

State of California

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<b>Legislative Change No.</b>	<b>06-3</b>
Bill Number: <u>SB 1183</u>	Author: <u>Ackerman</u> Chapter Number: <u>06-57</u>
Laws Affecting Franchise Tax Board:	<u>Corporations Code section 191</u>
Date Filed with the Secretary of State:	<u>July 7, 2006</u>

**SUBJECT:** Foreign Corporations/Transacting Intrastate Business

**Senate Bill 1183 (Ackerman), as enacted on July 7, 2006, made the following changes to California law:**

Section 191 of the Corporations Code is amended.

This act expands the current Corporations Code provision that a foreign corporation is not considered to be **transacting intrastate business** merely because its subsidiary transacts intrastate business to expressly provide that a foreign corporation is also not considered to be transacting intrastate business merely because of its status as any one or more of the following:

1. A shareholder of a domestic corporation.
2. A shareholder of a foreign corporation transacting intrastate business.
3. A limited partner of a domestic limited partnership.
4. A limited partner of a foreign limited partnership transacting intrastate business.
5. A member or manager of a domestic limited liability company.
6. A member or manager of a foreign limited liability company transacting intrastate business.

Note: **Transacting intrastate business**, as applicable for the **Corporations Code**, is the jurisdictional standard for when the state can regulate a corporation.

**Transacting intrastate business is not the jurisdictional standard for imposing the Corporation Franchise Tax under the Revenue and Taxation Code.** The jurisdictional standard for imposing the franchise tax in California is “**doing business**,” which is defined as engaging in any transaction for financial gain. Thus, this Corporations Code change does not change the taxability of taxpayers subject to the franchise tax.

This act is effective on January 1, 2007, and operative as of that date.

This act will not require any reports by the department to the Legislature.

Assistant Bureau Director Patrice Gau-Johnson	Date 10/26/06
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