

ANALYSIS OF AMENDED BILL

Franchise Tax Board

Author: Skinner Analyst: Janet Jennings Bill Number: AB 2641

Related Bills: None Telephone: 845-3495 Amended Date: March 29, 2012

Attorney: Patrick Kusiak Sponsor: _____

SUBJECT: State Agencies That Regulate Nonprofit Corporations Shall Provide Governor's Office Of Business & Economic Development Information About Its Requirements

SUMMARY

This bill would require state agencies to provide to the Governor's Office of Business and Economic Development information regarding the requirements established by the state agencies that apply to nonprofit corporations for posting on its Internet Web site.

RECOMMENDATION

No position.

Summary of Amendments

The March 29, 2012, amendments removed all of the bill's provisions, related to legislative intent, and replaced them with the provisions discussed in this analysis. This is the department's first analysis of the bill. This analysis only addresses the provisions of this bill that impact the department's programs and operations.

REASON FOR THE BILL

According to the author's Fact Sheet, the reason for the bill is to simplify the incorporation and renewal processes for nonprofits by providing a single government Web site through the Governor's Office of Business and Economic Development

EFFECTIVE/OPERATIVE DATE

This bill would be effective and operative on January 1, 2013.

BACKGROUND

Exempt Organizations

An organization may be exempt from income and franchise tax if it is organized and operated for one or more exempt purposes and it complies with qualification and reporting requirements. Activities that generally qualify as exempt-purpose activities include religious services, educational programs, medical care, fundraising, sports programs, governmental and political activities, and care for the poor, disabled or disadvantaged.

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STATE LAW

California Law

California law generally requires exempt organizations to file a two-page annual information return¹ and pay a ten-dollar filing fee unless their gross receipts for the taxable year are normally not more than \$25,000.

An exempt organization that is not required to file an annual information return by virtue of its gross receipts being under the \$25,000 filing threshold is instead generally required to electronically submit, at no cost, limited basic information on a California *e-Postcard*.²

These requirements do not generally apply to churches, their integrated auxiliaries, conventions or associations of churches, the exclusive religious activity of any religious order, and certain governmental and political organizations.

The Governor's Office of Business and Economic Development, also known as "GO-Biz," was established in state government within the Governor's office. GO-Biz was created to serve as California's single point of contact for economic development and job creation efforts. GO-Biz offers a range of services to business owners including: attraction, retention and expansion services, site selection, permit streamlining, clearing of regulatory hurdles, small business assistance, international trade development, and assistance with state government.

The GO-BIZ Internet Web site currently provides the registration procedure for nonprofit corporations, with links to the California Corporation Code, the Internal Revenue Service, the Revenue and Taxation Code, the Franchise Tax Board (FTB), and the Secretary of State.

THIS BILL

This bill would require the FTB to provide the GO-Biz with accurate and updated information about its requirements, forms and documents for nonprofit corporations.

IMPLEMENTATION CONSIDERATIONS

Implementing this bill would not significantly impact the department's programs and operations. FTB currently has a considerable amount of information, forms, and publications available on its Internet Web site, and will be able to provide Go-Biz with the appropriate links.

OTHER STATES' INFORMATION

Since this bill would require information reporting specific to economic development within California, a review of other states' income tax laws is not relevant.

¹ [Form 199, California Exempt Organization Annual Information Return.](#)

² The California *e-Postcard* is FTB 199-N, Annual Electronic Filing Requirement for Small Tax-Exempt Organizations. Organizations eligible to file form FTB 199-N may choose to file a Form 199. And, an exempt organization that has unrelated business taxable income of more than \$1,000 for the year is generally required to file Form 199, regardless of the amount of its annual gross receipts.

FISCAL IMPACT

This bill would not significantly impact the department's costs.

ECONOMIC IMPACT

This bill would not impact the state's income tax revenue.

SUPPORT/OPPOSITION³

Support: AFSCME.

Opposition: None provided.

ARGUMENTS

Proponents: This bill would assist those interested in or charged with maintaining compliance for nonprofit corporations by locating all state reporting requirements on one Internet Web site.

Opponents: This bill is unnecessary as the GO-BIZ Internet Web site already contains the majority of the information necessary to form a nonprofit corporation and how to comply with state reporting requirements on its Internet Web site.

LEGISLATIVE STAFF CONTACT

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³ According to the Author's Fact Sheet for SB 2641