

State of California

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Legislative Change No. 09-19
Bill Number: AB 404 Author: Eng Chapter Number: **09-504**

Laws Affecting Franchise Tax Board: Sections 19565 and 23701d of the Revenue and Taxation Code

Date Filed with the Secretary of State: October 11, 2009

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

Assembly Bill 404 (Eng), as enacted on October 11, 2009, made the following changes to laws impacting the Franchise Tax Board (FTB):

Section 19565 of the Revenue and Taxation Code is amended.

This Act permits the following documents to 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).

Section 23701d of the Revenue and Taxation Code is amended.

This Act specifies that when FTB receives the federal determination ruling or a group exemption letter, FTB will issue an acknowledgement letter recognizing the organization's state tax exemption.

Under the Act, FTB may revoke an organization's state tax exemption if the following events occur:

- The IRS suspends or revokes the organization's tax exemption.
- The organization fails to meet certain California provisions governing exempt organizations.

Assistant Bureau Director
Patrice Gau-Johnson

Date
10/28/09

In addition, this Act provides the following:

- If FTB revokes an organization's state exemption, it can be reinstated only upon compliance with Revenue and Taxation Code section 23701, regardless of whether the organization can establish federal exemption.
- A central organization with a revoked exemption status will likewise revoke the exemption of all supporting or affiliated group members' status.

This Act is effective on January 1, 2010, and operative as of that date.

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