
ESCROW IN A BUSINESS SALE

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Introduction

Selling or buying a business comes with many moving parts.

For the seller it takes time and expertise to put the sale of the business together so there are no mistakes. One mistake can lose a potential good buyer and so it's onto the next buyer which can take more time, risk to the business and other variables. .

For the buyer, it's an equally demanding process. A buyer starts out with high hopes of finding the perfect business but most important in their mind, is not to be tricked or to trust the seller to only find out after the transaction closes, there are things they didn't know or felt deceived about.

In California, the sale of a business helps protect both the seller and buyer by using and following an escrow process.

The purpose of this document is to provide a brief summary of the many steps in the escrow process. This guide does not attempt to explain every step for every transaction. Indeed, the laws often will and do change and there is simply no one size fits all. If you are buying a medical practice, restaurant, gas station or business with a California Contractor's license to give but a few examples, the requirements to close escrow are very different with each industry a lot of times having their own critical steps to follow.

I realize that selling a business is not easy and finding and buying a good business is just as challenging. This guide is therefore designed to outline many of the escrow steps and hopefully provide some valuable information.

This guide has come together with a lot of preliminary work done by Lisa Decker at Fidelity National Title.

If you have additional questions, please call me on 916 570-2674 or visit my website at www.rogersonbusinessservices.com.

General Bulk Sale information

What is a Bulk Sale

A bulk sale is the sale of business assets.

In California, business transactions are considered Personal Property Transfers, and are governed under the Uniform Commercial Code of California (UCC) for the sale of a business without a liquor license and under the Business and Professions Code (B & P) for the sale of a business which includes a liquor license transfer with the Department of Alcoholic Beverage Control.

Both the UCC and the B & P Codes require that all monies in a bulk sale, including sales price and inventory (stock in trade), must be transferred through escrow and further require that no funds be released to the seller prior to the close of escrow.

Bulk Sale Notice requirements

The Bulk Sales Act is part of the Uniform Commercial Code. Most states adopt a variant (generally minor changes) of the Uniform Commercial Code, and accordingly, the Bulk Sales Act.

The Bulk Sales Act, as adopted in California, provides that where a debtor proposes to sell more than half of its inventory and equipment, not in ordinary course of business, the buyer must give notice.

Notice is in two forms:

1. Record notice of sale at the county recorder's office where the assets are located; and
2. Publish notice of sale once in a newspaper (in general circulation) where the assets are located. The debtor does not have to mail notice to its creditors before the bulk sale. Recordation and publication must happen at least twelve (12) days before the sale.

Failure to comply with the Bulk Sale Act may cause the buyer to be liable to creditors not paid in full.

The primary purpose of the Bulk Sale Act is to provide a debtor's creditors with notice so as to have their claims paid (or take protective action) before the debtor transfers assets and makes off with the sale proceeds, and to insulate the buyer from debt of the seller.

State Agency Releases

In addition to the required Notice(s), release(s) from the State Board of Equalization, Employment Development Department, County Tax Collector and Franchise Tax Board are to be obtained on behalf of the buyer to insure no successor liability to any of the tax agencies.

Secretary of State/County Recorder Tax Lien Judgment Searches

A UCC, Tax Lien Judgment Search with the Secretary of State and County Tax Lien Judgment Search with the County Recorder is processed in the name of the seller and in the name of the business to insure that there are no loans, leases, liens or judgments that affect the personal property (Fixtures and Equipment) or assets of the business being transferred to the buyer. Check with your escrow company to see if their service for you will include a Judgment and tax lien guarantee (CLTA guarantee form no. 10) for the County level searches and Certificates from the Secretary of State for the UCC Searches.

This is a general outline of the procedures followed by escrow agent for the Notice requirements, Notification to the State Agencies and the searches with the Secretary of State and County Recorder on behalf of the parties.

The Escrow process

This is a general outline for a typical Bulk Sale Transaction. It does not cover every variable and situation but provides an overview of what is likely to happen.

The escrow process outline

1. In order to start the bulk sale escrow process, your escrow company normally needs to be in receipt of the following:
 - a. Earnest Money deposit
 - b. Signed Preliminary Instructions
 - c. Information Sheet completed by buyer and seller. (Check with your escrow company to see if they will provide these two forms.)
 - d. A copy of the contract is helpful, if available.

NOTE: In the event that the business includes the transfer of a Liquor License (either Beer & Wine or General) we suggest that the buyer and seller make an appointment with the Department of Alcoholic Beverage Control and request an application package be sent to them for completion prior to the appointment. Because much of the information required by ABC is personal and confidential, the escrow agent is unable to assist in the completion of the application package. However, included in this ABC package is a Notice of Intended Transfer (ABC Form 227). We are able to prepare this form and in fact, would prefer to do so. Once completed and signed, one of the parties or their agent (typically, the buyer) would personally deliver the form to the County Recorder for Recording.

Once the parties have gone to ABC for their appointment and have posted the mandatory 30 day notice, we will begin bulk sale process.

2. Once we are in receipt of items listed under item # 1 above, we will proceed as follows:
 - a. Prepare, Publish and Record the Notice to Creditors of Bulk Sale. This Notice is published once in a Newspaper of Legal Jurisdiction at least 12 business days prior to the date of transfer. Unless the escrow includes an ABC License, last day for filing claims is the business day prior to the noticed sale date. Creditors may file a claim against an escrow involving an ABC license, right up to the date the license is transferred.
 - b. Notify the County Tax Collector within 12 Business days as required by the bulk sale code.
 - c. Conduct a State and County lien search using the name of the seller's and the business to determine the existence, if any, of liens, judgments and other matters that may attach the assets intended to be transferred.

- d. Notify and Request Releases from the State Board of Equalization (SBE), and the Employment Development Department (EDD)
3. During the waiting period for the bulk sale, escrow agent will receive the search results and consult with the parties on any items that may reflect against the assets to obtain payoff or assumption information. Also during this time escrow will review the file and a letter with a list of outstanding items will be sent to the parties and any brokers/attorneys on the deal (as applicable) with the specific items needed for your transactions and that status on those items that may still be outstanding in order to satisfy all of the conditions to closing.

NOTE: Most commonly those items include, Commission Demands, the Allocation of Purchase Price, Fixtures and Equipment List, Lender Instructions and/or Loan Documents if applicable, Franchise documents and/or approval if applicable, Security Deposit and Rent amount for pro rations and copies of Lease Assignments/Consent of Landlord or New Leases as applicable.

4. Once escrow is in receipt of all the items necessary for the close of escrow, escrow agent will prepare a set of final instructions and all necessary legal documents including Bill of Sale, Covenant not to Compete and Seller carry back Notes and Security Instruments (as applicable) .
5. When all documents are executed, good funds are deposited and any applicable filing and recordings are complete, escrow will close and disburse funds as directed in the escrow instructions.

NOTE: In the event of the escrow involves an ABC license, upon satisfaction of all conditions, including the deposit of all funds required to close escrow , we will advise ABC that we are in a position to close escrow and formally request that the license be transferred. Once ABC is in receipt of our request to transfer and assuming all of the license transfer requirements imposed by ABC have been satisfied, the Department will begin the process of transferring the license to buyer. This process will generally take anywhere from 3 days to 3 weeks. Once transferred, the ABC will provide escrow holder with written notice and an "Authorization to Close Escrow." Upon receipt of Authority to Close from ABC escrow agent shall release documents for filing and recording and upon recording confirmation escrow will close and disburse funds per escrow instructions.

Check List

The list below includes the general items and/or information that escrow will need prior to completion of the final escrow instructions and preparation of original legal documents for execution. (Check with your escrow company to see if they will provide you with specific list like this as it pertains to your transaction.)

Item and/or information needed for escrow	Who typically provides
Copy of purchase agreement or contract with amendments/addendums	Buyer/Seller or Broker
Allocation of Purchase Price (Breakdown of Sales Price)	Mutually agreed upon by Seller and Buyer
Fixtures and Equipment list	Seller
Leasehold Improvement list (If part of Allocation)	Seller
New Lease and/or Assignment of Lease with Consent of Landlord	Buyer or Broker
Rent amount for Pro ration purposes	Seller or Broker
Security Deposit amount for Pro ration purposes	Seller or Broker
Franchise Approval Franchise Transfer Documentation	Seller/Broker or Franchisor
Lender Instructions Lender Documentation	Lender
Commission Demand	Broker
Note terms and conditions including Security requirements for Seller Note (as applicable)	Buyer/Seller or Broker
Entity Documentation for Parties (LLC, Corporation, Partnership)	Applicable party
Payoff Loan/Lease Information	Seller

Allocation of Purchase Price

Buyers and Sellers should consult with their CPA's regarding Tax Ramifications of the different categories

Furniture, Fixtures and Equipment	\$ *
Leasehold Improvements	\$ **
Value of Premises and Lease	\$
Goodwill	\$
Covenant Not To Compete	\$
Stock in Trade	\$
Trade Name	\$
Liquor License	\$
	\$
	\$
	\$
	\$
	\$
Total	\$

* Sales tax will be due to State Board of Equalization based on the allocation provided by the parties for the fixtures and equipment unless the business is exempt.

**State Board of Equalization will require a list of the Leasehold Improvements to verify none of the items are taxable.

Estimated Costs

Escrow fees and charges:

Fees and charges for your escrow service are based on a variety of factors, including the sale price, type or nature of the business and the amount and nature of services provided by you. Sometimes there may be a BASE ESCROW FEE and then an additional fee per thousand dollars of the sale price, with a MINIMUM escrow fee.

Additional ordinary expense items may include but are not limited to:

1. Document Preparation fees, usually at \$50.00 per document.
2. Newspaper publication and processing fees (varies by publication).
3. Lien Search and processing fees (based on the number of names searched and the number of copies reported in the search).

Although Search and Publication/Processing fees vary, the total cost per transaction for both services AVERAGE \$850.00 per escrow.

The costs set forth above are for ordinary services only. IN ADDITION to the fees set forth above, additional costs, when applicable, will be incurred for TITLE INSURANCE, processing a new loan from an institutional lender (LOAN TIE-IN), and when called upon to provide additional or extraordinary service.

Your escrow company should provide a written estimate of costs and expense, at any time during the escrow process, upon request from either party.

Example of Base Escrow Fee:

\$300,000.00 Purchase Price - $\$300.00 \times \$2.00 = \$600.00$

\$ 950.00

\$1,550.00

NOTE:

Base Escrow Fee and Costs are typically split 50/50 between buyer and seller. Said fees referenced above are subject to change and are estimated.

Additional Costs to Parties through a Bulk Sale

Sales Tax

Sales Tax payable to the State Board of Equalization based on the amount allocated to the Fixtures and Equipment paid by the Buyer.

The sales tax rate is based on the rate for the City in which the business is located. For your cities sales tax rate you can go to <http://www.boe.ca.gov> .

Example:

\$24,000.00 Allocation to Fixtures and Equipment

- Business located in Sacramento County (7.75%) = \$1,860.00
- Business located in Placer County (7.25%) = \$1,740.00
- Business located in El Dorado County (7.25%) = \$1,740.00

Unsecured Personal Property Taxes

Unsecured personal property taxes are paid to the county tax collector once a year and run from July 1 to July 1. Said tax bill will be issued to the owner of the business effective January 1. Under section Personal Property Tax Information you will find additional information on the personal property taxes and who to contact for information.

New Loan and Possible Title Charges

When obtaining a new loan for the purchase of the business you may have charges in addition to your loan fees. Some lenders require additional collateral Title Policies on some or all property owned by the borrower. In the event the lender is taking additional collateral there will be charges for the required Title policies of the lender and recording and filing fees.

Franchise Transfer Fees

In the event you are purchasing a business with a Franchise there may be Franchise transfer fees to be paid by the buyer and/or the seller through escrow.

Security Deposit and Rent to Landlord

Typically when purchasing an existing business you will need to pay for your 1st month rent and Security Deposit through escrow in addition to any pro rata portion to the seller for an escrow closing that is not the last day or 1st day of the month.

Sacramento County Agency Contact Information

Dept. of Alcoholic Beverage Control

<http://www.abc.ca.gov>

3321 Power Inn Road, Suite 230
Sacramento, CA 95826
Phone: (916) 227-2002

Counties served by this office: Alpine, Amador, El Dorado, Placer, Sacramento, Yolo

Employment Development Department

<http://www.edd.ca.gov>

240 W 7th Street,
Chico, CA 95928
Phone: (530) 895-4006
Fax: (530) 895-4404

Counties Served by this office: Alpine , Amador , Butte, Colusa, Del Norte , El Dorado, Glenn, Humboldt, Lake, Lassen, Mendocino, Modoc, Napa , Nevada, Placer, Plumas, Sacramento , Shasta, Sierra, Siskiyou, Sutter, Tehama , Trinity , Yolo, Yuba

State Board of Equalization

<http://www.boe.ca.gov>

3321 Power Inn Road, Suite 210
Sacramento, CA 95826
Phone: (916) 227-6700
Fax: (916) 227-6660

Accounts starting with "K.H" served at this office

Sacramento County Tax Collector

<http://www.finance.saccounty.net/tax/Pages/default.aspx>

Unsecured Personal Property Tax Division
700 H Street, Suite 2720
Sacramento, CA 95814
Phone: (916) 874-7833
Fax: (916) 874-8909

Sacramento County Business License Unit/Fictitious Business Name Statement

<http://www.finance.saccounty.net/Pages/default.aspx>

700 H Street

Sacramento, CA 95814

Phone: (916) 874-6644

Sacramento County Central Information - Phone: (916) 875-5000

Sacramento Business License General Information

Sacramento County

Information copied from:

<http://www.finance.saccounty.net/Tax/Pages/BusLicGeneral.aspx>

Sacramento County issues business licenses to regulate businesses operating in the unincorporated area of the County (the areas of the County not within city limits) to promote improved enforcement of ordinances that protect the public and prevent nuisances and neighborhood disturbances. The license is not a business tax and is not based on business revenue.

There are two different types of business license:

General Business Licenses are issued to businesses in the unincorporated area based on a review of the business activities at a specific location (street address) and the land use zoning of the property. All businesses based in the unincorporated area require a General Business License except for the following, which are EXEMPT:

Financial Institutions - banks, savings and loans, and credit unions as defined by the Business and Professions Code, except that check-cashing businesses do require a General Business License.

Residential Facilities - apartments, rooming houses, duplexes and other facilities for long-term stays (over 30 days), residential care homes for adults or children and family day care.

Churches - to the extent the facilities are used for religious purposes or restricted to members of the congregation. A General Business License is required for a church-run or church-located school or child care facility or thrift store, etc.

Libraries - public and private.

Agriculture - includes growing of crops or raising livestock, except that a General Business License is required for any enterprise that combines product from multiple farms, wholesale, etc.

Special Business Licenses are required for individuals performing certain types of business activities within the unincorporated area of Sacramento even if the business is based within a City or outside the County. The Sheriff's Department issues special Business Licenses after a background review. In addition to Special Business Licenses, employees who engage in certain activities will require an **Employee Permit**.

Tobacco Retailer Licenses are required for businesses in the unincorporated area that sell any tobacco products and/or tobacco paraphernalia. This license is required **in addition** to other County business licenses, and is **in addition** to the State of California tobacco retailer registration.

The purpose of the program is to encourage responsible tobacco retailing and to discourage violations of tobacco-related laws, especially those that prohibit or discourage the sale or distribution of tobacco products to minors.

Some businesses will require either a General Business License or Special Business License; other will require both. Please read the Frequently Asked Questions (FAQs) section of this website and, if you have additional questions, contact the Business License Unit at (916) 874-6644 to determine individual license requirements.

Operating a business without the required Sacramento County Business License(s) is a misdemeanor, which is punishable by a fine of up to \$500.00 and six (6) months in jail.

Business license application – Sacramento County

This link will connect you to a web page to start your Business license application - <http://www.finance.saccounty.net/Tax/Pages/OBLA.aspx>

Fictitious Business Name application – Sacramento County

This link will connect you to a web page to start your Fictitious Business Name application - <http://www.finance.saccounty.net/Tax/Pages/BusLicForms.aspx>

Placer County

Dept. of Alcoholic Beverage Control

<http://www.abc.ca.gov>

3321 Power Inn Road, Suite 230
Sacramento, CA 95826
Phone: (916) 227-2002

Counties served by this office: Alpine, Amador, El Dorado, Placer, Sacramento, Yolo

Employment Development Department

<http://www.edd.ca.gov>

240 W 7th Street,
Chico, CA 95928
Phone: (530) 895-4006
Fax: (530) 895-4404

Counties Served by this office: Alpine , Amador , Butte, Colusa, Del Norte , El Dorado, Glenn, Humboldt, Lake, Lassen, Mendocino, Modoc, Napa , Nevada, Placer, Plumas, Sacramento , Shasta, Sierra, Siskiyou, Sutter, Tehama , Trinity , Yolo, Yuba

State Board of Equalization

<http://www.boe.ca.gov>

3321 Power Inn Road, Suite 210
Sacramento, CA 95826
Phone: (916) 227-6700
Fax: (916) 227-6660

Accounts starting with "K.H" served at this office

Placer County Tax Collector

<http://www.placer.ca.gov/Departments/Tax>

Unsecured Tax Division
2976 Richardson Drive
Auburn, CA 95603
Phone: (530) 889-4120

Placer County Recorder-Fictitious Business Name Statement

2954 Richardson Drive
Auburn, CA 95604
Phone: (916) 886-5600

Placer County Central Information - Phone: (530) 889-4030

Business License Application – Placer County

<http://www.placer.ca.gov/departments/tax/license>

Placer County Business Licenses General Information

Placer County

Information copied from:

<http://www.placer.ca.gov/departments/tax/license>

If you have any questions regarding Business Licenses, please call (530) 889-4120.

Requirement:

Any resident or non-resident doing business, in the unincorporated areas of Placer County, is required to obtain a business license. It shall be unlawful for any person to engage in any business in the unincorporated areas of the County without first having a business license. (Ordinance 101, Chapter 5, Section 5.12)*

* If you are only conducting business within the city limits of Auburn, Colfax, Lincoln, Loomis, Rocklin or Roseville, you do not need a Placer County business license. You will need to contact the city where you are located, to check on the business license requirements. There are also unincorporated areas of Auburn, Colfax, Lincoln, Loomis, Rocklin and Roseville. If you are unsure if you are located in the city or unincorporated area, please contact the Placer County Business License office on (530) 889-4120.

