

Industry Bulletin

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New Laws Affecting Contractors Starting in 2026

Sacramento, CA – Contractors should be aware of new state laws taking effect on January 1, 2026, that may impact their business operations, contracts, and licensing. These changes, passed during the 2025 legislative session, aim to strengthen consumer protections, improve enforcement, and clarify responsibilities across the construction industry.

[Assembly Bill 521](#) (Carrillo) – This bill clarifies that CSLB is not liable for attorney fees in civil claims involving a contractor's cash deposit filed in lieu of a license bond. This change helps define CSLB's role in such disputes and limits its financial exposure.

[AB 1002](#) (Gabriel) – The Attorney General (AG) and CSLB are now jointly authorized to bring civil actions to suspend, revoke, or deny a contractor's license for failing to pay workers or comply with a wage judgment or court order. The AG must notify CSLB before initiating such action, and CSLB may choose to intervene or collaborate in the proceedings.

[AB 1327](#) (Aguiar-Curry) – Contractors working in the home improvement sector must now include their email address in home improvement contracts and allow buyers to cancel via email. Contracts must also include a telephone number to help buyers locate and complete the "Notice of Cancellation." If this notice is missing, consumers may file a complaint with CSLB.

[Senate Bill 291](#) (Grayson) – This bill significantly increases penalties for workers' compensation (WC) insurance violations. The Board must also develop a new process to verify WC exemption eligibility and report findings to the Legislature by 2027. Annual reporting of WC enforcement data is also now required. Additional information on WC requirements can be found [here](#).

[SB 456](#) (Ashby) – A new exemption from licensure has been created for muralists. Individuals who paint or restore murals under agreement with a legally authorized party are no longer required to hold a contractor license, provided the mural is a unique work of fine art painted by hand directly on an interior or exterior wall or ceiling, and protected by copyright or similar rights. This exemption does not apply to painted wall signs.

[SB 517](#) (Niello) – Contractors using subcontractors in home improvement projects must now disclose that information upon request. This includes the subcontractor's name,

contact information, license number, and classification. While the prime contractor remains responsible for the overall project, subcontractors and home improvement salespersons may also face disciplinary action for violations.

SB 779 (Archuleta) – Beginning July 1, 2026, CSLB will increase minimum civil penalties for certain violations. Fines for unlicensed activity will start at \$1,500, and other specified violations will carry minimum penalties of \$500 or \$1,500, depending on the offense. These amounts will be adjusted every five years based on the Consumer Price Index.

Contractors are encouraged to review these changes carefully and ensure their business practices and contracts comply by the start of the new year. For more information and updates, visit www.cslb.ca.gov.

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