

AMENDED IN ASSEMBLY JANUARY 29, 2014

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 any provision of the Government Code that explicitly references this definition.

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:

1 (a) In 2007, California was home to 1.4 million family owned
 2 businesses, which employed nearly 7 million people.

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

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

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

22 (b) *A business that is owned and operated by relatives creates*
 23 *a unique business structure that can be distinguished from other*
 24 *business structures. The purpose of this legislation is to create a*
 25 *definition for this business structure in order to provide a*
 26 *framework for the Legislature to better understand and address*
 27 *the role family owned businesses play within the California*
 28 *economy.*

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

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

33 (1) ~~Is independently operated~~ *organized as a privately held*
 34 *business by family members one individual or two or more related*
 35 *persons.*

36 (2) Maintains its principal executive office in California.

37 (3) Has been in business for more than 10 continuous years.

38 (4) ~~Is conducted~~ *owned by a sole proprietorship or is a business*
 39 *entity owned by a family member domiciled in California, or by*
 40 *an entity in which family members domiciled in California one*

1 *individual or two or more related persons domiciled in California*
2 *who hold a majority of the equity interests.*

3 ~~(5) A family member or members~~*The business is controlled by*
4 *one individual or two or more related persons who exhibit strategic*
5 *influence and control of the business that is conducted by the by*
6 *holding the business as a sole proprietorship owned by a family*
7 ~~member or an entity in which family members hold~~ *or by holding*
8 *a majority of the voting interest.*

9 (6) Demonstrates an intent to continuously operate as a family
10 owned business in the future through any of the following:

11 (A) Present ownership by ~~multiple family members~~ *two or more*
12 *related persons.*

13 (B) A previous transfer of ownership or equity interests between
14 ~~family members~~ *related persons.*

15 (C) Is subject to a written agreement providing for a future
16 transfer between ~~family members~~ *related persons* provided that
17 the agreement was executed in good faith.

18 (b) For the purpose of this section, ~~“family member”~~ *“related*
19 *person”* includes a person who is related by a common ancestor,
20 pursuant to state or federal law up to four generations. Any person
21 related by greater than four generations is included if his or her
22 ownership or operational involvement arose from an exercise of
23 continuity across generations as described in paragraph (6). ~~A~~
24 ~~family member also includes a person that qualifies as related in~~
25 ~~accordance with the rules for determining relationship and~~
26 ~~inheritance rights for purposes of intestate succession according~~
27 ~~to Section 21115 of the Probate Code. “Related persons” also~~
28 *includes a parent, stepparent, brother, sister, stepbrother,*
29 *stepsister, half-brother, half-sister, adopted person, person born*
30 *out of wedlock, stepchild, foster child, uncle, aunt, niece, nephew,*
31 *first cousin, and any person denoted by the prefix “grand” or*
32 *“great.” A spouse, domestic partner, and the spouse or domestic*
33 *partner of any person that qualifies as a person related by a*
34 *common ancestor, pursuant to state or federal law up to four*
35 *generations, is also included within the definition of “related*
36 *persons” and shall continue to be included in the event of the legal*
37 *relationship being terminated by death or dissolution.*

38 (c) *The definition for “California family owned business”*
39 *provided in this section shall only apply to provisions in which*
40 *this section is explicitly cross-referenced.*

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