Exemptions:

Any person who receives a salary from an employer and has taxes taken from that salary is exempt as are agricultural operations for stock or poultry farms.

Types of Business Licenses:

Three Categories:

1. A business operating in a commercial location in Placer County requires a General Business license. (\$127 annual fee, \$16 renewal)
2. Any home-based business requires a General Business license. (\$107 annual fee, \$16 renewal)
3. A business that requires additional regulation and review by the County Sheriff's Department, certification of compliance by other county departments, and/or state and federal regulation not typically required of a General Business License requires a Special Business License. (\$107 annual fee, \$16 renewal - Home based) or (\$127 annual fee, \$16 renewal - Commercial)

Nonrefundable Fee:

The fee is not refundable and must be paid at the time of application submittal. Prior discussion regarding a new business with the appropriate departments is

recommended. Depending on the type of business proposed, it may be advisable to contact the Planning Department, Building Department, Department of Public Works and/or Department of Environmental Health.

Veterans and Non-Profit:

There is no fee for veterans or non-profit organizations. We do, however, require submission of a DD Form 214, showing your character of service as Honorable, for veterans and tax exempt forms from the Secretary of State for non-profit organizations. Please submit these forms with your license application and questionnaire.

Where Do Apply?

Application forms are available at the Tax Collector's Office at 2976 Richardson Drive, 2nd Floor, in Auburn. The telephone number is (530) 889-4120. The Tax Collector will accept the application and process it. It will, at a minimum, be sent to various County departments for review and approval. The Tax Collector will notify the business owner when the process is complete.

Forms:

Business license application form

If you would like to view and/or print a copy of the Business License Application Form, click on this link:

<http://www.placer.ca.gov/~media/tax/documents/Business%20License%20Documents/app.pdf>

Home-based business or commercial questionnaire

You will also need to fill out either the home-based business or commercial questionnaire.

If you would like to view and/or print a copy of the Home-based business questionnaire, click on this link:

http://www.placer.ca.gov/~media/tax/documents/Business%20License%20Documents/Home_Business_Questionnaire_Online%20%20pdf.pdf

If you would like to view and/or print a copy of the Commercial questionnaire, click on this link:

http://www.placer.ca.gov/~media/tax/documents/Business%20License%20Documents/Commercial_Business_Questionnaire_Online%20%20pdf.pdf

El Dorado County Agency Contact Information

Dept. of Alcoholic Beverage Control

<http://www.abc.ca.gov>

3321 Power Inn Road, Suite 230
Sacramento, CA 95826
Phone: (916) 227-2002

Counties served by this office: Alpine, Amador, El Dorado, Placer, Sacramento, Yolo

Employment Development Department

<http://www.edd.ca.gov>

240 W 7th Street,
Chico, CA 95928
Phone: (530) 895-4006
Fax: (530) 895-4404

Counties Served by this office: Alpine , Amador , Butte, Colusa, Del Norte , El Dorado, Glenn, Humboldt, Lake, Lassen, Mendocino, Modoc, Napa , Nevada, Placer, Plumas, Sacramento , Shasta, Sierra, Siskiyou, Sutter, Tehama , Trinity , Yolo, Yuba

State Board of Equalization

<http://www.boe.ca.gov>

3321 Power Inn Road, Suite 210
Sacramento, CA 95826
Phone: (916) 227-6700
Fax: (916) 227-6660

Accounts starting with "K.H" served at this office
Accounts starting with "KH" served at this office

El Dorado Co. Tax Collector/Business Licenses filed at this location

<https://www.edcgov.us/TaxCollector/>

Unsecured Personal Property Tax Division
360 Fair Lane
Placerville, CA 95667
Phone: (530) 621-5800
Fax: (530) 642-8870

El Dorado County. Recorder/Clerk

Fictitious Business Name Statements filed at this location

<https://www.edcgov.us/CountyClerk/>

360 Fair Lane

Placerville, CA 95667

Phone: (530) 621-5800

Fax: (530) 642-8870

El Dorado County Central Information

Phone: (530) 621-5567

El Dorado County General Business License Information

El Dorado County

Information from:

<https://www.edcgov.us/TaxCollector>

Who is required to have an El Dorado County Business License?

It is unlawful for any person to transact any kind of business in the unincorporated territory of the County without possessing an unexpired and unrevoked county business license unless the business is exempt from the license requirements.

Annual Business License Renewal

Business licenses must be renewed annually. A renewal notice will be mailed to you in the month prior to your renewal date.

Fees

The general business license fee is \$32.00 annually. Special fees of \$130.00 are for secondhand dealers and pawnbrokers, fortunetelling, and carnivals. There is a special fee of \$15.00 for Christmas tree lots.

Contractors

A State Contractor's License is required. The name on the business license application must match exactly the name on the State Contractor's License. This information will be verified by Tax Collector personnel.

Exemptions

The following businesses are exempt:

A: Agriculture. Includes the sale of agricultural products upon the premises where produced.

B: Employment. A person who works for another at an agreed rate of compensation.

C: Insurance, farmers, charities, religious, fraternal, service and nonprofit organizations.

Multiple businesses

A separate license and application is required for each physical business location. Only one license is required if a combination of two or more kinds of businesses are operated at the same fixed place of business by the same person. A separate business license is required for each individual engaged in any itinerant business even though any two or more of the individuals are employed by the same person or are associated together in the same business.

Firearms license

Applications to sell firearms must be accompanied by copies of all of the following: a) valid Federal firearms license, b) valid California seller's permit, and c) certificate of eligibility from the Department of Justice.

NOTE 1: The approved application is not a license to conduct business activities. Once issued, the business license must be exhibited in a conspicuous place. Each solicitor must have an individual license in his/her possession at all times.

NOTE 2: Businesses located in the City of Placerville (Phone: (530) 642-5223) and/or the City of South Lake Tahoe (Phone: (530) 542- 6012) are required to obtain a separate business license for those jurisdictions, and are not required to obtain a County license.

Steps Necessary for a Business License

To avoid delays in the issuance of your business license, please follow the APPLICATION STEPS below. Please note: Steps 3 through 6 require various departments to sign off in the appropriate boxes on the application before it is returned to the Tax Collector's office for processing and final issuance of the license.

Step 1

Tax Collectors office – (530) 621-5800 (Placerville) or (530) 573-3011 (South Lake Tahoe.)

1. To apply for a business license you have two options.
 - a. Your first choice is to apply for the Business License online. To do this, start by clicking on this link:
<http://www2.edcgov.us/BusinessLicense/pages/welcome.aspx>
 - b. Your second choice is to obtain a business license application package from the following web page -
https://www.edcgov.us/Government/TaxCollector/Business_License_Steps_Necessary_for_a_Business_License.aspx

Complete the requested name and ownership information. Note: Steps 3 through 7 below, if applicable, require the applicant to go to the department in person.

Step 2

Assessor's Office – (530) 621-5719 (Placerville) or (530) 573-3422 (So. Lake Tahoe)

Contact the Assessor's office for your assessor's parcel number (APN) for the business property address.

Write the APN on your application in the space provided.

Step 3

PLANNING & BUILDING DEPARTMENTS - (530) 621-5355 (Placerville) or (530) 573-3448 (So. Lake Tahoe)

All business license applications for businesses located in El Dorado County must be signed off by the Planning and Building Department. Please note: The Placerville office hours are 8:00 a.m. to 4:30 p.m., and So. Lake Tahoe office hours are 8:00 a.m. to 12:00 noon and 1:00 p.m. to 4:00 p.m. Appointments are available in the Placerville office.

Step 4

ENVIRONMENTAL HEALTH DEPARTMENT - (530) 621-5300 (Placerville) or (530) 573- 3450 (So. Lake Tahoe)

The following businesses require Environmental Health Department sign-off and may require a separate Environmental Health permit:

- Restaurants and other businesses handling food (including prepackaged foods)
- Businesses installing, pumping or repairing septic tanks
- Businesses using or storing paint and/or other chemicals

Step 5

FIRE DEPARTMENT

Businesses operating in a commercial or industrial zone require local fire department approval. Call your local fire department to determine which fire station should sign off your application.

Step 6

SHERIFF'S DEPARTMENT - (530) 621-5655 (Placerville) or (530) 573- 3000 (So. Lake Tahoe)
Required for itinerant businesses and other Special Business Licenses only. [Click here](#) for further information on Special Businesses.

Step 7

RECORDER'S OFFICE - (530) 621-5490 (Placerville) or (530) 573-3408 (So. Lake Tahoe)
If you do not use your last name in the name of your business, you must file for a fictitious business name.

Step 8

TAX COLLECTOR'S OFFICE

Return your completed business license application with \$33.00 (or the appropriate amount for special licenses) to the Tax Collector's office.

Make checks payable to:

C. L. Raffety, CPA

Treasurer/Tax Collector

360 Fair Lane

Placerville, CA 95667-4197

When the completed application and the appropriate fee are received, your business license will be sent to the mailing address on the application within 7 working days.

Yolo County Agency Contact Information

Dept. of Alcoholic Beverage Control

<http://www.abc.ca.gov>

3321 Power Inn Road, Suite 230
Sacramento, CA 95826
Phone: (916) 227-2002

Counties served by this office: Alpine, Amador, El Dorado, Placer, Sacramento, Yolo

Employment Development Department

<http://www.edd.ca.gov>

240 W 7th Street,
Chico, CA 95928
Phone: (530) 895-4006
Fax: (530) 895-4404

Counties Served by this office: Alpine , Amador , Butte, Colusa, Del Norte , El Dorado, Glenn, Humboldt, Lake, Lassen, Mendocino, Modoc, Napa , Nevada, Placer, Plumas, Sacramento , Shasta, Sierra, Siskiyou, Sutter, Tehama , Trinity , Yolo, Yuba

State Board of Equalization

<http://www.boe.ca.gov>

3321 Power Inn Road, Suite 210
Sacramento, CA 95826
Phone: (916) 227-6700
Fax: (916) 227-6660

Accounts starting with "K.H" served at this office

Yolo County Tax Collector

www.yolocounty.org

Go to Department list - Treasurer/Tax Collector
Unsecured Personal Property Tax
625 court Street, Room 102
Woodland, CA 95695
Phone: (530) 666-8625

Yolo County Recorder/Clerk-Fictitious Name Statement

www.yolocounty.org

Go to Department list - Clerk/Recorder
625 Court Street, Room 105
Woodland, CA 95695

Phone: (530) 666-8130

Yolo County Central Information - Phone: (530) 666 8195

Yolo County General Business License Information

Information copied from: <http://www.yolocounty.org/general-government/general-government-departments/county-administrator/county-administrator-divisions/economic-development>

As the County's designated business advocate, the Economic Development Division is working to make Yolo County a place all our businesses thrive -- farms, processors & manufacturers, technology companies, services, merchants, and tourist operators.

Services to Business

- Permit information and assistance;
- Permit expediting and problem-solving;
- Site location assistance for your business expansion, relocation or start-up;
- Help with financing for small business, manufacturing, or infrastructure;
- One-window services for interagency coordination on large projects;
- Revolving Loan Fund programs through CDBG.
- Business success tools and a vast library of business information
- The Economic Development Division has compiled a list of local resources that provide further assistance to small businesses - Small Business Guide

Services for Homeownership and Community Infrastructure:

- Public Infrastructure financing through Community Development Block Grants (CDBG);
- First Time Homebuyer Loan program;
- Housing Rehabilitation Loan program;

Our Business-Friendly Pledge

Private investment -- not government -- creates wealth in our county. We commit to helping our businesses and citizens thrive whenever and wherever we can.

Yolo County is also committed to balanced, sustainable, quality growth while providing economic opportunity and a high quality of life for our citizens. Agricultural viability is at the top of our industry priority list, which also includes food processing, tourism, biotechnology, highway commercial development, and general manufacturing.

Yolo County Economic Development Strategy

The Yolo County Economic Development Strategy, consistent with the Yolo County General Plan, is our prioritized action plan for a thriving business community. The strategy focuses on 13 key Economic Development initiatives in four areas -- the Yolo County business climate, key industries in Yolo county, overall Community Development within our cities and unincorporated communities, and Direct Business Assistance.

Comprehensive Economic Development Strategy 2009

Yolo County and its four cities together created the Comprehensive Economic Development Strategy (CEDS) in 2009. This document identifies our combined economic development priorities, projects, and goals, and helps all of us work closely together to support workforce development, business climate improvement, technology, downtown revitalization, tourism and other priorities.

If you have any questions, feel free to contact 530-666-8150

All businesses are required to be licensed

To apply for a business license go to:

<http://www.yolocounty.org/business/business-licenses>

"Business" means any trade, manufacturer, profession, occupation or service of all and every kind, whether or not carried on for profit or for charitable, philanthropic, or other purposes, including the arrangement of business transactions, holding of sales or training meetings and administrative conferences, the receipt of customer or client payments and the keeping of records and accounts pertaining to a business.

"Business does not mean:

1. Apartments, rooming houses, duplexes or other residential facilities in which living units are rented or leased for a term of 30 days or longer.
2. Churches to the extent that the use is for worship, religious education, or social affairs primarily for members of the religious group (this exception does not extend to other activities not undertaken primarily for members of the religious group such as day schools and social services programs).
3. Offices, stores, or other facilities maintained without paid employees by a nonprofit public benefit corporation.
4. Persons who furnish vending machines located on the premises of a person holding a valid business license.

Agricultural exemptions for products sold by producers: No license is required for a business undertaken by an agricultural producer in the production of products of cultivation of the soil and its fruits and raising and harvesting crops or products or the rearing, feeding, and management of livestock, or for any business extending service to an agricultural producer which service is normally accomplished by the producer in the production of agricultural products.

Each business meeting the requirements of the Codes is issued a business license. The business license is for the location and owners specified on the application. Additional locations, new locations, new owners, changes in ownership or changes in the business are likely to require new or additional license(s).

For a Business located in the Unincorporated Areas of Yolo County or a Business which occupies any portion of your home, you must obtain zoning clearances or other permits that may be required.

Under some circumstances, a new or renewal license may be issued to a business when inspections have not been made by the various officers who identify deficiencies or violations of laws to be enforced. These circumstances are the result of the time periods set to promote the quick processing of your business license application and reduce delays to the waiting business person. For these reasons, a license may be issued to a business which has violations of the laws sought to be enforced by the business license. Neither the issuance nor receipt of the license shall constitute evidence of compliance with the laws nor is it a representation that the enterprise for which the license is issued complies with such laws. (§ 12.1.507§)

Licenses, Permits, or Certificates issued by the County Agencies for Uses, Buildings, or Purposes not meeting zoning requirements or without zoning clearance are null and void.

Going into business?

To assist people interested in doing business in the Unincorporated Areas of Yolo County, we are happy to provide you with the necessary information, listed below. The list is not all inclusive. You may be required to meet requirements of agencies that are not listed.

If any Business, Corporation, Firm or Person intends to erect, construct, enlarge, alter, repair, move, improve, remove, convert or demolish any building or structure, please contact:

Yolo County Building Division

292 West Beamer Street
Woodland, CA 95695
(530) 666-8775

More Information Available From:

Small Business Resource Center
3054 Fite Circle Ste.
160 Sacramento, CA 95827
(916) 361-8181

A Free Booklet

"Doing Business in California"
Commission for Economic Development
700 H Street
Sacramento, CA
(916) 874-5220

Information regarding Incorporating or Corporation Requirements:

Secretary of State Corporate Filing Division
1230 J Street, Room 100,
Sacramento, CA 95814
(916) 445-0620

"Fictitious Name"

Yolo County Recorder Office
625 Court Street
Woodland, CA 95695
(530) 666-8130

State Sellers Permit Number

The State Board of Equalization
9823 Winery Place, Suite 1
Sacramento, Ca 95827
(916) 255-3350

Federal Employer Identification Number

Walk-in to pick up Tax Kit and Info:
Business Tax Kit, YBTK (IRS)
1912 I Street
Sacramento, CA 95814
(800) 852-5711

State Employer Identification Number

Employment Development Department
Employment Tax Customer Service
3321 Power Inn Road, Suite 220,
Sacramento, CA 95826
(888) 745-3886 or (916) 464-3502

Forms and a lobby telephone to the Sacramento Office are available in the lobby of this office:

1204 "E" Street
Marysville, CA 95901

Worker's Compensation Insurance (Contractors)

This may be obtained from a Private Insurance Agency or from a State Plan. (916) 924-5109

State Contractor License Number (Contractors)

State Contractor Licensing Board
9835 Goethe Road or 3132 Bradshaw Road
Sacramento, CA
(916) 782-1610 or (916) 255-3900

Some Specialty Service Fields and Professions must register or be licensed by the State Department of Consumers Affairs. They include but are not limited to: Automotive Dealers, Repair Service and Wreckers, Cosmetologists, Barbers, and Appliance and other Resource Services.

Contact for additional Information:

State Department of Consumer Affairs
400 R Street
Sacramento, CA 95814
(800) 344-9940

For a license to sell Alcoholic Beverages you must appear in person at:

State of California
Department of Alcoholic Beverage Control
1111 Howe Ave, Suite 505
Sacramento, CA (916) 263-3575

Businesses producing or Selling Beverages, Tobacco, or Firearms, a Federal Tax Stamp Permit is required.

