

Assembly Bill No. 1260

Passed the Assembly August 18, 2014

Chief Clerk of the Assembly

Passed the Senate August 11, 2014

Secretary of the Senate

This bill was received by the Governor this _____ day
of _____, 2014, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

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

LEGISLATIVE COUNSEL'S DIGEST

AB 1260, 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.

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

SECTION 1. The Legislature finds and declares the following:

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

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

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

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

(b) A business that is owned and operated by relatives creates a unique business structure that can be distinguished from other

business structures. The purpose of this legislation is to create a definition for this business structure in order to provide a framework for the Legislature to better understand and address the role family owned businesses play within the California economy.

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

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

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

(2) Maintains its principal executive office in California.

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

(4) One of the following apply:

(A) Is owned by a sole proprietorship.

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

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

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

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

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

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

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

(b) For the purpose of this section, “related person” includes a person who is related by a common ancestor, pursuant to state or federal law up to four generations. Any person related by greater than four generations is included if his or her ownership or operational involvement arose from an exercise of continuity across generations as described in paragraph (6). “Related persons” also includes a parent, stepparent, brother, sister, stepbrother, stepsister,

half brother, half sister, adopted person, person born out of wedlock, stepchild, foster child, uncle, aunt, niece, nephew, first cousin, and any person denoted by the prefix “grand” or “great.” A spouse, domestic partner, and the spouse or domestic partner of any person that qualifies as a person related by a common ancestor, pursuant to state or federal law up to four generations, is also included within the definition of “related persons” and shall continue to be included in the event of the legal relationship being terminated by death or dissolution.

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

Approved _____, 2014

Governor