

**SUMMARY ANALYSIS OF AMENDED BILL**

Author: Houston Analyst: Victoria Favorito Bill Number: AB 897  
 Related Bills: See Prior Analysis Telephone: 845-3825 Amended Date: August 1, 2007  
 Attorney: Pat Kusiak Sponsor: \_\_\_\_\_

**SUBJECT:** Exempt Organizations/Exempt From State Taxes Upon Submission Of Notification Issued By The IRS Approving Exempt Status

\_\_\_\_ DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

\_\_\_\_ AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

\_\_\_\_ AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_\_.

\_\_\_\_ FURTHER AMENDMENTS NECESSARY.

\_\_\_\_ DEPARTMENT POSITION CHANGED TO \_\_\_\_\_.

REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED  
X MARCH 29, 2007, STILL APPLIES.

\_\_\_\_ OTHER – See comments below.

**SUMMARY**

This bill would eliminate the requirements for certain federally tax-exempt entities to apply separately for state tax exemption.

**SUMMARY OF AMENDMENTS**

The August 1, 2007, amendments would do the following:

- Specify that the effective date of the organization's California tax-exempt status be based on the effective date of that organization's Internal Revenue Code (IRC) section 501(c)(3) tax-exempt status.
- Require the taxpayer to notify Franchise Tax Board (FTB) of Internal Revenue Service (IRS) suspended status.
- Provide public purpose language necessary for retroactive application.
- Make a technical change.

As a result of these changes, the "Effective/Operative Date" and "This Bill" sections are being revised. The remainder of the department's analysis of the bill as amended March 29, 2007, still applies.

Board Position:	Legislative Director	Date
_____ S                      _____ NA                      _____ NP _____ SA                      _____ O                      _____ NAR _____ N                      _____ OUA <u>X</u> PENDING	Brian Putler	8/8/07

## **EFFECTIVE/OPERATIVE DATE**

This bill would become effective January 1, 2008, and operative for requests for state tax-exempt status filed on or after January 1, 2008. In addition, this bill would specify the effective date of an organization's California tax-exempt status to be no later than the effective date of that organization's tax-exempt status under IRC section 501(c)(3).

## **POSITION**

Pending.

## **ANALYSIS**

### THIS BILL

This bill would allow 501(c)(3) organizations that are granted tax-exempt status under federal law to submit a copy of the IRS issued tax-exempt status notice to FTB to establish their state exemption.

As a result, 501(c)(3) organizations that receive tax-exempt status with the IRS, would no longer be required to file an exemption application with FTB or submit a \$25 filing fee.

These organizations would continue to receive a letter issued by FTB verifying the organization's exemption from state tax. Those organizations that are not issued a federal determination letter would still file an application for California exemption.

This bill would specify that FTB would not be prevented from revoking tax-exempt status if the entity fails to meet certain state provisions governing exempt organizations.

This bill would require the taxpayer to inform FTB of an IRS tax-exemption suspension and, upon receipt of the IRS notice of suspension, allow FTB to suspend the organization's state tax-exempt status.

## **LEGISLATIVE STAFF CONTACT**

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