Bureau of Alcoholic, Tobacco, and Firearms

ATF Area Office
ATF Regional Office
Western Region - Compliance 221 Main St, 11th Floor
San Francisco, CA 941 05
(415) 744-7011

Bureau of Alcohol, Tobacco and Firearms Office - Compliance

801 K St, Suite 921
Sacramento, CA 95814
(916) 498-5095

Business Handling or Selling Food of any type, Please Contact:

Yolo County Environmental Health Agency 20 Cottonwood Street
Woodland, CA 95695
(530) 666-8646

Yuba County Agency Contact information

Dept. of Alcoholic Beverage Control

<http://www.abc.ca.gov>

1139 Civic Center Blvd.,
Suite F Yuba City, CA 95993
Phone: (530) 751-8570

Employment Development Department

<http://www.edd.ca.gov>

240 W 7th Street,
Chico, CA 95928
Phone: (530) 895-4006
Fax: (530) 895-4404

Counties Served by this office: Alpine , Amador , Butte, Colusa, Del Norte , El Dorado,
Glenn, Humboldt, Lake, Lassen, Mendocino, Modoc, Napa , Nevada, Placer, Plumas,
Sacramento , Shasta, Sierra, Siskiyou, Sutter, Tehama , Trinity , Yolo, Yuba

State Board of Equalization

<http://www.boe.ca.gov>

3321 Power Inn Road, Suite 210
Sacramento, CA 95826
Phone: (916) 227-6700
Fax: (916) 227-6660

Accounts starting with "K.H" served at this office

Yuba County Tax Collector

www.co.yuba.ca.us/treasurer

Unsecured Personal Property Tax Division
915 8th Street, Suite 103
Marysville, CA 95901
Phone: (530) 749-7840
Fax: (530) 749-7844

Yuba County Recorder/Clerk-Fictitious Business Name Statement

<http://www.co.yuba.ca.us/departments/Clerk/fbn.aspx>

915 8th Street, Suite 107
Marysville, CA 95901
Phone: (530) 749-7850
Fax: (530) 749-7854

Yuba County Central Information - Phone: (530) 741-6211

Yuba City Fictitious Business Names/Business Licenses

Yuba County

You need to contact the County clerk for the forms and procedures this is all the information provided on the website.

Information copied for:

<http://www.co.yuba.ca.us/departments/Clerk/fbn.aspx>

County Clerk
Terry A. Hansen, County Clerk
915 8th St. Suite 107,
Marysville, CA 95901
Phone: (530) 749-7850
Fax: (530) 749-7854

Who is required to file

Every person who regularly transacts business in this state for profit under a fictitious business name must file. Nonprofit corporations or associations or charitable organizations do not need to file.

Corporations do not file unless doing business under a name other than the corporate name.

Fictitious Business Name vs Business License

- A Fictitious Business Name Statement is filed with the County Clerk
- Business Licenses are administered by:
 - Yuba County Tax Collector - for businesses located in the unincorporated area of the County
 - Marysville City Clerk - for businesses located in the incorporated area of the City of Marysville
 - Wheatland City Clerk - for businesses located in the incorporated area of the City of Wheatland.

Filing a Fictitious Business Name Statement

- Be certain the information in the statement is correct and complete before filing it. You cannot make changes to the statement once it has been filed. Any changes would require the filing of a new statement, payment of the filing fees again, and publication.

- Filing a fictitious business name statement does NOT reserve the name for your exclusive use. The filing is for consumer protection and a requirement under Business & Professions Code Section 17900.
 - The County Clerk's Office cannot refuse to file a fictitious business name statement because the name is already being used by someone else.
 - If there is a conflict between business owners using the same or similar names, it becomes a legal matter between the business owners.
- Your residence address (where you live) must be listed under the registrant information. If the registrant is a corporation, the State of Incorporation must be listed.
- All information contained in the statement is a public record, including your residence address. Anyone can purchase copies of the statement.
- All original filings as well as new filings with a change in the facts from the previous filing must be published. The statement must be published in the Appeal Democrat, once per week for four consecutive weeks. The first publication must begin within thirty days of the date the statement was filed in the County Clerk's Office.
- The statement is valid for five years from the date it is filed, unless there is a change in any information (except the registered owners address). A change requires a new statement be filed within 40 days of the change. The new statement must also be published.
- Fee: \$30 for the first business name and registrant; \$5 for each additional business name or registrant.
- Forms can be obtained in the County Clerk's Office

Sutter County Agency Contact Information

Dept. of Alcoholic Beverage Control

<http://www.abc.ca.gov>

1139 Civic Center Blvd.,
Suite F Yuba City, CA 95993
Phone: (530) 751-8570

Employment Development Department

<http://www.edd.ca.gov>

240 W 7th Street,
Chico, CA 95928
Phone: (530) 895-4006
Fax: (530) 895-4404

Counties Served by this office: Alpine , Amador , Butte, Colusa, Del Norte , El Dorado,
Glenn, Humboldt, Lake, Lassen, Mendocino, Modoc, Napa , Nevada, Placer, Plumas,
Sacramento , Shasta, Sierra, Siskiyou, Sutter, Tehama , Trinity , Yolo, Yuba

State Board of Equalization

<http://www.boe.ca.gov>

3321 Power Inn Road, Suite 210
Sacramento, CA 95826
Phone: (916) 227-6700
Fax: (916) 227-6660

Accounts starting with "K.H" served at this office

Sutter County Tax Collector

<http://www.co.sutter.ca.us/doc/government/depts/ttc/ttchome>

Unsecured Personal Property Tax Division
463 2nd Street
Yuba City, CA 95992
Phone: (530) 822-7117

Sutter County Recorder/Clerk-Fictitious Name Statement

http://www.co.sutter.ca.us/doc/government/depts/cr/cr_fictitious

433 2nd Street
Yuba City, CA 95991
Phone: (530) 822-7134

Sutter County Central Information - Phone: (530) 822-7106

Sutter Co. Information

Information copied from:

<http://www.co.sutter.ca.us>

For information pertaining to Business Licenses, you will need to contact the County Clerk direct. They have no information on their website in regards to a Business License.

Fictitious Business Name Statements

The purpose of filing a fictitious business name statement is to make available to the public and creditors the identities of people doing business for profit in the State of California.

Fictitious Business Name Statement Forms are available from, and filed at, the Clerk-Recorder's Office. People starting new business in the county may wish to search the business names on file when considering their business name.

The requirements of filing a fictitious business name statement are outlined in Sections 17900-17930 of the Business and Professions Code. The following is general information on Fictitious Business Name Statements.

Please consult with the Business and Professions Code for more in-depth information.

Who needs to file a Fictitious Business Name Statement?

Every person doing business for profit under a fictitious business name must file a fictitious business name statement within 40 days of commencement of business. [B&P 17910]. The fictitious business name statement is valid for five years from the date of filing unless it is abandoned or there is a change in the facts (except a change in a registrant's residence address does not cause the statement to expire if that is the only change). [B&P 17920]

1. Individual: When the registrant's surname (last / family name) is not part of the business name and no other words suggest the existence of additional owners.
2. Partnerships or other associations of persons: When the surnames of each general partner are not part of the business name and no other words suggest the existence of additional owners.
3. Corporations: When using a name other than the name registered with the Secretary of State corporate filing division.
4. Limited Liability Company: When using a name other than the name registered as a limited liability company with the Secretary of State.

5. Words that suggest the existence of additional owners: Company, & Company, & Associates, & Sons, & Group, etc.

Where to file a Fictitious Business Name Statement?

The fictitious business name statement shall be filed with the Clerk of the County in which the registrant has his principal place of business in this state, or if he has no place of business in the state, with the Clerk of Sacramento County. [B&P 17915]

What are the Publication Requirements?

Within thirty days from the date of filing, the registrant shall start publishing the statement in a newspaper of general circulation in the county in which the principal place of business is located, once a week for four successive weeks. Within 30 days of the completion of the publication an affidavit shall be filed with the Sutter County Clerk. A renewal statement need not be republished if there is no change from the previous application.

When does the Fictitious Name Statement expire?

The Fictitious Name Statement expires five years from the date of filing, 40 days after any change in fact (except change of address of individual , general partner or trustee), or upon abandonment of name.

What to do when person ceases doing business?

A person, upon ceasing to transact business in this state under a fictitious name, may file a statement of abandonment with the county clerk and publish the same statement in the local newspaper. The newspaper will file an affidavit with the county clerk that the statement of abandonment has been published.

What to do when a partner leaves the business?

A partner, who is leaving a business, may file a statement of withdrawal with the county clerk. Publication is not required if dissolution of the partnership has been published pursuant to the Corporation Code. If published, an affidavit shall be filed with the clerk.

What are the fees for filing Fictitious Business Name Statements?

The fee for filing a Fictitious Business Name Statement is \$30.00 for the first name including own owner on the statement, \$5.00 for each additional business name and / or owner on the same statement at the same location. Abandonment or Withdrawal of a Fictitious Name is \$30.00 per business name or owner, and \$5.00 for each additional business name or owner on the same statement. The filing fee includes one certified copy. Additional certified copies are \$2.50. Make checks payable to the Sutter County Clerk. Publication fee will vary with newspaper.

State Board of Equalization Contact Information:

State Board of Equalization
Attn: Escrow Clearance Dept.
3321 Power Inn Road, Suite 210
Sacramento, CA 95826

Phone: 916 227 6700

Fax: 916 227 1883

www.boe.ca.gov

Accounts starting in KH served at this office

Sacramento, Placer, Yuba, Sutter, El Dorado, Nevada, Yolo and surrounding counties

Registration with State Board of Equalization - copied from www.boe.ca.gov

The Board of Equalization wants to make doing business in California as easy as possible. You can register for a permit in person at one of our field offices or by mail.

- Sales and Use Tax
- Special Taxes Programs Registration

Sales and Use Tax Registration

You must obtain a seller's permit if you:

- Are engaged in business in California
- Intend to sell or lease tangible personal property that would ordinarily be subject to sales tax if sold at retail
- Will make sales for a temporary period, normally lasting no longer than 30 days at one or more locations (e.g. fireworks booth, Christmas tree lots , garage sale)

The requirement to obtain a seller's permit applies to:

- Individuals
- Partnerships
- Corporations
- Organizations
- Husband/Wife Co-ownership
- LLP's
- LLC's

Both wholesalers and retailers must apply for a seller's permit.

Register in Person

You may register for a seller's permit in person at one of our field offices. Permits can usually be issued the same day and help in completing the application is available. Special information packets with the appropriate registration application for specific businesses are available.

Register by Mail

You can get an application for a seller's permit mailed to you by calling 800-400- 7115. If you are calling from outside of the 48 contiguous states, please call 916- 445-6362.

Representatives are available to assist you with permit questions Monday through Friday (except State holidays) from 8:00 A.M. to 5:00 P.M. A registration packet will be mailed to you within 24 hours. You will generally receive your permit approximately two weeks after we have received your completed application.

Incomplete applications may delay the process.

From TDD phones: 800-735-2929

From voice phones: 800-735-2922 Applications Available On-Line

BOE 400 SPA, Seller's Permit Application is available for printing from this web site. The completed application can be delivered in person or mailed to any of our field offices.

Persons or businesses that regularly incur use tax liabilities but are not engaged in a business requiring a seller's permit can arrange to receive Consumer Use Tax returns. Application for a Consumer Use Tax Account - BOE-400-CSU.

Persons or businesses that do not maintain a place of business within the state but voluntarily or by law collect tax on sales into California or businesses with sales personnel with no fixed business address can apply for a Certificate of Registration - Use Tax - **BOE-400-CSC**.

Additional information is available on the tax rules for specific business, types of sales, or charges associated with sales for a number of businesses. The regulations relating to sales and use tax are also available.

FAQ's if you think you need to apply for a permit

More information available from - <http://www.boe.ca.gov/sutax/faqseller.htm>

California Seller's Permit Application form

<https://efile.boe.ca.gov/ereg/index.boe>

Employment Development Department Contact Information:

Employment Development Department
Attn: Escrow Clearance Dept.
240 W. 7th Street Chico, CA 95928
Phone: 530 895 4081
Fax: 530 895 4404

www.edd.ca.gov

Counties served:

Alpine, Amador, Butte, Colusa, Del Norte, El Dorado, Glenn, Humboldt, Lake, Lassen, Mendocino, Modoc, Napa, Nevada, Placer, Plumas, Sacramento, Shasta, Sierra, Siskiyou, Sutter, Tehama, Trinity, Yolo and Yuba

Employment Tax

Changes to Your Business -

http://www.edd.ca.gov/payroll_taxes/Closing_Your_Business.htm

- Closing Your Business
- If You No Longer Have Employees
- Name, Address, and Ownership Changes
- Purchasing a Business With Employees
- Selling Your Business

The forms and publications listed in the sections below may be downloaded or ordered on EDD Website.

Name, Address, and Ownership Changes

- http://www.edd.ca.gov/payroll_taxes/Changes_to_My_Business.htm#NameAddressandOwnershipChanges

You must report any change in your business status (for example: business name or address change, incorporation of your business, and addition of a partner) to EDD. Complete and send any one of the following forms to EDD:

- Registration Form (DE 1)
- Notification of Change of Employer Account Information (DE 24)
- Change of Address/Address Correction and Final Report Form (in your DE 88 coupon booklet)

Employment Development Department
Account Services Group, MIC 28
PO Box 826880
Sacramento CA 94280-0001

Fax: (916) 654-9211

When the type of ownership changes but one or more owners of the business remain, the new entity keeps the same account number and continues to make deposits and file reports as though nothing changed. Although a new account number is not required for most ownership changes, you still need to notify EDD of any change. For additional information on whether a new account number is necessary, contact the Account Services Group at the above address or call (916) 654-7041.

The EDD actively pursues and prosecutes employers who participate in SUTA dumping and UI rate manipulation.

Note: If you pay your taxes by electronic funds transfer (EFT) and you receive a new EDD employer account number or you will no longer submit EFT payments, please notify the EFT Unit:

Employment Development Department
EFT Unit, MIC 15
PO Box 826880
Sacramento CA 94280-0001

Fax: (916) 654-7441

If You No Longer Have Employees

- http://www.edd.ca.gov/payroll_taxes/Changes_to_My_Business.htm#IfYouNoLongerHaveEmployees

Business: If you will not be reporting wages in any future quarter (even if you are not closing your business), you must send EDD a final:

- Payroll Tax Deposit (DE 88) coupon with payment,
- Quarterly Wage and Withholding Report (DE 6), and
- Annual Reconciliation Statement (DE 7).

Be sure to check Box D "Out of Business/Final Report" on the DE 6 and Box B "Out of Business/Final Statement" on the DE 7.

If you no longer have employees because you are using a temporary services or employee leasing agency, please see our Information Sheet: Temporary Services and Employee Leasing Industries (DE 231F) or call our Taxpayer Assistance Center at 1-888-745-3886 to determine if this change in employee status is valid.

Household Employers: If you pay state payroll taxes quarterly, follow the business instructions above. If you pay state payroll taxes annually, you must send EDD a final:

- Quarterly Report of Wages and Withholdings for Employers of Household Workers (DE 3BHW)

- Annual Payroll Tax Return for Employer of Household Workers (DE3HW) with payment. Be sure to check the "Final Return" box.

Selling Your Business

- http://www.edd.ca.gov/payroll_taxes/Changes_to_My_Business.htm#SellingYourBusiness

You must send final forms and payment to EDD within 10 days of quitting your business, regardless of the normal due date. The final forms due are:

- Payroll Tax Deposit (DE 88) coupon and payment for any state payroll taxes due.
- Quarterly Wage and Withholding Report (DE 6).
- Annual Reconciliation Statement (DE 7).

Be sure to check Box D "Out of Business/Final Report" on the DE 6 and Box B "Out of Business/Final Statement" on the DE 7.

The buyer should ask you for a Certificate of Release of Buyer (DE 2220). See our Requirements for Obtaining Certificate of Release of Buyer When a Business Is Sold (DE 3409A), and complete a Release of Buyer Request Form (DE 2220R) to receive the DE 2220. Until the DE 2220 is issued, the buyer must hold in escrow an amount sufficient to cover all amounts that you owe to EDD, up to the purchase price of the business. The DE 2220 will be issued to you after you pay EDD in full. Payment must be made by cash, cashier's check, money order, or escrow check.

The buyer may ask EDD to transfer your business's reserve account to the new ownership by completing an Application for Transfer of Reserve Account (DE 4453). If you are selling only a portion of your business, the buyer may apply for a partial reserve account transfer. For more information about reserve account transfers, as well as the disposition of reserve accounts that are not transferred, refer to Information Sheet: California System of Experience Rating (DE 231Z) or contact the Contribution Rate Group at (916) 653-7795.

The EDD actively pursues and prosecutes employers who participate in SUTA dumping and UI rate manipulation.

Purchasing a business with Employees

- http://www.edd.ca.gov/payroll_taxes/Changes_to_My_Business.htm#PurchasingaBusinessWithEmployees

If you purchase a business with employees (or that previously had employees), you may be held liable for the previous owner's EDD liability if a Certificate of Release of Buyer (DE 2220) is not obtained. See Selling Your Business for information on obtaining the DE 2220. For your protection, escrow funds should not be disbursed until the DE 2220 has been issued. The DE 2220 is issued after the seller pays all amounts owed to EDD. Once the DE 2220 is issued, you cannot be held liable for any of the seller's unpaid state payroll taxes. Compliance with Section 3440, Code of Civil Procedure, which requires

you to publish a Notice of Intended Sale of Business, will not relieve you if the former owner owes EDD.

If you acquire all or part of another employer's business, you may receive all or part of the seller's reserve account balance by completing an Application for Transfer of Reserve Account (DE 4453). The transfer may immediately reduce or increase your unemployment insurance tax rate. For more information on reserve account transfers, refer to Information Sheet: California System of Experience Rating (DE 231Z) or contact our Contribution Rate Group at (916) 653-7795. (There are time limits to qualify for a reserve account transfer - apply for the transfer immediately after you purchase a business.)

The EDD actively pursues and prosecutes employers who participate in SUTA dumping and UI rate manipulation.

If you acquire an ongoing business and employ any of the former owner's workers, these employees are considered new hires and should be reported to the New Employee Registry. However, if immediately after the acquisition you employ any of the former owner's workers, the wages paid to these employees during the same calendar year are considered as having been paid by you. Therefore, wages paid by the former owner in the current calendar year are applied to the taxable wage limits for Unemployment Insurance (UI), Employment Training Tax (ETT), and State Disability Insurance (SDI).

Example: Employees A and B worked for the former owner, and you continued to employ them when you purchased the business.

Employee A:

The former owner paid \$6,000 in wages during the current calendar year. For the rest of the year, pay UI and ETT on Employee A's next \$1,000 in wages ($\$6,000 + \$1,000 = \$7,000$ UI taxable wage limit) and withhold SDI on the next \$73,418 in wages ($\$6,000 + \$73,418 = \$79,418$ SDI taxable wage limit).

