

SUMMARY ANALYSIS OF AMENDED BILL

Author: Eng Analyst: Victoria Favorito Bill Number: AB 404
 Related Bills: See Prior Analysis Telephone: 845-825 Amended Date: April 14, 2009
 Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: Exempt Organizations/Subordinate Organizations Included in Federal Group Exemption Letter

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 DEPARTMENTS 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 INTRODUCED February 29, 2009, STILL APPLIES.

OTHER – See comments below.

SUMMARY

This bill would do the following:

- eliminate the requirements for certain tax exempt entities that are granted federal group exemption to apply separately for state tax exemption and
- allow the Franchise Tax Board (FTB) to permit inspection of certain exemption documents.

SUMMARY OF AMENDMENTS

The April 14, 2009, amendments added language that would allow the acknowledgement letters and other documents submitted to and issued by FTB to be open to public inspection.

The amendments also resolved the implementation consideration discussed in the bill as introduced February 29, 2009, by revising the language to specify that under a federal group exemption, both the central organization and all its subordinates must be exempt under IRC section 501(c)(3).

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| Board Position: | Legislative Director | Date |
| <input type="checkbox"/> S | Brian Putler | 04/24/09 |
| <input type="checkbox"/> NA | | |
| <input type="checkbox"/> SA | | |
| <input type="checkbox"/> N | | |
| <input type="checkbox"/> NP | | |
| <input type="checkbox"/> O | | |
| <input type="checkbox"/> NAR | | |
| <input checked="" type="checkbox"/> PENDING | | |

The "This Bill" discussion has been revised as a result of the April 14, 2009, amendments. The remainder of the department's analysis of the bill as amended February 29, 2009, still applies.

ANALYSIS

THIS BILL

This bill would allow IRC section 501(c)(3) organizations granted federal tax-exemption on the basis of a federal group exemption to be tax-exempt for state purposes. It would require both the central organization and its subordinates covered by a federal group exemption to be tax-exempt under IRC section 501(c)(3).

This bill would specify that once FTB receives the federal determination ruling or a federal group exemptions letter, FTB would issue an acknowledgment letter recognizing the organization's state tax exemption status.

Under this bill, the following documents would be subject to public inspection:

- the documents submitted to FTB to verify an organization's federal tax exemption under IRC section 501(c)(3).
- the acknowledgment letters or other documents issued by FTB to acknowledge submission of the federal determination letter under IRC section 501(c)(3).

This bill would provide that a revocation of an organization's state tax exemption can only be reinstated upon compliance with Revenue and Taxation Code (R&TC) section 23701, regardless of whether the organization can establish federal exemption.

Under this bill, if a central organization's exemption status is withdrawn or revoked, all of the status for all of the supporting or affiliated group members would immediately be revoked and can be reinstated only upon compliance with R&TC section 23701.

LEGISLATIVE STAFF CONTACT

Legislative Analyst
Victoria Favorito
(916) 845-3825
victoria.favorito@ftb.ca.gov

Revenue Director
Jay Chamberlain
(916) 845-3375
jay_chamberlain@ftb.ca.gov

Legislative Director
Brian Putler
(916) 845-6333
brian.putler@ftb.ca.gov