

AMENDED IN SENATE JUNE 18, 2014

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:

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

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

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

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

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

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

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

34 (1) Is organized as a privately held business by one individual
35 or two or more related ~~persons~~ *persons, or is a partnership of*
36 *business entities owned by related persons.*

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

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

1 (4) *One of the following apply:*

2 ~~(4)~~

3 (A) Is owned by a sole ~~proprietorship~~ or is *proprietorship*.

4 (B) *Is a business entity owned by one individual or two or more*
5 *related persons domiciled in California who hold a majority of the*
6 *equity interests.*

7 (C) *Is a partnership of business entities owned by related*
8 *persons domiciled in California who hold a majority of the equity*
9 *interests.*

10 (5) The business is controlled by one individual or two or more
11 related persons who exhibit strategic influence and control of the
12 business by holding the business as a sole proprietorship or by
13 holding a majority of the voting interest.

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

16 (A) Present ownership by two or more related persons.

17 (B) A previous transfer of ownership or equity interests between
18 related persons.

19 (C) Is subject to a written agreement providing for a future
20 transfer between related persons provided that the agreement was
21 executed in good faith.

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

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

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