Employee B:

The former owner paid \$45,000 in wages during the current calendar year. You do not owe UI and ETT because Employee B has reached the \$7,000 UI taxable wage limit. For the rest of the year, withhold SDI on Employee B's next \$34,418 in wages ($\$45,000 + \$34,418 = \$79,418$ SDI taxable wage limit).

See [Obtaining Tax Forms and Publications](#) to get any forms you may need.

For assistance, call our toll-free number 1-888-745-3886 or visit your local [Employment Tax Office](#).

Employer Registration

There are two types of employers: those who run a business ("employers") and those who hire household workers ("household employers"):

- Employers who run a business can be a person or a legal entity and include:
 - Sole Proprietors
 - Public Entities (including Partnerships)
 - State and Federal Agencies)
 - Corporations
 - Associations and Trusts
 - Nonprofit & Charitable Organizations
 - Estates
 - Limited Liability Companies
 - Joint Ventures
- Employers who hire household workers can be:
 - Private households
 - Local chapters of college
 - Local college clubs, fraternities or sororities

If you are a household employer, you can obtain registration information and reporting requirements from our Information Sheet: Household Employment (DE 231L) or Household Employer's Guide (DE 8829). You may also call our Tax Assistance Center at 1-888-745-3886.

Generally, a business becomes subject to state payroll taxes upon paying wages over \$100 in a calendar quarter to one or more employees. Wages consist of compensation for services performed, including cash payments, commissions, bonuses, and the reasonable cash value of noncash payments (like meals and lodging) for services. Once subject, an employer must complete and submit a registration form to EDD within 15 days.

Examples of when a business becomes subject:

- A sole proprietor hires an employee during the month of March at a wage of \$75 per month. The employer is subject effective April 1 since the employer did not pay the employee over \$100 during the first quarter of the year (January-March) but will pay over \$100 during the second quarter (April-June).
- A corporation operates without any employees except for the corporate president. The corporation is an employer and is required to register if the corporate president is paid wages of over \$100 in a calendar quarter.
- A two-person partnership operates a business in which each partner draws a salary of \$1,000 during the first quarter of the year. When one partner goes on vacation, an employee is hired and paid \$95 during the quarter. The partnership is not required to register as an employer since partnership draws are not considered wages and the employee who was hired did not receive wages of over \$100 in the calendar quarter.

You may call (916) 654-7041 or your nearest Employment Tax Office to get a registration form. You may also download one or order one on our Internet Order Form. Please complete the registration form for your type of business:

- Commercial Employers, Pacific Maritime, and Fishing Boats (DE1)
- Agricultural (DE 1AG)
- Governmental Organizations, Public Schools, & Indian Tribes (DE 1GS)
- Nonprofit Employers (DE 1NP)
- Personal Income Tax Withholding Only (DE 1P)

Include your federal employer identification number (FEIN) on the registration form so that unemployment insurance tax credits can be properly applied when claimed on your Employer's Annual FUTA Tax Return (IRS Form 940). For information on federal filing requirements, contact the IRS.

Mail or fax your completed registration form to the address or fax number below, also listed at the top of the registration form. If your payroll service requires you to have an employer account number in order to process your payroll, call EDD's Tele-Reg at (916) 654-8706.

Employment Development Department
Account Services Group, MIC 28
PO Box 826880
Sacramento CA 94280-0001
Fax (916) 654-9211

After EDD receives your registration form, you will receive an eight-digit employer account number (example: 123-4567-8), sometimes called a State Employer Identification Number, SEIN, state ID number, or reserve account number. This number will be printed on all reporting forms sent to you and on all notices relating to former employees. Use it in all correspondence with EDD. If a bank or payroll service prepares your return, be sure to provide them with your employer account number. EDD will also send you a New Employee Registry letter and form (DE 34), a California Employer's Guide (DE 44), and a new employer packet. The packet contains EDD's required posters and booklets, blank deposit coupons (DE 88ALL), and brochures about EDD services, including payroll tax seminars to help you comply with federal and state payroll tax laws. A personalized Payroll Tax Deposit (DE 88) coupon booklet will be mailed to you 4 - 6 weeks after you register.

As an employer, you are responsible for reporting wages paid to your employees and for paying Unemployment Insurance (UI) and Employment Training Tax (ETT) on those wages, as well as withholding and remitting State Disability Insurance (SDI) and Personal Income Tax (PIT) due on wages paid to your workers (see Rates, Withholding Schedules, & Meals and Lodging Values). You must also report all new employees to the New

Employee Registry within 20 days of their start-to-work date. If you use the services of independent contractors, you may have to report them, also.

Encourage your employees to withhold the correct amount of state income tax by having them fill out a California Employee's Withholding Allowance Certificate (DE 4) in addition to the federal Form W-4. You can download the DE 4 or use the online calculator (Microsoft Excel required).

If you are a corporate officer and the sole shareholder (or the only shareholder other than your spouse) of a private corporation, you may elect to be excluded from State Disability Insurance coverage for benefits and contributions; see Sole Shareholder/Corporate Officer Exclusion Statement (DE 459).

If you're a new business owner, you may find these Web sites helpful:

CalGOLD – www.calgold.ca.gov

"One stop" state, local, regional, and federal permit, licensing, and tax requirements.

Striking Gold in California – <http://www.boe.ca.gov/pdf/pub170.pdf>

What you need to know about taxes and your small business.

California Tax Information Center – <http://www.taxes.ca.gov/strikinggoldbus.shtml>

Simplified income, payroll, and sales and use tax information.

CA Governor's Office of Business and Economic Development -

<http://www.business.ca.gov/Home.aspx>

Are you buying or acquiring an existing business, see Purchasing a Business with Employees. For assistance, call our toll-free number 1-888-745-3886 or visit your local Employment Tax Office.

IRS Tax ID Contact Information

Internal Revenue Service

www.irs.gov

4330 Watt Avenue

Sacramento, CA 95821

Ph.: 916 974 5225

Employer ID Numbers (EINs)

An Employer Identification Number (EIN) is also known as a Federal Tax Identification Number, and is used to identify a business entity. Generally, businesses need an EIN. You may apply for an EIN in various ways, and now you may apply online (www.irs.gov). You must check with your state to make sure you need a state number or charter.

- Do You Need an EIN?
- How to Apply for an EIN

Note: You may not transfer your EIN if you sell or otherwise transfer your business. The new business owner and operator may not use your EIN.

Employer ID Numbers (EIN) - Do You Need an EIN?

You will need an EIN if you answer "Yes" to any of the following questions. Additionally, if you provide health insurance for your employees, you may need a National Standard Employer Identifier (NSED for your electronic health transactions. To determine if you need an NSEI, refer to the Department of Health and Human Services.

- Do you have employees?
- Do you operate your business as a corporation or a partnership?
- Do you file any of these tax returns: Employment, Excise, or Alcohol, Tobacco and Firearms?
- Do you withhold taxes on income, other than wages, paid to a non-resident alien?
- Do you have a Keogh plan?
- Are you involved with any of the following types of organizations?
 - Trusts, except certain grantor- owned revocable trusts, IRAs, Exempt Organization Business Income Tax Returns

- Estate
- Real estate mortgage investment conduits
- Non-profit organizations
- Farmers' cooperatives
- Plan administrators

Employer ID Numbers (EIN) - How to Apply

Apply by EIN Toll-Free Telephone Service

Taxpayers can obtain an EIN immediately by calling the Business & Specialty Tax Line (800-829-4933). The hours of operation are 7:00 a.m. - 10:00 p.m. local time, Monday through Friday. An assistor takes the information, assigns the EIN, and provides the number to an authorized individual over the telephone.

Apply by fax

Taxpayers can FAX the completed Form SS-4 application to their state FAX number (see Where to File - Business Forms and Filing Addresses), after ensuring that the Form SS-4 contains all of the required information. If it is determined that the entity needs a new EIN, one will be assigned using the appropriate procedures for the entity type. If the taxpayer's fax number is provided, a fax will be sent back with the EIN within four (4) business days.

Apply by mail

The processing timeframe for an EIN application received by mail is four weeks. Ensure that the Form SS-4 contains all of the required information. If it is determined that the entity needs a new EIN, one will be assigned using the appropriate procedures for the entity type and mailed to the taxpayer.

Apply by EIN online

This Internet EIN (I-EIN) application is another avenue for customers to apply for and obtain an employer identification number. Once all the necessary fields are completed on the online form, preliminary validation is performed and the taxpayer will be alerted to information IRS needs that may not have been included. An EIN will be issued after the successful submission of the completed Form SS-4 online. **Please note that not all business entity types may use this method.**

Other Important Information - 3rd Party Authorization

A 3rd Party designee must fill out the SEC. 6103(c) disclosure information at the bottom of the Form SS-4. The Form SS-4 must also be signed by the taxpayer for the 3rd Party designee authorization to be valid. The Form SS-4 must be mailed or faxed to the appropriate service center. A 3rd Party designee may call for an EIN, however a faxed

Form SS-4, with the taxpayer's signature, is still required. IRS assistors will take the information over the phone from the 3rd Party designee and ask the 3rd Party designee to fax the completed Form SS-4 to them (to the IRS assistor's attention) at an administrative fax number. After receiving the faxed Form SS-4, the EIN will be assigned and faxed back to the 3rd Party designee, or given over the phone. The 3rd Party designee's authority terminates at the time the EIN is assigned and released to the designee.

Unsecured Personal Property Tax Information

Please contact your local Tax Collector for more information and to obtain the required 571-L Business Property Statement.

Local County tax collector unsecured personal property tax division

Contact information

Sacramento County Tax Collector

700 H Street, # 2720
Sacramento, CA 95814
916 874 7833
www.finance.saccounty.net

Placer County Tax Collector

2976 Richardson Drive
Auburn, CA 95603
530 889 4120
www.placer.ca.gov

El Dorado County Tax Collector

360 Fair Lane
Placerville, CA 95667
530 621 5800
<https://taxcollector.edcgov.us/GetLicense.aspx>

Yolo County Tax Collector

625 Court Street, Room 102
Woodland, CA 95695
530 666 8625
<http://www.yolocounty.org/general-government/general-government-departments/auditor-controller-treasurer-tax-collector/tax-collector>

Yuba County Tax Collector

915 8th Street, Suite 103
Marysville, CA 95901
530 749 7840
<http://www.co.yuba.ca.us/departments/treasurer>

Sutter County Tax Collector

463 2nd Street
Yuba City, CA 95992 530 822 7117
<http://www.co.sutter.ca.us/doc/government/depts/ttc/ttchome>

IMPORTANT INFORMATION REGARDING PERSONAL PROPERTY TAX READ CAREFULLY

California law prescribes that a yearly personal property tax be assessed against certain business assets as it exists at 12:01 a.m. on January 1st of each year (the lien date). This assessment covers the fiscal year that begins on July 1st of that year. Unlike real property tax, the personal property tax is "unsecured". While the assessment is based on the value of the business assets, it is not secured by the business assets, but becomes a lien against the record owner as of January 1st.

Each business owner is required to file annually with the Assessor's office of the County in which the business assets are located, a BUSINESS PROPERTY STATEMENT (Form 571-L). This form is used by the Assessor to determine the amount of personal property tax for the coming fiscal year.

THE BUSINESS OWNER'S FAILURE TO PROVIDE TIDS FORM TO THE ASSESSOR BY MAY 7TH OF EACH YEAR WILL COMPLETE THE ASSESSOR TO ESTIMATE THE VALUE OF THE PROPERTY AND TO ADD A TEN PERCENT (10%) PENALTY TO THE AMOUNT ASSESSED.

UNPAID PERSONAL PROPERTY TAXES BECOME A LIEN NOT AGAINST THE BUSINESS ASSETS, BUT AGAINST THE OWNER OF THOSE ASSETS ON JANUARY 1ST.

How does this information effect your escrow

1. Your escrow company should send a written request to the County Tax Collector, requesting the amount and status (paid or unpaid) of personal property tax for the current fiscal year, together with the amount of any past due amounts and for amounts to become due for coming fiscal year.
2. Your escrow company should charge the seller through escrow for the amount of any unpaid personal property tax, then due or past due, and will prorate the current fiscal year's tax bill through escrow.
3. Your escrow company should charge the buyer through escrow for the amount of any taxes due for the coming fiscal year, during which the buyer will become the owner of the assets.
4. Seller's failure to timely file with the Assessor's office the Form 571-L referred to above may result in larger than anticipated assessments. In many cases, Seller's failure to timely file such form may result in the refusal of the County to furnish any tax information to escrow.
5. Because personal property taxes are a lien against the record owner of the assets as of January 1st, Seller's failure to timely file the required information may result in a lien against the Seller for tax that should otherwise be the obligation of the Buyer. This would normally happen when escrow closes between January 1st and June 30th and tax information for the coming fiscal year (beginning July 1st) was not made available to escrow by reason of Seller's failure to timely file the required form.

6. Ask your escrow company to be responsible for submitting a written request to the tax collector for Personal Property tax information.

FOR FURTHER INFORMATION REGARDING PERSONAL PROPERTY TAX, CONTACT THE APPROPRIATE COUNTY TAX COLLECTOR/ASSESSOR'S OFFICE, OR THEIR OWN INDEPENDENT LEGAL OR TAX ADVISOR.

THE REQUIRED FORM 571-L MAY BE OBTAINED DIRECTLY FROM THE APPROPRIATE OFFICE.

California Codes Revenue and Tax Code

Article Two - Section 441-470

Printed April 2014 from <http://leginfo.legislature.ca.gov/faces/codes.xhtml>

*****Provisions are subject to change*****

Section 441. (a) Each person owning taxable personal property, other than a manufactured home subject to Part 13 (commencing with Section 5800), having an aggregate cost of one hundred thousand dollars (\$100,000) or more for any assessment year shall file a signed property statement with the assessor. Every person owning personal property that does not require the filing of a property statement or real property shall, upon request of the assessor, file a signed property statement. Failure of the assessor to request or secure the property statement does not render any assessment invalid.

(b) The property statement shall be declared to be true under the penalty of perjury and filed annually with the assessor between the lien date and 5 p.m. on April 1. The penalty provided by Section 463 applies for property statements not filed by May 7. If May 7 falls on a Saturday, Sunday, or legal holiday, a property statement that is mailed and postmarked on the next business day shall be deemed to have been filed between the lien date and 5 p.m. on May 7. If, on the dates specified in this subdivision, the county's offices are closed for the entire day, that day is considered a legal holiday for purposes of this section.

(c) The property statement may be filed with the assessor through the United States mail, properly addressed with postage prepaid. For purposes of determining the date upon which the property statement is deemed filed with the assessor, the date of postmark as affixed by the United States Postal Service, or the date certified by a bona fide private courier service on the envelope containing the application, shall control. This subdivision shall be applicable to every taxing agency, including, but not limited to, a chartered city and county, or chartered city.

(d) (1) At any time, as required by the assessor for assessment purposes, every person shall make available for examination information or records regarding his or her property or any other personal property located on premises he or she owns or controls. In this connection details of property acquisition transactions, construction and development costs, rental income, and other data relevant to the determination of an estimate of value are to be considered as information essential to the proper discharge of the assessor's duties.

(2) (A) This subdivision shall also apply to an owner-builder or an owner-developer of new construction that is sold to a third party, is constructed on behalf of a third party, or is constructed for the purpose of selling that property to a third party.

(B) The owner-builder or owner-developer of new construction described in subparagraph (A), shall, within 45 days of receipt of a written request by the assessor for information or records, provide the assessor with all information and records regarding that property. The information and records provided to the assessor shall include the total consideration provided either by the purchaser or on behalf of the purchaser that was paid or provided either, as part of or outside of the purchase agreement, including, but not limited to, consideration paid or provided for the purchase or acquisition of upgrades, additions, or for any other additional or supplemental work performed or arranged for by the owner-builder or owner-developer on behalf of the purchaser.

(e) In the case of a corporate owner of property, the property statement shall be signed either by an officer of the corporation or an employee or agent who has been designated in writing by the board of directors to sign the statements on behalf of the corporation.

(f) In the case of property owned by a bank or other financial institution and leased to an entity other than a bank or other financial institution, the property statement shall be submitted by the owner bank or other financial institution.

(g) The assessor may refuse to accept any property statement he or she determines to be in error.

(h) If a taxpayer fails to provide information to the assessor pursuant to subdivision (d) and introduces any requested materials or information at any assessment appeals board hearing, the assessor may request and shall be granted a continuance for a reasonable period of time. The continuance shall extend the two-year period specified in subdivision (c) of Section 1604 for a period of time equal to the period of the continuance.

(i) Notwithstanding any other provision of law, every person required to file a property statement pursuant to this section shall be permitted to amend that property statement until May 31 of the year in which the property statement is due, for errors and omissions not the result of willful intent to erroneously report. The penalty authorized by Section 463 does not apply to an amended statement received prior to May 31, provided the original statement is not subject to penalty pursuant to subdivision (b). The amended property statement shall otherwise conform to the requirements of a property statement as provided in this article.

(j) This subdivision shall apply to the oil, gas, and mineral extraction industry only. Any information that is necessary to file a true, correct, and complete statement shall be made available by the assessor, upon request, to the taxpayer by mail or at the office of the assessor by February 28. For each business day beyond February 28 that the information is unavailable, the filing deadline in subdivision (b) shall be extended in that county by one business day, for those statements affected by the delay. In no case shall the filing deadline be extended beyond June 1 or the first business day thereafter.

(k) The assessor may accept the filing of a property statement by the use of electronic media. In lieu of the signature required by subdivision (a) and the declaration under

penalty of perjury required by subdivision (b), property statements filed using electronic media shall be authenticated pursuant to methods specified by the assessor and approved by the board. Electronic media includes, but is not limited to, computer modem, magnetic media, optical disk, and facsimile machine.

(l) (1) After receiving the notice required by Section 1162, the manager in control of a fleet of fractionally owned aircraft shall file with the lead county assessor's office one signed property statement for all of its aircraft that have acquired situs in the state, as described in Section 1161.

(2) Flight data required to compute fractionally owned aircraft allocation under Section 1161 shall be segregated by airport.

