

BUSINESS & FACILITIES UPDATE

News and developments in bidding, building,
and business

LCW LIEBERT CASSIDY WHITMORE



AB 1565 – Limits Liability of General Contractors for Sub-Contractor’s Failure to Comply with the Labor Code.

Last year, the Legislature enacted Labor Code section 218.7, which holds direct contractors liable, under certain types of construction contracts, for unpaid wages, benefits, or contributions that a subcontractor owes to its workers. Labor Code section 218.7 allows direct contractors to require subcontractors to provide certain payroll records so that the direct contractor can evaluate the subcontractor’s compliance with wage and hour laws. The direct contractor may withhold payments until the subcontractor provides those records.

When Labor Code section 218.7 was enacted, Governor Brown explained that in 2018 the sponsors of that law would pass clarifying legislation regarding the scope of liability for contractors. This bill is that clarifying legislation. AB 1565 strikes language providing that the direct contractor’s liability for unpaid wages or benefits is in addition to any other existing rights and remedies. AB 1565 also provides that in order to withhold payments, the direct contractor must specify in its contract with the subcontractor, what specific documents and information that the subcontractor is required to provide.

(AB 1565 amends Section 218.7 of the Labor Code.)

This article was written by [Casey Williams](#), Associate, from the San Francisco office of Liebert Cassidy Whitmore. Casey is a member of the firm’s Business and Facilities practice group, which assists public agency clients in matters including construction, contracts, purchase agreements and real property. Casey can be reached at (415) 512-3018 or at cwilliams@lcwlegal.com. For more information regarding the update above or about our firm please visit our website at <http://www.lcwlegal.com>, or contact one of our offices below.

To subscribe to this e-newsletter please visit: <https://www.lcwlegal.com/>

Liebert Cassidy Whitmore publishes the Business and Facilities Update as a service to our clients and other friends for informational purposes only. It is not intended to be used as a substitute for specific legal advice or opinions and the transmission of this information is not intended to create an attorney-client relationship between sender and receiver. You should not act upon this information without seeking professional counsel.

6033 W. Century Blvd.
5th Floor
Los Angeles, CA 90045
(310) 981-2000

135 Main Street
7th Floor
San Francisco, CA 94105
(415) 512-3000

5250 North Palm Ave.
Suite 310
Fresno, CA 93704
(559) 256-7800

550 West C Street
Suite 620
San Diego, CA 92101
(619) 481-5900

400 Capitol Mall
Suite 1260
Sacramento, CA 95814
(916) 584-7000