - 38 (A) Present ownership by multiple family members.
 - 39 (B) A previous transfer of ownership or equity interests between
 40 family members.

1 (C) Is subject to a written agreement providing for a future
2 transfer between family members provided that the agreement was
3 executed in good faith.

4 (b) For the purpose of this section, “family member” includes
5 a person who is related by a common ancestor, pursuant to state
6 or federal law up to four generations. Any person related by greater
7 than four generations is included if his or her ownership or
8 operational involvement arose from an exercise of continuity across
9 generations as described in paragraph (6). A family member also
10 includes a person that qualifies as related in accordance with the
11 rules for determining relationship and inheritance rights for
12 purposes of intestate succession according to Section 21115 of the
13 Probate Code.

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