(m) (1) After receiving the notice required by paragraph (5) of subdivision (b) of Section 1153.5, a commercial air carrier whose certificated aircraft is subject to Article 6 (commencing with Section 1150) of Chapter 5 shall file with the lead county assessor's office designated under Section 1153.5 one signed property statement for its personal property at all airport locations and fixtures at all airport locations.

(2) Each commercial air carrier may file one schedule for all of its certificated aircraft that have acquired situs in this state under Section 1151.

(3) Flight data required to compute certificated aircraft allocation under Section 1152 and subdivision (g) of Section 202 of Title 18 of the California Code of Regulations shall be segregated by airport location.

(4) Beginning with the 2006 assessment year, a commercial air carrier may file a statement described in this subdivision electronically by means of the California Assessor's Standard Data Record (SDR) network. If the SDR is not equipped to accept electronic filings for the 2006 assessment year, an air carrier may file a printed version of its property statement for that year with its lead county assessor's office.

(5) This subdivision shall remain in effect only until December 31, 2015, and as of that date is repealed.

(Amended by Stats. 2010, Ch. 228, Sec. 2. Effective January 1, 2011. Subd. (m) inoperative December 31, 2015, pursuant to its own provisions.)

441.5. (a) In lieu of completing the property statement as printed by the assessor pursuant to Section 452, the assessor may accept the information required of the taxpayer by any of the following methods:

(1) Attachments to the property statement, provided that the attachments shall be in a format as specified by the assessor and one copy of the property statement, as printed by the assessor, is signed by the taxpayer and carries appropriate reference to the data attached.

(2) An electronically filed property statement that is authenticated as provided in subdivision (k) of Section 441.

(3) A property statement that is substantially similar to the property statement as printed by the assessor that is signed by the taxpayer.

(b) The assessor may consider information provided by any of the methods specified in subdivision (a) as the property statement for purposes of this division.

(Amended by Stats. 2009, Ch. 204, Sec. 4. Effective January 1, 2010.)

442. (a) The property statement shall show all taxable property owned, claimed, possessed, controlled, or managed by the person filing it and required to be reported thereon.

Every person owning, claiming, possessing, controlling or managing property shall furnish any required information or records to the assessor for examination at any time.

(b) The requirements of this article shall be satisfied with respect to property belonging to others for which the declarer has contractual property tax obligations if the declarer includes that property in the property statement, submits the statement timely, and includes in the statement all information required in the statement pertaining to property belonging to others.

(c) Property that is the subject of a contract designated as a lease that provides that the lessee has the option of acquiring the property at the end of the lease term for one dollar (\$1), or any other nominal consideration, shall be reported by the lessor on the lessor's property statement. If that property qualifies for the property tax exemption provided for by subdivision (d) or (e) of Section 3 of Article XIII of the California Constitution, that property shall be regarded as owned by the lessee and is not required to be shown on any property statement of the lessor.

(Amended by Stats. 2003, Ch. 316, Sec. 4. Effective January 1, 2004.)

443. The property statement shall also show:

(a) The county where the property is taxable.

(b) If taxable in the county where the statement is made, any city or revenue district where it is situated.

(Enacted by Stats. 1939, Ch. 154.)

443.1. If the property statement is timely filed in duplicate with a request that the assessor mark on the duplicate statement opposite each category of property reported on the statement, the full value of such category of property as determined by the assessor, the assessor shall perform such service and shall return the duplicate to the person filing it no later than July 15 of the year in which it was filed.

(Amended by Stats. 1974, Ch. 311.)

445. The property statement shall show a description of property, in the detail required. Such required detail may include the cost of the property if the information is within the knowledge of the assessee or is available to him from his own or other records.

(Amended by Stats. 1970, Ch. 531.)

448. The property statement shall show all information as of 12:01 a.m. on the lien date.

(Amended by Stats. 1967, Ch. 818.)

451. All information requested by the assessor or furnished in the property statement shall be held secret by the assessor. The statement is not a public document and is not open to inspection, except as provided in Section 408.

(Amended by Stats. 1971, Ch. 1633.)

452. (a) For the assessment year beginning in 1968 and each assessment year thereafter, the board shall prescribe in detail the content of property statements, including the specific wording, to be used by all assessors in the several counties, and cities and counties, and shall notify assessors of those specifications no later than the August 31 prior to the tax lien date on which they become effective. Each assessor shall incorporate the specifications on the exact form he or she proposes to use and submit that form to the board for approval prior to use. The property statement shall not include any question that is not germane to the assessment function.

(b) (1) For property statements to be filed in the 2008 assessment year and each assessment year thereafter, the board shall prescribe that the property statement also include the following:

(A) A brief statement noting the obligation to pay use tax on taxable purchases for which sales tax was not applicable.

(B) Information regarding payment of use tax, which information may be limited to the board's phone number and a Web site address at which specific information and forms for use tax payment may be obtained.

(C) A statement advising the taxpayer that information provided on a property statement may be shared with the board.

(2) The board shall implement paragraph (1) in a manner that does not increase local costs.

(Amended by Stats. 2007, Ch. 180, Sec. 3. Effective August 24, 2007.)

453. The assessor may request any person found within his county to make and subscribe an affidavit, showing his name, place of residence or place of business, and whether he is the owner of any taxable property.

(Amended by Stats. 1971, Ch. 1633.)

454. The assessor may subpoena and examine any person in relation to:

(a) Any statement furnished him, or

(b) Any statement disclosing property assessable in his county that may be stored with, possessed, or controlled by the person.

He may do this in any county where the person may be found, but shall not require the person to appear before him in any other county than that in which the subpoena is served.

(Enacted by Stats. 1939, Ch. 154.)

455. The assessor shall not combine parcels into a single assessment when any of those parcels have been declared to be tax defaulted for delinquent taxes. This section does not apply to subdivided land reverted to acreage in accordance with provisions of the Subdivision Map Act and local ordinances.

(Amended by Stats. 1985, Ch. 316, Sec. 3.)

456. If the assessor has not received from the owner of a tract of land a legal description or a description which geographically locates the property, he may require such a description from the owner or his agent, or, in case they cannot be found or are unknown, the person in possession. Such legal description may be by reference to the assessor's map and parcel number.

(Amended by Stats. 1974, Ch. 186.)

457. If the owner, agent, or person in possession neglects to furnish the assessor with the description within 10 days after the request, the assessor shall cite him to appear before the superior court of the county where the land is situated within five days after service of the citation. On the day named in the citation, to the exclusion of all other business, the court shall proceed to hear his return and answer to the citation.

(Amended by Stats. 1971, Ch. 1633.)

458. If the court finds the land has not been surveyed or divided so that it can be legally described, the court shall, by order duly entered in open court, direct the county surveyor to make a survey, and define the boundaries and location of the land by parcels not exceeding six hundred and forty acres each, and deliver it to the assessor.

(Enacted by Stats. 1939, Ch. 154.)

459. The expense of making the survey and description by the county surveyor is a lien on the land, and, when approved by the superior court, shall be certified by it to the board of supervisors who shall, by resolution, direct the auditor to add the expense to the taxes on the land, to be collected like other taxes.

(Amended by Stats. 1941, Ch. 1240.)

459.5. Sections 457, 458, and 459 are applicable when the owner, his agent, or person in possession neglects to furnish the assessor of any taxing agency, including a taxing agency having its own system for the levying and collection of taxes or assessments, with a requested description of any tract of land.

(Amended by Stats. 1970, Ch. 531.)

460. If the owner or claimant of any property, not listed by another person, is absent or unknown, the assessor shall estimate its value.

(Enacted by Stats. 1939, Ch. 154.)

461. Every person who willfully states anything which he knows to be false in any oral or written statement, not under oath, required or authorized to be made as the basis of imposing any tax or assessment, is guilty of a misdemeanor and upon conviction thereof may be punished by imprisonment in the county jail for a period not exceeding six months or by a fine not exceeding one thousand dollars (\$1,000), or by both.

(Amended by Stats. 1983, Ch. 1092, Sec. 365. Effective September 27, 1983. Operative January 1, 1984, by Sec. 427 of Ch. 1092.)

462. Every person is guilty of a misdemeanor who, after written request by the assessor, does any of the following:

(a) Refuses to make available to the assessor any information which is required by subdivision (d) of Section 441 of this code.

(b) Gives a false name.

(c) Willfully refuses to give his true name.

Upon conviction of any offense in this section, the defendant may be punished by imprisonment in the county jail for a period not exceeding six months or by a fine not exceeding one thousand dollars (\$1,000), or by both.

If the defendant is a corporation, it may be punished by an additional fine of two hundred dollars (\$200) for each day it refuses to comply with the provisions of this section, up to a maximum of twenty thousand dollars (\$20,000).

(Amended by Stats. 1983, Ch. 1092, Sec. 366. Effective September 27, 1983. Operative January 1, 1984, by Sec. 427 of Ch. 1092.)

463. If any person who is required by law or is requested by the assessor to make an annual property statement fails to file an annual property statement within the time limit specified by Section 441 or make and subscribe the affidavit respecting his or her name and place of residence, a penalty of 10 percent of the assessed value of the unreported taxable tangible property of that person placed on the current roll shall be added to the assessment made on the current roll.

Notice of any penalty added to the secured roll pursuant to this section shall be mailed by the assessor to the assessee at his or her address as contained in the official records of the county assessor.

If the assessee establishes to the satisfaction of the county board of equalization or the assessment appeals board that the failure to file the property statement within the time required by Section 441 was due to reasonable cause and not due to willful neglect, it may order the penalty abated, provided the assessee has filed with the county board written application for abatement of the penalty within the time prescribed by law for the filing of applications for assessment reductions.

If the penalty is abated it shall be canceled or refunded in the same manner as an amount of tax erroneously charged or collected.

(Amended by Stats. 1999, Ch. 334, Sec. 2. Effective January 1, 2000.)

464. All moneys recovered by the assessor under Section 463 shall be paid into the county treasury.

(Amended by Stats. 1966, 1st Ex. Sess., Ch. 147.)

465. (a) Except as provided in subdivision (b), the assessor may destroy any document when six years have elapsed since the lien date for the tax year for which that document was obtained. Documents may be destroyed immediately upon preservation in a medium that provides access to the documents such as microfilm, microfiche, electronic document imaging, or other media that captures a true image of the document that may later be retrieved.

(b) Affidavits claiming an exemption, for the first time, pursuant to Sections 254.5, 257, and 277 may be destroyed by the assessor as follows:

(1) Six years after the lien date of the tax year for which the exemption was last granted.

(2) Upon preservation in a medium that provides access to the documents such as microfilm, microfiche, electronic document imaging, or other media that captures a true image of the document that may later be retrieved.

(Amended by Stats. 2010, Ch. 185, Sec. 3. Effective January 1, 2011.)

467. Annually, on or before March 20th, every taxing agency shall file with the assessor of the county in which the property is located statements containing legal descriptions of:

(a) All real estate which it has conveyed by deed to any person during the assessment year ending on the last day of December.

(b) All real estate owned by it on the preceding lien date and which it has agreed by contract in writing to sell and convey to any person. The statement covering property sold by contract shall show for each parcel of real estate the name and address of the purchaser, the consideration for the sale and conveyance thereof, and the amount of the consideration paid as of the lien date.

(Amended by Stats. 1995, Ch. 499, Sec. 13. Effective January 1, 1996.)

468. In addition to any other remedies described in this article, if any person fails to furnish any information or records required by this article upon request by the assessor, the assessor may apply to the superior court of the county for an order requiring the person who failed to furnish such information or records to appear and answer concerning his property before such court at a time and place specified in the order. The court may so order in any county where the person may be found, but shall not require the person to appear before the court in any other county than that in which the subpoena is served.

(Amended by Stats. 1971, Ch. 1633.)

469. (a) The assessor shall annually conduct a significant number of audits of the books and records of taxpayers engaged in a profession, trade, or business who own, claim, possess, or control locally assessable trade fixtures and business tangible personal property in the county to encourage the accurate and proper reporting of property as required by this article. The assessor shall conduct an audit of those taxpayers as provided by subdivision (b).

(1) For purposes of this section, "significant number of audits" means at least 75 percent of the fiscal year average of the total number of audits the assessor was required to have conducted during the 2002–03 fiscal year to the 2005–06 fiscal year, inclusive, on those taxpayers in the county that had a full value of four hundred thousand dollars (\$400,000) or more of locally assessable trade fixtures and business tangible personal property.

(2) The assessor is not required to audit a taxpayer that is fully exempt from property taxation under other provisions of law for purposes of the requirements of this section.

(3) If the board audits a taxpayer because the taxpayer's assessment was selected in a sampling of assessments from the local assessment rolls pursuant to Section 15640 of the Government Code, that audit may be deemed an audit by the assessor for purposes of the requirements of this section.

(b) Each year the audits required by subdivision (a) shall be conducted in the following manner:

(1) Fifty percent of the audits required by subdivision (a) shall be performed on taxpayers selected from a pool of those taxpayers that have the largest assessments of locally assessable trade fixtures and business tangible personal property in the county.

(A) This pool of taxpayers shall be determined as follows:

(i) The assessor shall rank all of the taxpayers in the county in descending order by the total locally assessed value of both trade fixtures and business tangible personal property.

(ii) The assessor shall select a qualified number of those taxpayers with the largest assessments for inclusion in the pool. The qualified number shall be that number equal to 50 percent of the audits required by subdivision (a) multiplied by four.

(B) Taxpayers in the pool shall be audited at least once within each four-year period following the latest fiscal year covered by a preceding audit and the audit may combine multiple fiscal years. The assessor is relieved of the requirement to audit the taxpayer at least once every four years if the assessor determines that the taxpayer's assessments are no longer large enough for inclusion in the pool.

(2) The remaining 50 percent of the required audits, as determined by paragraph (1) of subdivision (a), shall be selected in a manner that is fair and equitable to all taxpayers and may be based on evidence of underreporting as determined by the assessor.

(3) Nothing in this subdivision is intended to prohibit the audit of any taxpayer more frequently than once every four years.

(c) With respect to any audit of the books of a profession, trade, or business, regardless of the full value of the trade fixtures and business tangible personal property owned, claimed, possessed, or controlled by the taxpayer, the following shall apply:

(1) Upon completion of an audit of the taxpayer's books and records, the taxpayer shall be given the assessor's findings in writing with respect to data that would alter any previously enrolled assessment.

(2) Equalization of the property by a county board of equalization or assessment appeals board pursuant to Chapter 1 (commencing with Section 1601) of Part 3 of this division shall not preclude a subsequent audit and shall not preclude the assessor from levying an escape assessment in appropriate instances, but shall preclude an escape assessment being levied on that portion of the assessment that was the subject of the equalization hearing.

(3) If the result of an audit for any year discloses property subject to an escape assessment, then the original assessment of all property of the assessee at the location of the profession, trade, or business for that year shall be subject to review, equalization and adjustment by the county board of equalization or assessment appeals board pursuant to Chapter 1 (commencing with Section 1601) of Part 3 of this division, except in those instances when the property had previously been equalized for the year in question.

(4) If the audit for any particular tax year discloses that the property of the taxpayer was incorrectly valued or misclassified for any cause, to the extent that this error caused the property to be assessed at a higher value than the assessor would have entered on the roll had the incorrect valuation or misclassification not occurred, then the assessor shall notify the taxpayer of the amount of the excess valuation or misclassification, and the fact that a claim for cancellation or refund may be filed with the county as provided by Sections 4986 and 5096.

(Amended by Stats. 2008, Ch. 297, Sec. 2. Effective January 1, 2009.)

470. (a) Upon request of an assessor, a person owning, claiming, possessing, or controlling property subject to local assessment shall make available at his or her principal place of business, principal location or principal address in California or at a place mutually agreeable to the assessor and the person, a true copy of business records relevant to the amount, cost, and value of all property that he or she owns, claims, possesses, or controls within the county.

(b) In the case of a taxpayer that has its principal place of business outside of California and has been requested to make business records available pursuant to subdivision (a), that taxpayer may, as an alternative to making the requested business records available pursuant to the terms of that subdivision, pay the county the amount of reasonable and ordinary expenses for food, lodging, transportation, and other related

items incurred by the assessor's representative, in traveling to the place outside California where the requested business records are available for examination and performing his or her official duties with respect to the examination of those records.

Bulk Sales

California Commercial Code: Division 6 – Bulk sales 6101 – 6111

Printed April 2014 from <http://leginfo.legislature.ca.gov/faces/codes.xhtml>

Provisions are subject to change

This division shall be known and may be cited as Uniform Commercial Code—Bulk Sales.

(Repealed and added by Stats. 1990, Ch. 1191, Sec. 3.)

6102. (a) In this division, unless the context otherwise requires:

(1) "Assets" means the inventory and equipment that is the subject of a bulk sale and any tangible and intangible personal property used or held for use primarily in, or arising from, the seller's business and sold in connection with that inventory and equipment, but the term does not include any of the following:

(i) Fixtures (paragraph (41) of subdivision (a) of Section 9102) other than readily removable factory and office machines.

(ii) The lessee's interest in a lease of real property.

(iii) Property to the extent it is generally exempt from creditor process under nonbankruptcy law.

(2) "Auctioneer" means a person whom the seller engages to direct, conduct, control, or be responsible for a sale by auction.

(3) "Bulk sale" means either of the following:

(i) In the case of a sale by auction or a sale or series of sales conducted by a liquidator on the seller's behalf, a sale or series of sales not in the ordinary course of the seller's business of more than half of the seller's inventory and equipment, as measured by a value on the date of the bulk-sale agreement.

(ii) In all other cases, a sale not in the ordinary course of the seller's business of more than half the seller's inventory and equipment, as measured by value on the date of the bulk-sale agreement.

(4) "Claim" means a right to payment from the seller, whether or not the right is reduced to judgment, liquidated, fixed, matured, disputed, secured, legal, or equitable. The term includes costs of collection and attorney's fees only to the extent that the laws of this state permit the holder of the claim to recover them in an action against the obligor.

(5) "Claimant" means a person holding a claim incurred in the seller's business other than any of the following:

(i) An unsecured and unmatured claim for employment compensation and benefits, including commissions and vacation, severance, and sick-leave pay.

(ii) A claim for injury to an individual or to property, or for breach of warranty, unless all of the following are satisfied:

(A) A right of action for the claim has accrued.

(B) The claim has been asserted against the seller.

(C) The seller knows the identity of the person asserting the claim and the basis upon which the person has asserted it.

(iii) A claim for taxes owing to a governmental unit, if both of the following are satisfied:

(A) A statute governing the enforcement of the claim permits or requires notice of the bulk sale to be given to the governmental unit in a manner other than by compliance with the requirements of this division.

(B) Notice is given in accordance with the statute.

(6) "Creditor" means a claimant or other person holding a claim.

(7) (i) "Date of the bulk sale" means either of the following:

(A) If the sale is by auction or is conducted by a liquidator on the seller's behalf, the date on which more than 10 percent of the net proceeds is paid to or for the benefit of the seller.

(B) In all other cases, the later of the date on which either of the following occurs:

(I) More than 10 percent of the net contract price is paid to or for the benefit of the seller.

(II) More than 10 percent of the assets, as measured by value, are transferred to the buyer.

(ii) For purposes of this subdivision the following shall apply:

(A) Delivery of a negotiable instrument (subdivision (1) of Section 3104) to or for the benefit of the seller in exchange for assets constitutes payment of the contract price *pro tanto*.

(B) To the extent that the contract price is deposited in an escrow, the contract price is paid to or for the benefit of the seller when the seller acquires the unconditional right to receive the deposit or when the deposit is delivered to the seller or for the benefit of the seller, whichever is earlier.

(C) An asset is transferred when a person holding an unsecured claim can no longer obtain through judicial proceedings rights to the asset that are superior to those of the buyer arising as a result of the bulk sale. A person holding an unsecured claim can obtain those superior rights to a tangible asset at least until the buyer has an unconditional right, under the bulk-sale agreement, to possess the asset, and a person holding an unsecured claim can obtain those superior rights to an intangible asset at least until the buyer has an unconditional right, under the bulk-sale agreement, to use the asset.

(8) "Date of the bulk-sale agreement" means either of the following:

(i) In the case of a sale by auction or conducted by a liquidator (subparagraph (i) of paragraph (3)), the date on which the seller engages the auctioneer or liquidator.

(ii) In all other cases, the date on which a bulk-sale agreement becomes enforceable between the buyer and the seller.

(9) "Debt" means liability on a claim.

(10) "Liquidator" means a person who is regularly engaged in the business of disposing of assets for businesses contemplating liquidation or dissolution.

(11) "Net contract price" means the new consideration the buyer is obligated to pay for the assets less each of the following:

(i) The amount of any proceeds of the sale of an asset, to the extent the proceeds are applied in partial or total satisfaction of a debt secured by the asset.

(ii) The amount of any debt to the extent it is secured by a security interest or lien that is enforceable against the asset before and after it has been sold to a buyer. If a debt is secured by an asset and other property of the seller, the amount of the debt secured by a security interest or lien that is enforceable against the asset is determined by multiplying the debt by a fraction, the numerator of which is the value of the new consideration for the asset on the date of the bulk sale and the denominator of which is the value of all property securing the debt on the date of the bulk sale.

(12) "Net proceeds" means the new consideration received for assets sold at a sale by auction or a sale conducted by a liquidator on the seller's behalf less each of the following:

(i) Commissions and reasonable expenses of the sale.

(ii) The amount of any proceeds of the sale of an asset, to the extent the proceeds are applied in partial or total satisfaction of a debt secured by the asset.

(iii) The amount of any debt to the extent it is secured by a security interest or lien that is enforceable against the asset before and after it has been sold to a buyer. If a debt is secured by an asset and other property of the seller, the amount of the debt secured by a security interest or lien that is enforceable against the asset is determined by multiplying the debt by a fraction, the numerator of which is the value of the new

consideration for the asset on the date of the bulk sale and the denominator of which is the value of all property securing the debt on the date of the bulk sale.

(13) A sale is "in the ordinary course of the seller's business" if the sale comports with usual or customary practices in the kind of business in which the seller is engaged or with the seller's own usual or customary practices.

(14) "United States" includes its territories and possessions and the Commonwealth of Puerto Rico.

(15) "Value" means fair market value.

(16) "Verified" means signed and sworn to or affirmed.

(b) The following definitions in other divisions apply to this division:

(1) "Buyer." Paragraph (a) of subdivision (1) of Section 2103.

(2) "Equipment." Paragraph (33) of subdivision (a) of Section 9102.

(3) "Inventory." Paragraph (48) of subdivision (a) of Section 9102.

(4) "Sale." Subdivision (1) of Section 2106.

(5) "Seller." Paragraph (d) of subdivision (1) of Section 2103.

(c) In addition, Division 1 (commencing with Section 1101) contains general definitions and principles of construction and interpretation applicable throughout this division.

(Amended by Stats. 1999, Ch. 991, Sec. 30. Effective January 1, 2000. Operative July 1, 2001, by Sec. 75 of Ch. 991.)

6103. (a) Except as otherwise provided in subdivision (c), this division applies to a bulk sale if both of the following are satisfied:

(1) The seller's principal business is the sale of inventory from stock, including those who manufacture what they sell, or that of a restaurant owner.

(2) On the date of the bulk-sale agreement the seller is located in this state or, if the seller is located in a jurisdiction that is not a part of the United States, the seller's major executive office in the United States is in this state.

(b) A seller is deemed to be located at its place of business. If a seller has more than one place of business, the seller is deemed located at its chief executive office.

(c) This division does not apply to any of the following:

(1) A transfer made to secure payment or performance of an obligation.

(2) A transfer of collateral to a secured party pursuant to Section 9609.

(3) A disposition of collateral pursuant to Section 9610.

(4) Retention of collateral pursuant to Section 9620.

(5) A sale of an asset encumbered by a security interest or lien if (i) all the proceeds of the sale are applied in partial or total satisfaction of the debt secured by the security interest or lien or (ii) the security interest or lien is enforceable against the asset after it has been sold to the buyer and the net contract price is zero.

(6) A general assignment for the benefit of creditors or to a subsequent transfer by the assignee.

(7) A sale by an executor, administrator, receiver, trustee in bankruptcy, debtor in possession, or any public officer under judicial process.

(8) A sale made in the course of judicial or administrative proceedings for the dissolution or reorganization of an organization.

(9) A sale to a buyer whose principal place of business is in the United States and who satisfies each of the following:

(i) Not earlier than 21 days before the date of the bulk sale, (A) obtains from the seller a verified and dated list of claimants of whom the seller has notice three days before the seller sends or delivers the list to the buyer or (B) conducts a reasonable inquiry to discover the claimants.

(ii) Assumes in full the debts owed to claimants of whom the buyer has knowledge on the date the buyer receives the list of claimants from the seller or on the date the buyer completes the reasonable inquiry, as the case may be.

(iii) Is not insolvent after the assumption.

(iv) Records and publishes notice of the assumption not later than 30 days after the date of the bulk sale in the manner provided in Section 6105.

(10) A sale to a buyer whose principal place of business is in the United States and who satisfies each of the following:

(i) Assumes in full the debts that were incurred in the seller's business before the date of the bulk sale.

(ii) Is not insolvent after the assumption.

(iii) Records and publishes notice of the assumption not later than 30 days after the date of the bulk sale in the manner provided by Section 6105.

(11) A sale to a new organization that is organized to take over and continue the business of the seller and that has its principal place of business in the United States if each of the following conditions are satisfied:

(i) The buyer assumes in full the debts that were incurred in the seller's business before the date of the bulk sale.

(ii) The seller receives nothing from the sale except an interest in the new organization that is subordinate to the claims against the organization arising from the assumption.

(iii) The buyer records and publishes notice of the assumption not later than 30 days after the date of the bulk sale in the manner provided in Section 6105.

(12) A sale of assets having either of the following:

(i) A value, net of liens and security interests, of less than ten thousand dollars (\$10,000). If a debt is secured by assets and other property of the seller, the net value of the assets is determined by subtracting from their value an amount equal to the product of the debt multiplied by a fraction, the numerator of which is the value of the assets on the date of the bulk sale and the denominator of which is the value of all property securing the debt on the date of the bulk sale.

(ii) A value of more than five million dollars (\$5,000,000) on the date of the bulk-sale agreement.

(13) A sale required by, and made pursuant to, statute.

(14) A transfer of personal property, if the personal property is leased back to the transferor immediately following the transfer and either there has been compliance with subdivision (h) of Section 3440.1 of the Civil Code or the transfer is exempt under subdivision (k) of Section 3440.1 of the Civil Code.

(15) A transfer which is subject to and complies with Article 5 (commencing with Section 24070) of Chapter 6 of Division 9 of the Business and Professions Code, if the transferee records and publishes notice of the transfer at least 12 business days before the transfer is to be consummated in the manner provided in Section 6105 and the notice contains the information set forth in paragraphs (1) to (4) inclusive, of subdivision (a) of Section 6105.

(16) A transfer of goods in a warehouse where a warehouse receipt has been issued therefor by a warehouseman (Section 7102) and a copy of the receipt is kept at the principal place of business of the warehouseman and at the warehouse in which the goods are stored.

(d) The notice under subparagraph (iv) of paragraph (9) of subdivision (c) shall state each of the following:

(1) That a sale that may constitute a bulk sale has been or will be made.

(2) The date or prospective date of the bulk sale.

(3) The individual, partnership, or corporate names and the addresses of the seller and buyer.

(4) The address to which inquiries about the sale may be made, if different from the seller's address.

(5) That the buyer has assumed or will assume in full the debts owed to claimants of whom the buyer has knowledge on the date the buyer receives the list of claimants from the seller or completes a reasonable inquiry to discover the claimants.

(e) The notice under subparagraph (iii) of paragraph (10) of subdivision (c) and subparagraph (iii) of paragraph (11) of subdivision (c) shall state each of the following:

(1) That a sale that may constitute a bulk sale has been or will be made.

(2) The date or prospective date of the bulk sale.

(3) The individual, partnership, or corporate names and the addresses of the seller and buyer.

(4) The address to which inquiries about the sale may be made, if different from the seller's address.

(5) That the buyer has assumed or will assume the debts that were incurred in the seller's business before the date of the bulk sale.

(f) For purposes of paragraph (12) of subdivision (c), the value of assets is presumed to be equal to the price the buyer agrees to pay for the assets. However, in a sale by auction or a sale conducted by a liquidator on the seller's behalf, the value of assets is presumed to be the amount the auctioneer or liquidator reasonably estimates the assets will bring at auction or upon liquidation.

(Amended by Stats. 1999, Ch. 991, Sec. 31. Effective January 1, 2000. Operative July 1, 2001, by Sec. 75 of Ch. 991.)

6104. In a bulk sale as defined in subparagraph (ii) of paragraph (3) of subdivision (a) of Section 6102 the buyer shall do each of the following:

(a) Obtain from the seller a list of all business names and addresses used by the seller within three years before the date the list is sent or delivered to the buyer.

(b) Give notice of the bulk sale in accordance with Section 6105.

(c) Comply with Section 6106.2 if the bulk sale is within the scope of that section.

(Added by Stats. 1990, Ch. 1191, Sec. 3.)

6105. In order to comply with subdivision (b) of Section 6104 each of the following shall be satisfied:

(a) The notice shall comply with each of the following:

(1) State that a bulk sale is about to be made.

(2) State the name and business address of the seller together with any other business name and address listed by the seller (subdivision (a) of Section 6104) and the name and business address of the buyer.

(3) State the location and general description of the assets.

(4) State the place and the anticipated date of the bulk sale.

(5) State whether or not the bulk sale is subject to Section 6106.2 and, if so subject, the matters required by subdivision (f) of Section 6106.2.

(b) At least 12 business days before the date of the bulk sale, the notice shall be:

(1) Recorded in the office of the county recorder in the county or counties in this state in which the tangible assets are located and, if different, in the county in which the seller is located (paragraph (2) of subdivision (a) of Section 6103).

(2) Published at least once in a newspaper of general circulation published in the judicial district in this state in which the tangible assets are located and in the judicial district, if different, in which the seller is located (paragraph (2) of subdivision (a) of Section 6103), if in either case there is one, and if there is none, then in a newspaper of general circulation in the county in which the judicial district is located.

(3) Delivered or sent by registered or certified mail to the county tax collector in the county or counties in this state in which the tangible assets are located. If delivered during the period from January 1 to May 7, inclusive, the notice shall be accompanied by a completed business property statement with respect to property involved in the bulk sale pursuant to Section 441 of the Revenue and Taxation Code.

If the tangible assets are located in more than one judicial district in this state, the publication required in paragraph (2) shall be in a newspaper of general circulation published in the judicial district in this state in which a greater portion of the tangible assets are located, on the date the notice is published, than in any other judicial district in this state and, if different, in the judicial district in which the seller is located (paragraph (2) of subdivision (a) of Section 6103). As used in this subdivision, "business day" means any day other than a Saturday, Sunday, or day observed as a holiday by the state government.

(Amended by Stats. 2003, Ch. 604, Sec. 1. Effective January 1, 2004.)

6106.2. (a) This section applies only to a bulk sale where the consideration is two million dollars (\$2,000,000) or less and is substantially all cash or an obligation of the buyer to pay cash in the future to the seller or a combination thereof.

(b) Upon every bulk sale subject to this section except one made by sale at auction or a sale or series of sales conducted by a liquidator on the seller's behalf, it is the duty of the buyer or, if the transaction is handled through an escrow, the escrow agent to apply the cash consideration in accordance with this section so far as necessary to pay those debts of the seller for which claims are due and payable on or before the date of

the bulk sale and are received in writing on or prior to the date specified as the last date to file claims with the person designated in the notice to receive claims. This duty of the buyer or escrow agent runs to each claimant timely filing the claim.

(c) If the seller disputes whether a claim is due and payable on the date of the bulk sale or the amount of any claim, the buyer or escrow agent shall withhold from distribution an amount equal to (1) 125 percent of the first seven thousand five hundred dollars (\$7,500) of the claim, and (2) an amount equal to that portion of the claim in excess of the first seven thousand five hundred dollars (\$7,500), or the pro rata amount under subdivision (b) of Section 6106.4, if applicable, and shall send a written notice to the claimant filing the claim on or before two business days after the distribution that the amount will be paid to the seller, or to the other claimants in accordance with subdivision (b) of Section 6106.4, as the case may be, unless attached within 25 days from the mailing of the notice. Any portion of the amount withheld which is not attached by the claimant within that time shall be paid by the buyer or escrow agent to the seller, or to the other claimants in accordance with subdivision (b) of Section 6106.4 if they have not been paid in full. An attachment of any amount so withheld shall be limited in its effect to the amount withheld for the attaching claimant and shall give the attaching claimant no greater priority or rights with respect to its claim than the claimant would have had if the claim had not been disputed. For purposes of this subdivision, a claimant may obtain the issuance of an attachment for a claim which is less than five hundred dollars (\$500) and which otherwise meets the requirements of Section 483.010 of the Code of Civil Procedure or which is a secured claim or lien of the type described in Section 483.010 of the Code of Civil Procedure. The remedy in this subdivision shall be in addition to any other remedies the claimant may have, including any right to attach the property intended to be transferred or any other property.

(d) If the cash consideration payable is not sufficient to pay all of the claims received in full, where no escrow has been established pursuant to Section 6106.4, the buyer shall follow the procedures specified in subdivisions (a) to (c), inclusive, of Section 6106.4, and the immunity established by paragraph (3) of subdivision (a) of that section shall apply to the buyer.

(e) The buyer or escrow agent shall, within 45 days after the buyer takes legal title to any of the goods, either pay to the extent of the cash consideration the claims filed and not disputed, or the applicable portion thereof to the extent of the cash consideration under subdivision (b) of Section 6106.4, or institute an action in interpleader pursuant to subdivision (b) of Section 386 of the Code of Civil Procedure and deposit the consideration with the clerk of the court pursuant to subdivision (c) of that section. The action shall be brought in the appropriate court in the county where the seller had its principal place of business in this state. Sections 386.1 and 386.6 of the Code of Civil Procedure shall apply in the action.

(f) The notice shall state, in addition to the matters required by Section 6105, the name and address of the person with whom claims may be filed and the last date for filing claims, which shall be the business day before the date stated in the notice pursuant to paragraph (4) of subdivision (a) of Section 6105. Claims shall be deemed timely filed only if actually received by the person designated in the notice to receive claims

before the close of business on the day specified in the notice as the last date for filing claims.

(g) This section shall not be construed to release any security interest or other lien on the property which is the subject of the bulk sale except upon a voluntary release by the secured party or lienholder.

(Added by Stats. 1990, Ch. 1191, Sec. 4.)

6106.4. In any case where the notice of a bulk sale subject to Section 6106.2 states that claims may be filed with an escrow agent, the intended buyer shall deposit with the escrow agent the full amount of the purchase price or consideration. If, at the time the bulk sale is otherwise ready to be consummated, the amount of cash deposited or agreed to be deposited at or prior to consummation in the escrow is insufficient to pay in full all of the claims filed with the escrow agent, the escrow agent shall do each of the following:

(a) (1) Delay the distribution of the consideration and the passing of legal title for a period of not less than 25 days nor more than 30 days from the date the notice required in paragraph (2) is mailed.

(2) Within five business days after the time the bulk sale would otherwise have been consummated, send a written notice to each claimant who has filed a claim stating the total consideration deposited or agreed to be deposited in the escrow, the name of each claimant who filed a claim against the escrow and the amount of each claim, the amount proposed to be paid to each claimant, the new date scheduled for the passing of legal title pursuant to paragraph (1) and the date on or before which distribution will be made to claimants which shall not be more than five days after the new date specified for the passing of legal title.

(3) If no written objection to the distribution described in the notice required by paragraph (2) is received by the escrow agent prior to the new date specified in the notice for the passing of legal title, the escrow agent shall not be liable to any person to whom the notice required by paragraph (2) was sent for any good faith error that may have been committed in allocating and distributing the consideration as stated in the notice.

(b) Distribute the consideration in the following order of priorities:

(1) All obligations owing to the United States, to the extent given priority by federal law.

(2) Secured claims, including statutory and judicial liens, to the extent of the consideration fairly attributable to the value of the properties securing the claims and in accordance with the priorities provided by law. A secured creditor shall participate in the distribution pursuant to this subdivision only if a release of lien is deposited by the secured creditor conditioned only upon receiving an amount equal to the distribution.

(3) Escrow and professional charges and brokers' fees attributable directly to the sale.

(4) Wage claims given priority by Section 1205 of the Code of Civil Procedure.

(5) All other tax claims.

(6) All other unsecured claims pro rata, including any deficiency claims of partially secured creditors.

(c) To the extent that an obligation of the buyer to pay cash in the future is a part of the consideration and the cash consideration is not sufficient to pay all claims filed in full, apply all principal and interest received on the obligation to the payment of claims in accordance with subdivision (b) until they are paid in full before making any payment to the seller. In that case, the notice sent pursuant to subdivision (a) shall state the amount, terms, and due dates of the obligation and the portion of the claims expected to be paid thereby.

No funds may be drawn from the escrow, prior to the actual closing and completion of the escrow, for the payment, in whole or in part, of any commission, fee, or other consideration as compensation for a service that is contingent upon the performance of any act, condition, or instruction set forth in the escrow.

(Amended by Stats. 1991, Ch. 111, Sec. 1.5. Effective July 15, 1991.)

6107. (a) Except as provided in subdivision (c), and subject to the limitation in subdivision (d), a buyer who fails to comply with the requirements of Section 6104 with respect to a claimant is liable to the claimant for damages in the amount of the claim, reduced by any amount that the claimant would not have realized if the buyer had complied.

(b) In an action under subdivision (a), the claimant has the burden of establishing the validity and amount of the claim, and the buyer has the burden of establishing the amount that the claimant would not have realized if the buyer had complied.

(c) A buyer who made a good faith and commercially reasonable effort to comply with the requirements of Section 6104 or to exclude the sale from the application of this division under subdivision (c) of Section 6103 is not liable to creditors for failure to comply with the requirements of Section 6104. The buyer has the burden of establishing the good faith and commercial reasonableness of the effort.

(d) In a single bulk sale the cumulative liability of the buyer for failure to comply with the requirements of Section 6104 may not exceed an amount equal to any of the following:

(1) If the assets consist only of inventory and equipment, twice the net contract price, less the amount of any part of the net contract price paid to or applied for the benefit of the seller or a creditor except to the extent that the payment or application is applied to a debt which is secured by the assets and which has been taken into consideration in determining the net contract price.

(2) If the assets include property other than inventory and equipment, twice the net value of the inventory and equipment less the amount of the portion of any part of the

net contract price paid to or applied for the benefit of the seller or a creditor which is allocable to the inventory and equipment except to the extent that the payment or application is applied to a debt which is secured by the assets and which has been taken into consideration in determining the net contract price.

(e) For the purposes of paragraph (2) of subdivision (d), the "net value" of an asset is the value of the asset less each of the following:

(1) The amount of any proceeds of the sale of an asset, to the extent the proceeds are applied in partial or total satisfaction of a debt secured by the asset.

(2) The amount of any debt to the extent it is secured by a security interest or lien that is enforceable against the asset before and after it has been sold to a buyer. If a debt is secured by an asset and other property of the seller, the amount of the debt secured by a security interest or lien that is enforceable against the asset is determined by multiplying the debt by a fraction, the numerator of which is the value of the asset on the date of the bulk sale and the denominator of which is the value of all property securing the debt on the date of the bulk sale. The portion of a part of the net contract price paid to or applied for the benefit of the seller or a creditor that is "allocable to the inventory and equipment" is the portion that bears the same ratio to that part of the net contract price as the net value of the inventory and equipment bears to the net value of all of the assets.

(f) A payment made by the buyer to a person to whom the buyer is, or believes it is, liable under subdivision (a) reduces *pro tanto* the buyer's cumulative liability under subdivision (d).

(g) No action may be brought under subdivision (a) by or on behalf of a claimant whose claim is unliquidated or contingent.

(h) A buyer's failure to comply with the requirements of Section 6104 does not do any of the following:

(1) Impair the buyer's rights in or title to the assets.

(2) Render the sale ineffective, void, or voidable.

(3) Entitle a creditor to more than a single satisfaction of its claim.

(4) Create liability other than as provided in this division.

(i) Payment of the buyer's liability under subdivision (a) discharges *pro tanto* the seller's debt to the creditor.

(j) Unless otherwise agreed, a buyer has an immediate right of reimbursement from the seller for any amount paid to a creditor in partial or total satisfaction of the buyer's liability under subdivision (a).

(Repealed and added by Stats. 1990, Ch. 1191, Sec. 3.)

6108. (a) Sections 6104, 6105, and 6107 apply to a bulk sale by auction and a bulk sale conducted by a liquidator on the seller's behalf with the following modifications:

(1) "Buyer" refers to auctioneer or liquidator, as the case may be.

(2) "Net contract price" refers to net proceeds of the auction or net proceeds of the sale, as the case may be.

(3) The written notice required under subdivision (a) of Section 6105 shall be accompanied by a statement that the sale is to be by auction or by liquidation, the name of the auctioneer or liquidator, and the time and place of the auction or the time and place on or after which the liquidator will begin to sell assets on the seller's behalf.

(4) In a single bulk sale the cumulative liability of the auctioneer or liquidator for failure to comply with the requirements of this section may not exceed the amount of the net proceeds of the sale allocable to inventory and equipment sold less the amount of the portion of any part of the net proceeds paid to or applied for the benefit of a creditor which is allocable to the inventory and equipment.

(b) A payment made by the auctioneer or liquidator to a person to whom the auctioneer or liquidator is, or believes it is, liable under this section reduces *pro tanto* the auctioneer's or liquidator's cumulative liability under paragraph (4) of subdivision (a).

(c) A person who buys at a bulk sale by auction or conducted by a liquidator need not comply with the requirements of Section 6104 and is not liable for the failure of an auctioneer or liquidator to comply with the requirements of this section.

(Repealed and added by Stats. 1990, Ch. 1191, Sec. 3.)

6110. (a) Except as provided in subdivision (b), an action under this division against a buyer, auctioneer, or liquidator shall be commenced within one year after the date of the bulk sale.

(b) If the buyer, auctioneer, or liquidator conceals the fact that the sale has occurred, the limitation is tolled and an action under this division may be commenced within the earlier of the following:

(1) One year after the person bringing the action discovers that the sale has occurred.

(2) One year after the person bringing the action should have discovered that the sale has occurred, but no later than two years after the date of the bulk sale. Complete noncompliance with the requirements of this division does not of itself constitute concealment.

(Repealed and added by Stats. 1990, Ch. 1191, Sec. 3.)

6111. (a) Except to the extent provided in subdivision (b), this division shall apply to a bulk sale if the date of the bulk sale is on or after January 1, 1991.

(b) If the date of a bulk sale is on or after January 1, 1991, and the date of the bulk-sale agreement is before January 1, 1991, all of the following shall apply:

(1) Paragraph (2) of subdivision (a) of Section 6103 and subdivision (b) of Section 6103 shall not apply and this division shall apply only if the goods are located in this state.

(2) Subdivision (a) of Section 6104 shall not apply.

(3) The buyer is required under subdivision (b) of Section 6104 to give notice in accordance with Section 6107, as in effect on December 31, 1990, rather than Section 6105.

(4) The buyer is required under subdivision (c) of Section 6104 to comply with Section 6106, as in effect on December 31, 1990, if the bulk sale is within the scope of that section, rather than Section 6106.2.

(5) Section 6105 shall not apply, and Section 6107, as in effect on December 31, 1990, shall apply.

(6) Sections 6106.2 and 6106.4 shall not apply, and Sections 6106 and 6106.1, as in effect on December 31, 1990, shall apply.

(7) No action may be brought under this division, as in effect either before or on or after January 1, 1991, if the provisions of this division, as in effect on December 31, 1990, have been complied with.

Alcoholic Beverage Control Transfer of Licenses

CA Codes Business and Professions Code Section 24070-24082

Printed April 2014 from <http://leginfo.legislature.ca.gov/faces/codes.xhtml>

Provisions are subject to change

24070. Each license is separate and distinct and is transferable upon approval by the department from the licensee to another person and from one premises to another premises.

(a) All off-sale general licenses may be transferred from one county to another county, subject to the following provisions:

(1) The number of off-sale general licenses in existence in any county on June 1 of any year shall not be increased by more than 25 new original off-sale general licenses during the following 12-month period, provided further that the number of new original off-sale general licenses that may be issued in any county during any 12-month period shall not increase by more than 10 percent the number of off-sale general licenses in existence in that county on the June 1 with which that 12-month period began.

(2) After the department computes the number of new original off-sale licenses that may be issued in any county during any 12-month period as provided by the foregoing paragraph, if the department determines that the ratio established by Section 23817 will permit, during that 12-month period, additional off-sale general licenses in any county, off-sale general licenses may be transferred into that county in a number not to exceed by more than 10 percent the number of off-sale general licenses in existence in that county on the June 1 with which that 12-month period began, but in no event to exceed 25 such transfers during that 12-month period.

(3) Under no circumstances shall the combined total number of new original off-sale general licenses that may be issued in any county during any 12-month period and the number of off-sale general licenses that may be transferred into such county during that 12-month period, exceed the limitation set forth in Section 23817.

(b) All on-sale general licenses may be transferred from one county to another county, subject to the following provisions:

(1) The number of on-sale general licenses in existence in any county on June 1 of any year shall not be increased by more than 10 percent by the issuance of new original on-sale general licenses, but in no event to exceed 25 such licenses, during any 12-month period. The number of on-sale general licenses shall be limited by the provisions of Section 23816.

(2) After the department computes the number of new original on-sale licenses that may be issued in any county during any 12-month period as provided by the foregoing paragraph, if the department determines that the ratio established by Section 23816 will permit, during that 12-month period, additional on-sale general licenses in any county, on-sale general licenses may be transferred into that county in a number not to exceed by more than 10 percent the number of on-sale general licenses in existence in that county on June 1 with which that 12-month period began, but in no event to exceed 25 such transfers during that 12-month period.

(3) Under no circumstances shall the combined total number of new original on-sale general licenses that may be issued in any county during any 12-month period and the number of on-sale general licenses that may be transferred into that county during that 12-month period, exceed the limitation set forth in Section 23816.

(4) The transfer fee for transfer of an on-sale general license from one county to another county shall be the same as the fee prescribed in subdivision (d) of Section 24072 for transfer of an off-sale general license from one county to another county.

(c) No retail license subject to the provisions of Section 23816 or 23817 issued as a new original license on or after June 1, 1961, and no off-sale general license or on-sale general license transferred from one county to another county on or after August 17, 1967, shall be transferable from the licensee to another person, or if the licensee is a corporation a controlling interest in the stock ownership of the licensee shall not be, directly or indirectly, sold, transferred, or hypothecated unless the licensee be a corporation the stock of which is listed on a stock exchange in this state or in the City of New York, State of New York, or which is required by law to file periodic reports with the United States Securities and Exchange Commission, for a period of two years from date of issuance of the license, except as provided in Section 24071, and except when the department determines that the transfer is necessary to prevent undue hardship.

(d) (1) An on-sale general license or off-sale general license that has been transferred from one county to another county shall not be transferred for a purchase price or consideration in excess of the original fee paid for that license pursuant to subdivision (b) of Section 23954.5 for a period of five years following the previous transfer of that license.

(2) An on-sale general license or off-sale general license that has been transferred from one county to another county may be transferred with no restrictions as to the purchase price or consideration to the transferor or from the transferee after a period of five years from the date of the previous intercounty transfer of the license.

(Amended by Stats. 2013, Ch. 337, Sec. 4. Effective January 1, 2014.)

24070.1. An on-sale license issued for a bona fide public eating place may be transferred from the licensee to another person, as provided in Section 24070, for a bona fide public eating place or for public premises, as defined in Section 23039. An on-sale license issued for public premises may be transferred from the licensee to another person, as provided in Section 24070, for public premises or for a bona fide public eating place.

(Added by Stats. 1955, Ch. 1779.)

24070.2. Notwithstanding subdivision (a) of Section 24070, any off-sale general license issued prior to April 29, 1992, and located within the boundaries of the United States Bureau of the Census tracts 234000, 234200, 234300, 234500, 234600, 234700, 234800, 234900, 235100, 235201, 235202, 236100, 236201, 236202, 236400, 231100, 231500, 231600, 231700, 231800, 231900, 232100, 232200, 232300, 232400, 232500, 232600, 232700, 232800, 237100, 237200, 237300, 237400, 237500, 237600, 237700, 237800, 237900, 238000, 238100, 238200, 238300, 238400, 240300, 240400, 241200, 241300, 600100, 600201, 600202, 600301, 600302, 600400, 602700, 602800, 602900, 603002, 228100, 228200, 228300, 228400, 228500, 228600, 228700, 228800, 228900, 229100, 229200, 229300, 229400, 239200, 239300, 239500, 239600, 239700, 239800, 242000, 242100, 242200, 242300, 242600, 242700, 243000, 243100, 535400, 240000, 240200, 240500, 240600, 240700, 240800, 240900, 241000, 241100, 241400,

532700, 532800, 532900, 533000, 534900, 535000, 535101, 535102, 535200, 535300, 535400, 541100, 541200, 541300, 541400, 541601, 541602, 541800, 542000, 542101, 542102, 542200, 542401, 542402, 542500, 542600, 542700, 542800, 542900, 543000, 543100, 543200, 543301, 543321, and 570400 located within Los Angeles County may be transferred from that county to another county without regard to the limitations imposed by Section 24070. Notwithstanding the fee provisions of Section 24072, the fee for a transfer of a license pursuant to this section shall be one hundred dollars (\$100).
(Added by Stats. 1993, Ch. 1285, Sec. 1. Effective January 1, 1994.)

24070.5. When a winegrower has failed to carry on business actively, pursuant to a winegrower's license, for a period of one year, such winegrower's license, without regard to when it was originally issued, may be transferred only to a person who qualifies as a winegrower, as defined in Sections 23013 and 23358 of this code.
(Added by Stats. 1969, Ch. 1277.)

24071. The license of one spouse may be transferred to the other spouse when the application for transfer is made prior to the entry of a final decree of divorce, and the license of a decedent, minor ward, incompetent person, conservatee, debtor in a bankruptcy case, person for whose estate a receiver is appointed, or assignor for the benefit of creditors may be transferred by or to the surviving partners of a deceased licensee, the executor, administrator, conservator or guardian of an estate of a licensee, the surviving spouse of a deceased licensee in the event that the deceased licensee leaves no estate to be administered, the trustee of a bankrupt estate of a licensee, a receiver of the estate of a licensee, or an assignee for the benefit of creditors of a licensee with the consent of the assignor, or a license may be transferred by or to a receiver appointed for a judgment debtor as provided by Section 708.630 of the Code of Civil Procedure, or a license may be transferred to a revocable living trust when the licensee is also the trustee, or a license may be transferred between partners where no new partner is being licensed, or a license may be transferred between corporations whose outstanding shares of stock are owned by the same natural persons, or a licensee may transfer upon compliance with Section 24073 any license to a corporation whose entire stock is owned by the licensee, or his or her spouse, or a licensee may transfer upon compliance with Section 24073 any license to a limited liability company whose entire membership consists of the licensee, or his or her spouse, or a license may be transferred from a corporation to a person who owns, or whose spouse owns, the entire stock of the corporation, and the fee for transfer of each license is fifty dollars (\$50). The regular transfer fee provided in Section 24072 shall be due and payable upon the subsequent transfer of 25 percent of the stock in a corporation to which a license has been transferred by a licensee or his or her spouse pursuant to this section, except if the transfer of stock is from a parent to his or her child or grandchild, in which case the fee shall be one-half of the regular transfer fee. In no case shall a fee be charged for the transfer of an importer's license. All money collected from the fees provided for in this section shall be deposited in the Alcohol Beverage Control Fund as provided in Section 25761.
Nothing in this section shall be deemed to authorize the formation of a limited liability company composed of only one member in violation of subdivision (b) of Section 17050 of the Corporations Code.
(Amended by Stats. 2009, Ch. 500, Sec. 9. Effective January 1, 2010.)

24071.1. (a) When the ownership of 50 percent or more of the shares of stock of a corporation, which is required to report the issuance or transfer of those shares of stock under Section 23405, is acquired by or transferred to a person or persons who did not hold the ownership of 50 percent of those shares of stock on the date the license was issued to the corporation, the license of the corporation shall be transferred to the corporation as newly constituted. When there is a new general partner or when the ownership of 50 percent or more of the capital or profits of a limited partnership, which is required to maintain a register under Section 23405.1, is acquired by or transferred to a person or persons as general or limited partners and who did not hold ownership of 50 percent or more of the capital or profits of the limited partnership on the date the license was issued to the limited partnership, the license of the limited partnership shall be transferred to the limited partnership as newly constituted. The fee for the transfer shall be equal to 50 percent of the original fee for the license, except that the minimum fee shall be one hundred dollars (\$100) and the maximum fee shall be eight hundred dollars (\$800). In situations involving the multiple and simultaneous transfer of licenses under this section, the regular transfer fee shall only be required for one of the licenses being transferred and the remainder of the licenses shall be transferred for a fee of one hundred dollars (\$100) each. All of the transfer fees collected pursuant to this section shall be deposited in the Alcohol Beverage Control Fund as provided in Section 25761. Before the license is transferred, the department shall conduct an investigation pursuant to the provisions of Section 23958. Any person or persons who own 50 percent or more of the shares of stock of the corporation or who own as limited partners 50 percent or more of the capital or profits of the limited partnership, as the case may be, shall have all the qualifications required of a person holding the same type of license. (b) No retail license shall be transferred by a corporation or a limited partnership under this section unless, before the filing of the transfer application with the department, the corporation or limited partnership initiating the transfer records in the office of the county recorder of the county or counties in which the premises to which the license has been issued are situated a notice of the intended transfer, stating all of the following:

- (1) The name and address of the corporation or limited partnership.
- (2) The name and address of the person or persons acquiring ownership of 50 percent or more of the stock of the corporation or capital or profits of the limited partnership.
- (3) The amount of the consideration paid for the stock or limited partnership interests.
- (4) The kind of license or licenses intended to be transferred.
- (5) The address or addresses of the premises to which the license or licenses have been issued.

A copy of the notice of the intended transfer, certified by the county recorder, shall be filed with the department together with the transfer application.

(c) Notwithstanding any other provision of this division to the contrary, a corporation or limited partnership as newly constituted by transfer under this section, is not eligible for any new credit from any person named in Section 25509 until all delinquent payments owed by the entity as formerly constituted, are made, nor shall any entity retail licensee, by transferring its license under this section, avoid the provisions of Section 25509 with regard to 42-day or 30-day periods, percentage charges for unpaid balances, or cash-on-delivery basis.

(Amended by Stats. 1998, Ch. 639, Sec. 11. Effective January 1, 1999.)

24071.2. (a) When the ownership of 50 percent or more of the membership interests in a limited liability company required to report the issuance or transfer of memberships under Section 23405.2 is acquired by or transferred to a person or persons who did not hold the ownership of 50 percent of the membership interests on the date the license was issued to the limited liability company, the license of the limited liability company shall be transferred to the limited liability company as newly constituted. The fee for the transfer shall be equal to 50 percent of the original fee for the license, except that the minimum fee shall be one hundred dollars (\$100) and the maximum fee shall be eight hundred dollars (\$800). In situations involving the multiple and simultaneous transfer of licenses under this section, the regular transfer fee shall be required for only one of the licenses being transferred and the remainder of the licenses shall be transferred for a fee of one hundred dollars (\$100) each. All of the transfer fees collected pursuant to this section shall be deposited in the Alcohol Beverage Control Fund, as provided in Section 25761. Before the license is transferred, the department shall conduct an investigation pursuant to Section 23958. Any person or persons who own 50 percent or more of the membership interests of the limited liability company shall have all the qualifications required of a person holding the same type of license.

(b) No retail license shall be transferred by a limited liability company under this section unless, before the filing of the transfer application with the department, the company initiating the transfer records, in the office of the county recorder of the county or counties in which the premises to which the license has been issued are situated, a notice of the intended transfer, stating all of the following:

- (1) The name and address of the limited liability company.
- (2) The name and address of the person or persons acquiring ownership of 50 percent or more of the membership interests of the limited liability company.
- (3) The amount of the consideration paid for the membership interests.
- (4) The kind of license or licenses intended to be transferred.
- (5) The address or addresses of the premises to which the license or licenses have been issued.

A copy of the notice of the intended transfer, certified by the county recorder, shall be filed with the department together with the transfer application.

(c) Notwithstanding any other provision of this division to the contrary, a limited liability company as newly constituted by transfer under this section shall not be eligible for any new credit from any person named in Section 25509 until all delinquent payments owed by the limited liability company as formerly constituted are made, nor shall any retail licensee, by transferring its license under this section, avoid the provisions of Section 25509 with regard to 42-day or 30-day periods, percentage charges for unpaid balances, or cash-on-delivery basis.

(d) Nothing in this section shall be deemed to authorize the formation of a limited liability company composed of only one member in violation of subdivision (b) of Section 17050 of the Corporations Code.

(Amended by Stats. 1999, Ch. 699, Sec. 4. Effective January 1, 2000.)

24072. The following transfer fees shall be charged by the department:

(a) The fee for transfer of a license other than a retail license from a licensee to another person is a fee equal to 70 percent of the annual fee for the license, except as provided in Section 24071. Section 23322 shall not apply to this transfer fee.

(b) The fee for transfer of a retail license from a licensee to another person is a fee equal to 50 percent of the original fee for the license, but not to exceed one thousand two hundred fifty dollars (\$1,250), or if no original fee is provided for by law, one hundred dollars (\$100).

(c) Except as provided in Section 24082, the fee for transfer of a license from one premises to another premises is one hundred dollars (\$100).

(d) Notwithstanding the other fee provisions of this section, the fee for a transfer of an off-sale general license from one county to another county shall be six thousand dollars (\$6,000).

(e) The fee for transfer of an on-sale or off-sale retail license to include the mother, father, son, or daughter of a licensee, when no consideration is given for such transfer, shall be one-half of the regular fee for transfer of a license from a licensee to another person, as provided by this section.

All money collected from the fees provided for in this section shall be deposited in the Alcohol Beverage Control Fund as provided in Section 25761.

(Amended by Stats. 1992, Ch. 900, Sec. 15. Effective September 24, 1992.)

24072.1. An on-sale license issued for a bona fide public eating place may be transferred from the premises for which issued to other premises, as provided in Section 24072, for a bona fide public eating place or for public premises, as defined in Section 23039. An on-sale license issued for public premises may be transferred from the premises for which issued to other premises, as provided in Section 24072, for public premises or for a bona fide public eating place.

(Added by Stats. 1955, Ch. 1779.)

24072.2. Any person who has an on-sale license issued for a bona fide public eating place may exchange his or her license for a similar license for public premises, as defined in Section 23039, and any person who has such a license issued for public premises may exchange his or her license for a similar license for a bona fide public eating place. The exchange may be made at the time of renewal of the license sought to be exchanged, and not more than once between renewal periods, upon the approval of the department, the payment of an exchange fee of one hundred dollars (\$100), and compliance with the provisions of this division relating to the issuance of an original license. All money collected from the fee provided for in this section shall be deposited directly in the Alcohol Beverage Control Fund as provided in Section 25761.

(Amended by Stats. 1994, Ch. 1028, Sec. 4. Effective January 1, 1995.)

24072.5. Any person who has any on-sale general license may exchange his or her license for a special on-sale general license and any person who has a special on-sale general license may exchange his or her license for an on-sale general license. The exchange may be made at any time upon the approval of the department, the payment of an exchange fee of one hundred dollars (\$100), and compliance with the provisions of this division relating to the issuance of an original license. However, Sections 23985, 23985.5, and 23986 shall not apply to the exchange of an on-sale general license for a special on-sale general license. All money collected from the fee provided for in this section shall be deposited in the Alcohol Beverage Control Fund as provided in Section 25761.

(Amended by Stats. 1992, Ch. 900, Sec. 16. Effective September 24, 1992.)

24073. No retail license limited in numbers, off-sale beer and wine license, on-sale beer and wine license, on-sale beer and wine public premises license, on-sale beer license, on-sale beer public premises license, or on-sale general license for seasonal business, shall be transferred unless before the filing of the transfer application with the department the licensee or the intended transferee records in the office of the county recorder of the county or counties in which the premises to which the license has been issued are situated a notice of the intended transfer, stating all of the following:

- (a) The name and address of the licensee.
- (b) The name and address of the intended transferee.
- (c) The kind of license or licenses intended to be transferred.
- (d) The address or addresses of the premises to which the license or licenses have been issued.
- (e) An agreement between the parties to the transfer that the consideration for the transfer of the business and license or licenses, if any there be, is to be paid only after the transfer is approved by the department.
- (f) The place where the purchase price or consideration for the transfer of the business and license or licenses is to be paid, the amount of such purchase price or consideration, and a description of the entire consideration, including a designation of cash, checks, promissory notes, and tangible and intangible property, and the amount of each thereof.
- (g) The name and address of the escrow holder referred to in Section 24074, or of the guarantor referred to in Section 24074.4, as the case may be.

A copy of the notice of intended transfer, certified by the county recorder, shall be filed with the department together with a transfer application.

(Amended by Stats. 1973, Ch. 816.)

24074. Before the filing of such a transfer application with the department, if the intended transfer of the business or license involves a purchase price or consideration, the licensee and the intended transferee shall establish an escrow with some person, corporation, or association not a party to the transfer acting as escrow holder, and the intended transferee shall deposit with the escrow holder the full amount of the purchase price or consideration. The transfer application shall be accompanied by a description of the entire consideration. The description shall include a designation of cash, checks, promissory notes, and tangible and intangible property, and the amount of each thereof. The licensee and intended transferee shall also enter into an agreement, which agreement shall be deposited with the escrow holder, directing the escrow holder, after the requirements for transfer as provided in Section 24049 are satisfied, to pay out of the purchase price or consideration, whether the consideration takes the form of cash, checks, promissory notes, or tangible or intangible property, the claims of the bona fide creditors of the licensee who file their claims with the escrow holder before the escrow holder is notified by the department of its approval of the transfer of the license or if the purchase price or consideration is not sufficient to pay the claims in full, to distribute the consideration as follows:

First, to the United States for claims based on income or withholding taxes; and thereafter for claims based on any tax other than specified in Section 24049.

Second, to the payment of claims for wages, salaries, or fringe benefits of employees of the seller or transferor earned or accruing prior to the sale, transfer, or opening of an escrow for the sale thereof.

Third, to the payment of claims of secured creditors to the extent of the proceeds which arise from the sale of the security.

Fourth, to the payment of claims on mechanics' liens.

Fifth, to the payment of escrow fees and the payment of claims for prevailing brokerage fees for services rendered and claims for reasonable attorney's fees for services rendered.

Sixth, to the payment of claims for goods sold and delivered to the transferor for resale at his licensed premises and the payment of claims for services rendered, performed, or supplied in connection with the operation of the licensed business, and to the payment of claims of a landlord, to the extent of proceeds on past due rent.

Seventh, to the payment of other claims which have been reduced to court-ordered judgments, including claims for court-ordered support of a minor child.

Eighth, to the payment of all other claims. The payment of these claims if sufficient assets are not available for the payment of the claim in full shall be paid pro rata.

If the transferor licensee disputes any claim, the escrow holder shall notify the claimant, and the amount or pro rata amount thereof shall be retained by the escrow holder for a period of 25 days, and if not attached shall be paid to the transferor licensee. The agreement shall also provide that the escrow holder shall make the payment or distribution within a reasonable time after the completion of the transfer of the license. (Amended by Stats. 1984, Ch. 1570, Sec. 2.)

24074.1. Any person desiring to act as an escrow holder under Section 24074 shall:

1. Comply with all the applicable provisions of Chapter 1 (commencing with Section 17000) of Division 6 of the Financial Code.

2. Not more than 10 days after receiving a claim from a creditor, said escrow holder shall acknowledge receipt of each claim; and

3. Not more than 10 days after the license has been transferred and prior to the distribution of the assets held by said escrow holder he shall advise each creditor who filed a claim against the escrow whether or not there are sufficient assets in the escrow to pay all creditors in full. If the assets in the escrow are sufficient to pay all creditors in full, said escrow holder shall also advise each creditor of the date on or before which payment will be made. If there are not sufficient assets to pay all creditors in full, he shall then advise each creditor who filed a claim of the following: (a) the total assets placed in escrow with him and the nature of each asset; (b) the name of each creditor who filed a claim against the escrow and the amount of said claim; (c) the amount he proposes to pay each creditor; and (d) the date on or before which said amount will be paid to the creditors.

(Added by Stats. 1965, Ch. 1426.)

24074.2. Any person desiring to act as an escrow holder under Section 24074 shall not release any funds in the escrow in exchange for a promissory note or in exchange for any other consideration of less value to the creditors than the funds exchanged.

(Added by Stats. 1967, Ch. 1494.)

24074.3. (a) Within 30 days after the filing of an application for transfer of a license referred to in Section 24073, the intended transferee shall file with the department a statement executed under penalty of perjury that the purchase price or consideration as set forth in the escrow agreement required by Section 24074 has been deposited with the escrowholder. At the time such statement is filed with the department copies thereof shall be submitted by the intended transferee to the transferor and the escrowholder concerned. The 30-day period specified by this section may be extended by the department for good cause; however, the license shall not be transferred until the statement required by this section is received by the department.

(b) This section shall not apply in the case of transfers for which a guaranty of payment has been filed pursuant to Section 24074.4.

(Amended by Stats. 1973, Ch. 816.)

24074.4. (a) Notwithstanding the provisions of Section 24074, no escrow shall be required to be established in connection with the transfer of a business or license if a corporate person files with the department a guaranty of full, prompt, and faithful payment of all claims of bona fide creditors of the licensee, and such guaranty is acceptable to the creditors. The department shall not transfer the license until the guarantor has paid all the creditors' claims in full and the guarantor has filed with the department a statement executed under penalty of perjury that all conditions of the transfer have been satisfied. Payment of such claims by the guarantor shall be made in United States currency or by certified check in a manner acceptable to the creditors.

(b) This section shall apply only in the case of a transfer involving an off-sale beer and wine license, and in which the guarantor corporation has a net worth on a consolidated basis, according to its most recent audited financial statement, of not less than five million dollars (\$5,000,000).

(Added by Stats. 1973, Ch. 816.)

24075. The provisions of Sections 24073 and 24074 do not apply to any transfer of a license made by an executor, administrator, guardian, conservator, trustee, receiver, except a receiver appointed under the provisions of Section 708.630 of the Code of Civil Procedure, or other person acting in the legal or proper discharge of official duty, or in the discharge of any trust imposed upon the person by law, nor to any transfer or assignment made for the benefit of creditors, nor to a surviving spouse or fiduciary or other person within the meaning of Section 24071.

(Amended by Stats. 1982, Ch. 497, Sec. 1.5. Operative July 1, 1983, by Sec. 185 of Ch. 497.)

24076. No licensee shall enter into any agreement wherein he pledges the transfer of his license as security for a loan or as security for the fulfillment of any agreement. No license shall be transferred if the transfer is to satisfy a loan or to fulfill an agreement entered into more than 90 days preceding the date on which the transfer application is filed, or to gain or establish a preference to or for any creditor of the transferor, except as provided by Section 24074, or to defraud or injure any creditor of the transferor.

(Amended by Stats. 1967, Ch. 753.)

24077. Notwithstanding any other provision of law, no license shall be transferred into any county having a population of 35,000 or less.

(Added by Stats. 1961, Ch. 783.)

24078. A special on-sale general license may be transferred from person to person or from premises to premises, as provided in this article, but only for the operation of the licensed premises as required by Section 23399.2.

(Added by Stats. 1961, Ch. 1914.)

24079. (a) An on-sale general license or off-sale general license shall not be transferred for a purchase price or consideration in excess of the original fee paid for that license pursuant to subdivision (b) of Section 23954.4 for a period of two years following the original issuance of that license.

(b) On and after the two-year period following the original issuance of an on-sale general license or off-sale general license, there shall not be a restriction as to the purchase price or consideration paid by a transferee or received by a transferor for an on-sale general license or off-sale general license.

(Repealed and added by Stats. 2012, Ch. 327, Sec. 13. Effective January 1, 2013.)

24080. Every application filed by the intended transferee with the department for the transfer of an on-sale or off-sale general license shall indicate whether the consideration, if any, to be paid to the transferor includes payment for any or all of the following:

(a) Inventory.

(b) Fixtures.

(c) Transfer of the license.

The actual amount of the consideration, if any, to be paid for items (a), (b) and (c) is to be indicated in the application.

(Added by Stats. 1963, Ch. 1689.)

24081. (a) Notwithstanding any other provision of law in this division including, but not limited to, requirements relating to the issuance or transfer of a license, any licensee whose premises, for which a license, other than an off-sale license, has been issued, have been destroyed as a result of fire or any act of God or other force beyond the control of the licensee may carry on his or her business for a period of not more than 180 days at a location within 500 feet of the premises for which the license was issued and while the premises are being repaired or rebuilt and he or she shall be entitled to carry on his or her business under his or her existing license upon the former premises when they have been repaired or rebuilt.

(b) Notwithstanding any other provision of law in this division, including, but not limited to, requirements relating to the issuance or transfer of a license, any licensee whose premises, for which an off-sale license has been issued, have been destroyed as a result of fire or any act of God or other force beyond the control of the licensee, may carry on his or her business for a period of not more than six months at a location within 500 feet of the premises for which the license was issued and while the premises are being repaired or rebuilt and he or she shall be entitled to carry on his or her business under his or her existing license upon the former premises when they have been repaired or rebuilt.

(Amended by Stats. 2008, Ch. 93, Sec. 1. Effective January 1, 2009.)

24082. The license of a licensee whose licensed premises have been destroyed as a result of fire or act of God or have been taken under the power of eminent domain, may be transferred to another location within the same county without payment of the fee for transfer of a license from one premises to another premises. Within 18 months of the fire or act of God, if the destroyed premises have been reconstructed and the license has not been transferred to another person, the license may be transferred back to the location of the destroyed premises without payment of the fee for transfer of a license from one premises to another premises.

I hope this information has been helpful to you. Please give me a call on (916) 570-2674 if I can assist you with the sale of your business.

About the Author

Andrew Rogerson is a Certified Business Broker. He holds the Certified Business Intermediary (CBI) designation from the International Business Brokers Association, the highest designation awarded by the IBBA. Andrew has also earned the Certified Business Broker (CBB) designation from the California Association of Business Brokers, the Certified Machinery and Equipment designation (CMEA) from the NEBB Institute and is a Certified Senior Business Analyst (CSBA) with the Society of Business Analysts. Andrew is also the published author of four books on business ownership available from his website www.BusinesTransactionBooks.com.com.



As the owner Rogerson Business Services, Andrew assists his clients with both selling and buying businesses. For more information, visit www.RogersonBusinessServices.com.

Why business sellers use Andrew Rogerson

Sometimes business buyers wonder why a seller uses a broker to sell a “good” business. Here are some of the reasons smart sellers engage a professional business broker.

Integrity. Both buyers and sellers that have used Andrew's service know that they were and will not knowingly be misrepresented. They also know that he won't mislead them as trust and integrity with what Andrew stands for and how he conducts himself.

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Why business buyers use Andrew Rogerson

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- How do I get started?
- How do I find a really solid business?
- How do I get financial information from the Seller?
- What is a business really worth?
- What strategy should I use when making an offer?
- What is the best price?
- Who will write the Purchase and Sale Agreement?
- When should I get a lawyer or accountant involved?
- How do I get the lease I want?
- How can I be sure this is the right business for me?

Andrew is a 5-time business owner; 2 businesses in his native Australia and three in California. Andrew uses his experience and objectivity to answer all your questions and match your needs, abilities, resources, and interests with just the right business. Andrew is also part of Murphy Business and Financial. This provides the advantage of dealing with the largest and most experienced business brokerage organization in the U.S. We can introduce you to more good business opportunities than anyone.



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